

FHA/VA Seller-Paid Interest Buydown Agreement

Loan Number: _____

This agreement, dated this _____ day _____, 20____, by and among

(the "Seller"),

(the "Borrower"), and
(the "Lender"), provides:

(1) The Borrower and Seller have entered into a contract of sale for real property known as

(the "Property"). As a condition to such sale, the Seller has agreed to contribute funds, to be held in escrow by the Lender, in order that the Borrower may obtain a mortgage loan from the Lender providing for reduced monthly payments for a limited period of time. By virtue of monthly payments from the funds so held in escrow (the "Fund Payments"), this Agreement provides for reduced monthly payments by the borrower during the first _____ months of the mortgage term. This period is called the "Reduced Payment Period, " and the reduced payments are described in Section 4 below.

(2) The Borrower will apply to the Lender for a fixed interest rate, level payment FHA mortgage loan at an interest rate set by the Lender and agreed to by the Borrower. Although the Borrower will be obligated by the note to be signed at settlement (the "Note") to pay monthly payments based on this fixed interest rate, the loan application will be processed considering the reduced monthly payments due from the Borrower during the Reduced Payment Period as described in Section 4 below.

(3) The Seller agrees, if the loan is approved, to furnish \$_____ (the "Seller-Paid Interest") to the Lender at or prior to settlement, to be held by the Lender or its assigns in accordance with this Agreement. The Lender or its assigns shall make the Fund Payments to the holder of the Note ("Noteholder") or to its servicing agent for application to the Note. If, for any reason, such Fund Payments are not made, the Borrower shall be responsible to make the total monthly payments required by the Note.

(4) The Seller-Paid Interest shall be in an amount equal to the amount necessary to pay a portion of the interest of the Borrower's monthly principal and interest payments during the Reduced Payment Period. To facilitate the calculation and application of the total Seller-Paid interest and the monthly Funds Payments, the total interest due during the Reduced Payment Period will be the lowest monthly interest amount for the reduced payment period multiplied by the number of months in the Reduced Payment Period. The Fund Payment, the Reduced Payment Period and the Seller-Paid Interest are as follows:

- a) Fund Payment (amount of each monthly interest payment): \$ _____
- b) Reduced Payment Period (number of months during which Fund Payments are made): \$ _____
- c) Total Seller-Paid Interest: \$ _____

(5) If the loan is paid, no portion of the Seller-Paid Interest will in any event be refunded to the Seller. The Borrower and the Seller shall have no right to any part of the Seller-Paid Interest other than the right to have it applied to monthly payments on the Note or to the unpaid principal balance of the Note as provided in this Agreement. The Lender, the Noteholder and the Borrower shall have no obligation to repay the Seller-Paid Interest to the Seller.

(6) If the Property is sold by the Borrower during the reduced Payment Period, any unused Seller-Paid Interest will be credited to the unpaid principal balance of the Note; except that, in the event the Property is sold by the Borrower during the Reduced Payment Period and the new purchaser assumes the Note, the remaining balance of the Seller-Paid Interest shall be used pursuant to this Agreement to lower the new purchaser's monthly payments on the Note for the remainder of the Reduced Payment Period.

(7) In the event of a foreclosure of the Property during the Reduced Payment Period, the Seller-Paid Interest shall be applied first to interest due, then to the unpaid principal balance of the Note.

(8) The Lender's loan commitment to the Borrower shall be contingent upon the receipt of the Seller-Paid Interest.

(9) The Lender accepts the escrow of Seller-Paid Interest in accordance with the terms of this Agreement. The sole responsibility of the Lender under this Agreement is the holding and proper application of the Seller-Paid Interest in accordance with this Agreement and the Lender shall have no duty to invest the Seller-Paid Interest. All responsibility hereunder of the Lender terminates upon depletion of the Seller-Paid Interest or the application of the Seller-Paid Interest to the Note as set forth elsewhere in the Agreement. The Lender shall not be liable for any action taken or omitted in good faith, and may conclusively rely and shall be protected in acting or refraining to act in reliance upon the advice of counselor upon any document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(10) Neither the Lender nor the Noteholder shall pay interest on the Seller-Paid Interest. The Seller-Paid Interest will not be used to pay any past due payments on the Note, except as otherwise provided in paragraph (7) above.

(11) After the Seller-Paid Interest has been exhausted, the Borrower will be solely responsible for the full monthly payments on the Note as provided herein.

IN WITNESS WHEREOF, the parties hereto, intending to be bound hereby, have cause their signatures to be affixed hereto, all as at the date and year first stated above.

Lender:

Seller(s):

By: _____

Title: _____

Borrower(s):
