

NEW CONSTRUCTION INSIDER

Rate Buydown vs. Price Cut

The math behind the most common
incentive tradeoff — with a worksheet.

A \$15,000 buydown and a \$15,000 price cut are not the same money.

Free buyer resource · Charlotte, North Carolina

A quick note before you dive in

This guide is for general educational purposes only and is not financial, legal, or tax advice. Builder incentives, rates, and availability change frequently — always confirm current terms in writing with the builder and your lender before making decisions.

The core idea

A **rate buydown** lowers your interest rate, which lowers your monthly payment and the total interest you pay. A **price cut** lowers your loan amount, which also lowers your payment and total interest — plus it reduces your property-tax basis and the cash you need at closing.

Which wins depends on three things: the rates involved, how long you'll stay, and whether the buydown is permanent or temporary (a 2-1 buydown expires — know what year three looks like).

Worked example

Home price \$450,000, 10% down, 30-year fixed. Market rate 7.50%. Offer 1: permanent buydown to 5.99%. Offer 2: \$15,000 price cut at 7.50%.

	Buydown to 5.99%	\$15K price cut
Loan amount	\$405,000	\$390,000
Monthly P&I; (approx.)	\$2,426	\$2,727
Monthly savings vs. market rate	\$406	\$105
Interest saved over 10 yrs (approx.)	~\$44,000	~\$11,500

Illustrative math on principal & interest only — taxes, insurance, and PMI not included. Your lender's Loan Estimate is the authoritative numbers source.

In this example the buydown wins on monthly payment *and* long-term savings — but only because it's permanent and the buyer stays long enough. Run your own numbers below.

Your worksheet

Home price

Down payment (\$ and %)

Loan amount

Market rate quoted (%)

Buydown rate offered (%)

Buydown: permanent or temporary? (if temporary, years & year-3 rate)

Price cut offered (\$)

Your expected years in this home

Monthly P&I; at market rate

Monthly P&I; with buydown

Monthly P&I; with price cut

Which saves more over YOUR timeframe?

Lender 1 (builder's) · rate, fees, incentive

Lender 2 (outside) · rate, fees

Decision & why

Questions to ask before you choose

- Is the buydown permanent or temporary? Get the note rate in writing.
- If I sell or refinance in 3 years, which option has saved me more by then?
- Does the buydown require the builder's preferred lender? What's their fee difference?
- Could I take the price cut *and* buy my own buydown with the savings?