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BUYER EDUCATION GUIDE

Fixed Rate or Adjustable Rate?

A plain-English guide to adjustable-rate mortgages with a 10-year initial rate period, and how they compare with a fixed-rate mortgage.

Compiled from public data, October 2026. General information and historical data only, not a quote or a prediction. Full disclaimer on the last page.

An adjustable-rate mortgage (ARM) often starts at a lower interest rate than a comparable fixed-rate loan, though not always. With a 10-year initial rate period, your rate stays the same for the first 10 years, then it can change. A fixed-rate mortgage keeps the same rate for the life of the loan. Neither one is "better." The right choice depends on three questions:

1

How long are you likely to keep this home and this loan?

[See section 2](#)

2

Could a chance to refinance come along, and would you qualify?

[See section 3](#)

3

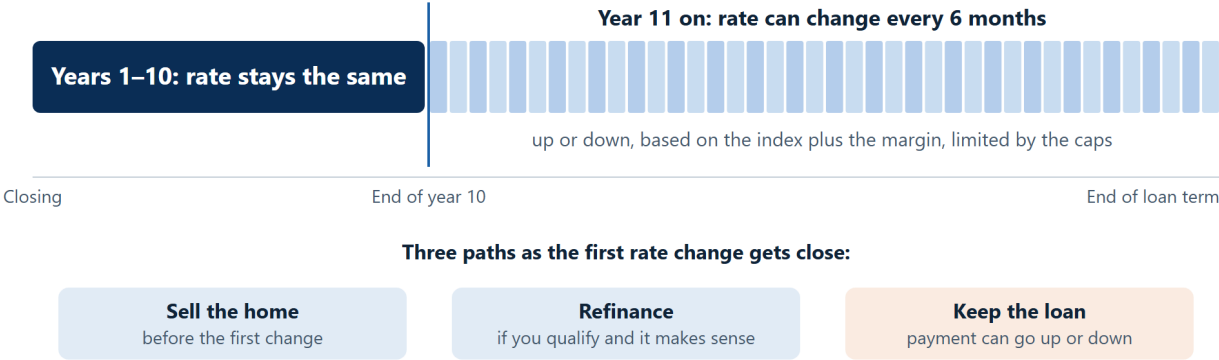
If you can't sell or refinance, could you handle a higher payment after year 10?

[See sections 4 to 6](#)

The third question matters most. An ARM can be a sound choice, but your plan should not depend on rates falling.

1 How an adjustable rate works

An ARM with a 10-year initial rate period is often called a "10/6 ARM": the rate is set for the first 10 years, then it can change every 6 months. "Fixed for 10 years" describes the initial rate period, not the whole loan term. Your loan documents set the actual terms.



The terms to ask your lender for

Initial rate period	The years your rate cannot change. Here, the first 10 years.
Adjustment period	How often the rate can change after that. For a 10/6 ARM, every 6 months.
Index	A published market rate the loan follows. Many newer ARMs use SOFR (the Secured Overnight Financing Rate).
Margin	A set amount added to the index. Index + margin = your new rate, within the caps. The margin is set when you get the loan.
Caps	Limits on how much the rate can change (up or down): at the first change, at each later change, and over the life of the loan.
Floor	The lowest your rate can go. Ask your lender what yours is.
Highest possible payment	The most your monthly principal and interest could reach if the rate rose as far as the caps allow. Ask for this in writing; your Loan Estimate shows it.

Your total house payment can still change. Property taxes, homeowners insurance and HOA dues can go up even during the first 10 years, on an ARM or a fixed-rate loan. Neither one locks your total monthly housing cost.

2 How long will you stay?

11 years

Median time sellers had owned their home before selling

NAR 2025 Profile of Home Buyers and Sellers

15 years

Median time recent buyers *expect* to stay in their home

NAR 2025 Profile of Home Buyers and Sellers

The typical seller had owned their home a little longer than a 10-year initial rate period. Today's buyers expect to stay even longer.

What these numbers do *not* tell you: they can't tell you when *you* will move. The 11-year figure counts only people who already sold, not everyone who bought. And "expect to stay" is a guess, not a promise.

