

# Forward Commitments for New Construction



## What Is a Forward Commitment?

A forward commitment allows a builder to buy down interest rates across a group of homes (not individual transactions), avoiding traditional seller contribution limits (3%–6%). Builders can invest 8–12+ points to create significantly below-market permanent note rates.

### Why Builders Use Them

- Create long-term affordability (permanent note rate, not temporary buy-down).
- Move surplus inventory quickly.
- Differentiate in competitive markets.
- Strategically sacrifice margin to increase velocity.

### Traditional Challenges

- ⚠ Large commitment sizes (\$5M–\$10M typical).
- ⚠ Usually limited to 90-day terms.
- ⚠ Product-specific pools (Conforming vs. Government).
- ⚠ Risk if commitment goes unused.
- ⚠ Large upfront capital investment.

## Embrace Differentiators

Smaller commitments (as low as 2 homes / \$1M).

Flexible terms (90–180+ days).

Blended products (Conventional, FHA, VA, ARM together).

Ability to layer temporary buy-downs on top of forward rate.

Refundability component for unused commitments (less hedge loss).

Flexible payment structure to support builder cash flow.

## What Builders Truly Value

- Close loans on time, every time.
- Protect the backlog with proactive communication.
- Bring products and tools that help sell homes.

### KEY TAKEAWAY

Forward commitments are powerful—but long-term builder relationships are built on execution, transparency, and solutions that help builders sell more homes.

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