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The Zero-Out-of-Pocket Playbook

How buyers actually get into a new-construction home with little or no cash — and what it really costs. Nothing here is a secret; it's just rarely explained in one place, and builders explain it only in ways that serve the builder.

DOWNLOAD THE PLAYBOOK (PDF) ↓

WHAT'S INSIDE

BEFORE YOU START

"Zero down" and "zero out of pocket" are not the same thing. This guide covers the whole cash picture — deposits, down payment, closing costs, and prepaids — not just the down payment a flyer advertises. Every structure here is legal, common, and has a cost; Section 8 tells you exactly where that cost goes. And this is not lending advice — New Home Dispatch is not a lender and receives no compensation from any builder or lender.

1. What "zero out of pocket" actually means

A new-construction purchase requires cash in up to five places. A true zero-out-of-pocket deal solves all five — most "zero down" marketing addresses only the down payment.

CASH LINE ITEM	TYPICAL RANGE (NEW CONSTRUCTION)	WHEN IT'S DUE
Earnest money deposit	1–5% of price (builder-set)	At contract
Design center / option deposits	25–100% of upgrade cost	At selection
Down payment	0–20%+ depending on loan	At closing
Closing costs	2–5% of price	At closing
Prepaids (taxes, insurance, interest)	~1–2% of price	At closing

> **THE HONEST HEADLINE**
>
> Genuinely closing with **$0 total cash** is possible for some buyers — most commonly VA-eligible buyers and buyers in USDA-eligible areas — and near-zero is achievable for many others. It is never free. The cost shows up somewhere else, usually in the interest rate or the loan balance. Section 8 covers exactly where.

2. The three levers

Every low-cash purchase is built from the same three levers. Everything else in this guide is a tactic under one of them.

1. **Eliminate or minimize the down payment** — through the loan program itself (VA, USDA) or down payment assistance layered on top (FHA + DPA, conventional 97 + DPA).
2. **Get someone else to pay closing costs and prepaids** — builder credits, lender credits, or both.
3. **Minimize upfront deposits** — negotiate earnest money down, avoid or defer upgrade deposits, and remember earnest money is credited back at closing. It is not lost money

unless you default.

3. Lever 1 — Loan programs that eliminate or shrink the down payment

PROGRAM	DOWN	WHO QUALIFIES	KEY CONSTRAINTS
VA loan	0%	Eligible veterans, active duty, some surviving spouses	VA funding fee (financeable; waived for some disabled veterans). No monthly mortgage insurance.
USDA loan	0%	Buyers in USDA-designated areas, under income limits	Many outer-ring Central Texas communities qualify — check the USDA map for the specific address. Guarantee fee applies.
FHA loan	3.5%	Broad credit eligibility	Upfront + monthly mortgage insurance for the life of the loan at max financing. The 3.5% can often be covered by DPA.
Conventional 97 / HomeReady / Home Possible	3%	Income limits on HomeReady/Home Possible; standard 97 is broader	Monthly PMI until sufficient equity. Often cheaper than FHA for stronger credit.
State housing finance programs	Varies	First-time buyers (often no ownership in 3 yrs), under income/price limits	The layer most buyers never check — see below.

START HERE IN TEXAS

TDHCA — My First Texas Home and My Choice Texas Home pair a first mortgage with down payment and closing-cost assistance, typically a few percent of the loan amount. **TSAHC** — Home Sweet Texas (income-based) and Homes for Texas Heroes (teachers, first responders, veterans, and other listed professions) offer assistance as a grant or forgivable second. Income and price limits apply by county; funds and terms change — verify with a participating lender. **Note:** builders' preferred lenders sometimes don't participate in these programs, and sales staff rarely mention them because DPA adds

> underwriting time. Checking the program lists yourself is one of the highest-value 30 minutes in the process.

4. Lever 2 — Getting closing costs paid

The most common new-construction incentive is a closing-cost credit — frequently conditioned on using the builder's preferred lender (and sometimes their title company). Typical structures: flat credits, percentage credits, builder-funded rate buydowns (permanent or temporary 2-1), and combination packages on inventory homes, especially near quarter- and year-end. The credit is real money — but it is not automatically a good deal.

> THE RATE TEST — RUN THIS BEFORE ACCEPTING ANY BUILDER CREDIT
>
> **1.** Get a full Loan Estimate from the builder's lender *with* the incentive. **2.** Get a Loan Estimate from at least one independent lender *without* it. **3.** Compare rate, total lender fees, and cash to close side by side — then ask the outside lender to match or beat the net position.
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> A $15,000 credit at a rate 0.75% higher can cost far more than $15,000 over the years you hold the loan. Under federal law (RESPA) a builder cannot *require* their lender — but they can lawfully *condition* the incentive on it. Know which one you're negotiating. The Incentive Reality Calculator runs this comparison for you.

Concession caps — how much the builder is allowed to pay

LOAN TYPE	MAXIMUM SELLER / BUILDER CONTRIBUTION
Conventional, <10% down	3% of price
Conventional, 10–25% down	6%
Conventional, 25%+ down	9%
FHA	6%

LOAN TYPE	MAXIMUM SELLER / BUILDER CONTRIBUTION
VA	4% toward concessions; standard closing costs paid on the buyer's behalf are treated separately — a loan officer structures this
USDA	6%

Closing costs plus prepaids run roughly 3–5% on most purchases — so on FHA, USDA, or conventional with 10% down, a motivated builder can legally cover essentially all of it. Any lender can also issue a **lender credit** in exchange for a somewhat higher rate; stacking a builder credit with a lender credit is a standard way buyers reach $0 due at closing beyond the down payment.