Common reasons people move (general examples)

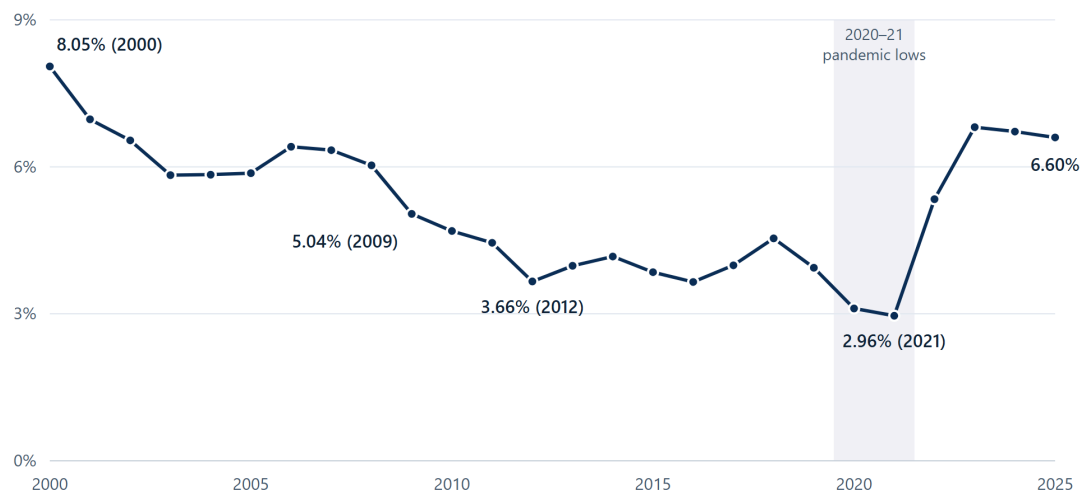
- A new job, a new commute or a relocation
 - A growing family, or needing less space
- Schools, neighborhood or lifestyle changes
 - Retirement or other family and money changes

Rule of thumb: the more confident you are that you will move or pay off the loan well before year 10, the less the later rate changes matter. If you may stay 15 to 20 years, plan as if you will still have the loan when the rate starts to change.

3 Could a refinance opportunity come along?

No one can predict rates. But history shows how much they have moved. Here are the yearly averages from Freddie Mac's national survey of fixed-rate mortgage rates, the most-watched benchmark:

Average fixed mortgage rate by year, 2000–2025 (Freddie Mac)



Source: Freddie Mac Primary Mortgage Market Survey (PMMS), 30-year fixed series, annual averages. These are national survey averages, not ARM rates and not a quote. Your rate depends on your loan and your situation. 2026 is not shown because the year is not over. The full year-by-year table is near the end of this guide.

What history shows, both ways

After rates were high in...	...what happened next
2000	they fell over the next 1 to 3 years (2001–2003)
2006–2007	they fell over the next 1 to 4 years (2008–2010)
2018	they fell the next year (2019)
Late 2023 (weekly peak 7.79%, October 2023)	the weekly average fell to 6.08% by September 2024, then rose again; in October 2026 it was 7.40%, the highest since late 2023

The other side: buyers who got loans when rates were very low, such as 2012 or 2020–2021, went years with no better rate to refinance into. And rates so far in 2026 are well above the 2020–21 lows, so a lower rate is not guaranteed to come along.

Some recent buyers refinanced quickly. ICE Mortgage Technology found that among rate-and-term refinances in September–October 2024, borrowers had kept their old loan about 15 months on average, the shortest since ICE began tracking nearly 20 years ago. In September–October 2025, about 95% of rate-and-term refinances were on loans made in 2023–2025. Keep in mind this counts only the people who did refinance, not everyone who hoped to.

Refinancing is never automatic. You would need to qualify again: income, credit, home value and equity all count, and you will often need a new appraisal. A refinance also has closing costs. Rates may not drop, or may not drop enough to be worth it.

4 What if you keep the loan past year 10?

This is the "stress test." If you don't sell or refinance, your rate will reset when the initial period ends, based on the index plus your margin and limited by your caps. Your payment can go up, go down or stay about the same.

