



24 BUILDER TRAPS & SCAMS



SECTION 1: FINANCING & RATE TRAPS

Teaser rates, inflated base prices, and payment shock traps

01 The Teaser-Rate Trap

Builders offer temporary rate buydowns to make monthly payments look artificially low during year one.

REDFLAG: TEMPORARY PAYMENT MASK

02 Inflated Home Prices

The base price is marked up significantly above true market value to absorb the cost of builder incentives.

REDFLAG: ARTIFICIAL PRICE FLOOR

03 You Fund the "Discount"

The "discounted" interest rate or credit is baked directly into your higher overall loan amount.

REDFLAG: HIDDEN SELF-FINANCING

04 Your Payment Explodes

When the temporary buydown ends, your monthly mortgage payment jumps significantly in years 2 and 3.

REDFLAG: PAYMENT SHOCK

05 The Builder Profits Twice

Builders collect massive profits on both the inflated home sale and their affiliated mortgage company setup.

RED FLAG: DOUBLE-DIPPING MARGINS

06 They Profit on Everything

From land sales to financing, title fees, and options, the builder monetizes every single layer of the deal.

RED FLAG: ZERO VENDOR COMPETITION



SECTION 2: LENDERS, CREDITS & FEES

In-house lender markups, bogus credits, and hidden settlement fees

07 "Free" Credits Aren't Free

Closing cost credits offered by the builder require using their lender, who charges higher baseline fees.

REDFLAG: RECAPTURED CREDIT VALUE

08 Overpriced Upgrades

Upgrade packages must be financed through the builder's preferred channels at inflated design-center margins.

REDFLAG: MONOPOLIZED UPGRADE PRICING

09 The Builder's Agent

The sales representative in the model home represents the builder's financial interests exclusively—not yours.

REDFLAG: CONFLICT OF REPRESENTATION

10 Higher Mortgage Rates

Affiliated lenders routinely offer higher standard interest rates than outside brokers before applying credits.

REDFLAG: ABOVE-MARKET LOAN TERMS

11 Credits Eaten by Fees

Administrative fees, origination charges, and title add-ons eat up the promotional closing credit value.

RED FLAG: PHANTOM SAVINGS

12 Overpriced Closing Services

Title and escrow companies owned by or affiliated with the builder charge above-market processing fees.

RED FLAG: UNCOMPETITIVE SETTLEMENT FEES



SECTION 3: DESIGN, MODELS & HIDDEN COSTS

Design center markups, model illusions, and post-closing outlays

13 Rate-Lock Penalties

Build delays push past your rate lock period, forcing you to pay expensive lock extension fees out of pocket.

REDFLAG: UNPROTECTED DELAY COSTS

14 The Model-Home Illusion

Model homes feature six figures in luxury upgrades that aren't included in the base home price.

REDFLAG: MISLEADING EXPECTATIONS

15 100% Upgrade Markups

Basic modifications like extra outlets, trim, or flooring are marked up by double or triple actual retail costs.

REDFLAG: EXORBITANT OPTIONS PRICING

16 Your Backyard Is Dirt

Base pricing excludes landscaping, fencing, and irrigation, leaving you with an unfinished lot upon move-in.

REDFLAG: UNFINISHED OUTDOOR SPACE

17 \$20K-\$50K After Closing

Essential items like window blinds, backyard landscaping, and ceiling fans require major post-closing cash outlay.

REDFLAG: UNEXPECTED OUT-OF-POCKET COSTS

18 The Year-Two Tax Shock

Initial tax estimates are based only on unimproved land; property taxes spike once the home is fully assessed.

REDFLAG: MASSIVE ESCROW SHORTAGE



SECTION 4: TAXES, COMMUNITY & RESALE RISKS

Hidden infrastructure bonds, HOA fee hikes, and resale competition

19 Hidden Tax Assessments

Special municipal utility or infrastructure bonds (MUD/PID) are passed down to homebuyers as extra annual taxes.

REDFLAG: UNDISCLOSED COMMUNITY DEBT

20 You Repay Their Debt

Infrastructure setup costs (roads, sewers) are transferred off the builder's books onto your long-term tax bill.

REDFLAG: SUBSIDIZED DEVELOPER COSTS

21 Equity You'll Never Get

Buying at peak builder pricing with heavy upgrade markups leaves you with little to no immediate home equity.

REDFLAG: STAGNANT APPRECIATION START

22 Worse Locations

New tracts are often built further away from urban hubs, increasing commute times and reducing land scarcity value.

REDFLAG: SUB-OPTIMAL LOCATION QUALITY

23 The HOA Money Pit

Initial HOA fees are set artificially low by the builder and shoot up drastically once homeowners take control.

REDFLAG: IMPENDING HOA DUES SPIKE

24 Harder to Resell

Trying to resell your home while the builder is still constructing new phases nearby forces you to compete with builder incentives.

REDFLAG: DIRECT BUILDER COMPETITION

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