

Permanent Rate Buydown vs. Price Cut

Same \$24,000 from the seller. Which one lowers your payment more?

THE EXAMPLE

\$700,000 list price · 20% down · 30-year fixed · ~7.00% starting rate

1 point = 1% of the loan (\$5,600 here), assumed to lower the rate by 0.25%

	No concession	\$24K price cut	\$24K toward points	\$74K price cut
Purchase price	\$700,000	\$676,000	\$700,000	\$626,000
Down payment (20%)	\$140,000	\$135,200	\$140,000	\$125,200
Loan amount	\$560,000	\$540,800	\$560,000	\$500,800
Interest rate	7.00%	7.00%	~5.93%	7.00%
Monthly principal & interest	\$3,726	\$3,598	\$3,332	\$3,332
Savings vs. no concession	—	\$128/mo	\$394/mo	\$394/mo
Cost to the seller	\$0	\$24,000	\$24,000	\$74,000

The takeaway: \$24K toward points ≈ the same P&I payment as a \$74K price cut.

The seller keeps about \$50,000 more, and the recorded sale price stays at \$700,000.

BEFORE YOU ASK FOR ONE

- 1 It only pays off if you keep the loan.**
Points are paid up front. Refinance in a couple of years and a price cut may have been the better deal.
- 2 Seller contributions are capped.**
Conventional: 3% (under 10% down), 6% (10–25% down), 9% (over 25% down). FHA: 6%. Confirm with your lender.
- 3 Lenders price points differently every day.**
At 1/8% per point, the same \$24,000 only gets you to ~6.46% and ~\$3,526/mo: about half the savings.
- 4 A price cut has its own perks.**
Here it also cuts your down payment by \$14,800 and property tax by roughly \$70/mo. Compare the full payment.

Looking at a specific home? I'll run it with a lender.

Call or text Tye · 925-307-8798

tyemoody.com · tye@twinoaksre.com

Tye Moody, REALTOR® · DRE #02439789 · Twin Oaks Real Estate, Inc. · Broker DRE #01845706



Scan to text me

For illustration only. Figures are estimates of principal and interest on a 30-year fixed loan and exclude taxes, insurance, HOA and mortgage insurance. Actual rates, point pricing and seller-contribution limits vary by lender, loan program, credit and market conditions. Not a commitment to lend or loan advice. Tye Moody is a real estate agent, not a lender. Talk to a licensed loan officer before making an offer. Equal Housing Opportunity.