5. Lever 3 — Minimizing upfront cash

- **Earnest money is negotiable** — especially on spec and inventory homes. Policies flex when a home is standing finished. Asking costs nothing.
- **Earnest money comes back to you at closing** as a credit against cash to close. If the rest of the deal is structured to zero, your deposit is effectively refunded at the table. The real risk is losing it on default — which is why the contract's financing and appraisal contingencies matter more than the deposit amount.
- **Design-center deposits are the trap.** Upgrade deposits are often non-refundable and due in cash mid-build. Buyers targeting minimum cash should buy spec/inventory homes — upgrades already priced in and financed — or keep options minimal. (Full treatment: The Design Center Guide.)
- **Gift funds are allowed** on all major loan programs for down payment and closing costs, with documentation. For many buyers, a documented family gift is the simplest lever of all.

6. Where the deals live: standing inventory and the calendar

All three levers pull hardest on one kind of home: a finished, unsold home the builder is already carrying. Roughly 119,000 completed, ready-to-occupy homes were sitting on builders' books as of spring 2026 — the largest finished-spec pool in over a decade. Every one costs its builder interest, taxes, insurance, and HOA dues each month it sits, and cutting the sticker price resets comps for the whole community — so builders strongly prefer paying your closing costs and buying down your rate instead.

> COMPANION REPORT
>
> The full national data, the builder fiscal-year calendar (year-end isn't December for everyone), and how to verify a home's age from public records are in the **Standing Inventory Report** — and what builders are offering right now is in the live Incentive Tracker.

7. Putting it together: four real deal structures

STRUCTURE	HOW IT WORKS	NET CASH OUT OF POCKET
A — VA buyer, aged spec home	0% down + builder credit (within the 4% cap) covering closing costs and prepaids + funding fee financed into the loan.	**~$0. Earnest money returned at closing.** The cleanest true-zero path that exists.
B — USDA-eligible buyer	0% down + costs covered by builder credit and/or rolled into the loan — USDA uniquely allows financing closing costs up to appraised value when the home appraises above price.	At or near $0.
C — FHA + Texas DPA	3.5% down covered by TDHCA or TSAHC assistance + builder credit covering closing costs.	Near $0 — at the cost of FHA mortgage insurance and possibly a slightly higher program rate.
D — Conventional 97 + stacked credits	3% down from savings or gift + builder credit + lender credit covering the rest.	3% out of pocket, everything else covered. The most common low-cash (not zero) structure for non-VA/USDA buyers.

All four get approved most readily on standing inventory near the builder's own quarter-end — that's when the credit ceiling the sales office can offer is highest.

8. What it actually costs: the honest tradeoffs

Zero out of pocket is a financing structure, not a discount. The costs are real:

1. **Higher rate.** Lender credits and some builder-lender packages are funded by rate. Over a long hold, this can exceed the upfront savings.
2. **Mortgage insurance.** FHA MIP and conventional PMI are the recurring price of low down payments. VA avoids this via the funding fee.
3. **Zero starting equity.** With ~6–8% selling costs, a buyer who puts nothing down and must sell within a few years can owe more than the sale nets — especially in a new community where the builder is still selling comparable homes at list, capping resale prices.
4. **Financed fees compound.** VA funding fees, USDA guarantee fees, and rolled-in costs accrue interest for the life of the loan.
5. **Appraisal risk.** Credits and rolled-in costs only work if the home appraises. Incentive-heavy communities can have appraisal friction.
6. **Payment stress.** A payment sized by "what you qualify for" with nothing down leaves no cushion. Qualifying is not the same as affording.

> THE DECISION RULE
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> Zero-out-of-pocket structures make the most sense for buyers who (a) plan to stay five or more years, (b) have stable income and reserves after closing, and (c) are trading upfront cash they'd rather keep as an emergency fund — **not** buyers who have no cash at all. If you can't cover a furnace repair the month after closing, the problem isn't the down payment.

9. Red flags

- A builder credit that evaporates unless you use their lender — and the lender won't produce a Loan Estimate until after you sign.
- "Zero down" advertising that is silent on closing costs, prepaids, and deposits.

- Temporary buydowns (2-1) marketed as if the year-one payment is the permanent payment.
- Pressure to skip an independent lender comparison "because the incentive expires today." Incentives are re-offered constantly.
- DPA "programs" pitched by unlicensed parties, or requiring upfront fees to apply.

10. The buyer checklist

Before touring

- [ ] Check VA eligibility (if applicable) and USDA area eligibility for target communities.
- [ ] Pull the TDHCA and TSAHC program pages; note income/price limits for your county.
- [ ] Get pre-approved with one independent lender as a baseline.
- [ ] Ask each community which homes are complete today — and when each was finished.

When negotiating

- [ ] Ask for the current incentive sheet in writing, including lender conditions.
- [ ] Ask whether the credit applies to spec, to-be-built, or both — and whether aged specs carry more.
- [ ] Ask the earnest money requirement — then ask if it's flexible.
- [ ] Confirm the builder's lender participates in your DPA program, if you're using one.
- [ ] Time your written offer to the builder's own quarter-end.

Before signing

- [ ] Loan Estimates side by side: builder's lender (with incentive) vs. independent lender.
- [ ] Compare rate, total loan costs, and cash to close — not just the credit headline.
- [ ] Confirm total cash required at every stage: contract, design center, closing.
- [ ] Confirm what happens to your deposits if financing or appraisal fails.

Run your own numbers

This guide is the map. These free tools turn it into your actual deal — no email required.

INCENTIVE REALITY CALCULATOR →

SEE LIVE INCENTIVES →

DARE TO COMPARE WORKBOOK (PDF) →

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any builder.

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