The first change can be the biggest. On Fannie Mae and Freddie Mac SOFR ARMs with a 7- or 10-year initial rate period, the cap on the *first* change is usually the same as the cap for the *whole life* of the loan. Other ARM types (FHA, VA, jumbo) can differ. That means the rate could rise all the way to its lifetime maximum at the first rate change. Ask to see your loan's caps in writing.

The Consumer Financial Protection Bureau (CFPB) recommends that you review every cap and ask your lender for the **highest payment you could ever owe** under the loan. Then ask yourself honestly: could my budget carry that payment if I'm still in this home?

5 ARM vs. fixed: what you're trading

	ARM (10-year initial rate period)	Fixed-rate mortgage
Interest rate	Stays the same for 10 years, then can change every 6 months within the caps	Stays the same for the whole loan
Starting rate	Often lower than a comparable fixed rate, but not always. Confirm with a real quote and APR	May be higher or lower than an ARM's starting rate. Offers vary
What to plan for	Possible payment changes after year 10, and possible refinance or selling costs	Taxes, insurance and HOA dues can still change; selling or refinancing still has costs
May suit	A realistic plan to move or pay off the loan before year 10, and room in the budget for the highest possible payment	Someone who wants a principal-and-interest payment that won't change and expects to stay a long time

6 Is the lower starting rate worth it?

An ARM's main appeal is the gap between its starting rate and a comparable fixed rate, when there is one. The gap changes daily and from loan to loan, so compare real quotes side by side, for the same loan amount, on the same day:

- **A small gap** may not be worth taking on the risk of later rate changes.
- **A larger gap** saves more each month during the initial rate period, and pays your balance down a little faster.
- **Compare total cost, not just the payment:** points, lender fees and closing costs on both loans, plus the likely cost of refinancing or selling later.

Your side-by-side worksheet

Fill this in from the Loan Estimates your lenders give you.

	Fixed-rate loan	ARM (10-year initial period)
Interest rate / APR		
Monthly principal & interest		
Points, lender fees and credits		
Monthly difference × months I expect to keep the loan (up to 120, the first 10 years)		
Index and margin (ARM)		
Caps: first / later / lifetime (ARM)		
First rate change (month) (ARM)		
Highest possible payment (ARM)		
Could I afford the highest payment? (yes / no)		

Questions to ask yourself

- ☐ How long do I realistically expect to own this home?
- ☐ Do I have savings for a job change, repairs or higher housing costs?
- ☐ Would I still choose this loan if refinancing weren't available?

7 Who an ARM may fit, and who should be careful

Your situation	How the risk tends to look
Expect to move within about 5 to 7 years, steady finances	Lower: you may be gone before the first change
Expect to stay 8 to 10 years, solid savings	Moderate: you're close to the first change
Expect to stay 11 to 14 years	Moderate to high: you would likely face several rate changes
Expect to stay 15 to 20 years, and could afford the highest payment	Moderate to high: years of possible rate changes
Would <i>need</i> to refinance before year 10 to afford the payment	High: your plan depends on rates and on qualifying again
Little equity, uneven income, or thin savings	High

These are general patterns, not predictions or a recommendation for anyone in particular.

Questions to ask any lender about an ARM

- ☐ How long is the initial rate period, and how often does the rate change after it?
- ☐ Which index does it follow, and what is the margin?
- ☐ What are the caps on the first change, later changes, and the life of the loan?
- ☐ Is there a floor? What is it?
- ☐ When is the first rate change?
- ☐ What is the highest payment I could ever owe?
- ☐ Is there a prepayment penalty if I sell or refinance early?
- ☐ How does this ARM's APR compare with the fixed-rate APR?
- ☐ What would it cost to refinance later, and what would I need to qualify?

8 Your next step: compare your real options

There's no single mortgage that's right for everyone. A useful comparison starts with your goals, your budget, how long you expect to stay, and how comfortable you are with change. Ask me for official Loan Estimates for an adjustable-rate option and a fixed-rate option, so you can compare for each loan:

- The interest rate and APR, together
- Closing costs, points and lender credits
- The estimated monthly payment
- The ARM's adjustment rules and highest possible payment



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The yearly rate table behind the chart

Year	Average	Year	Average	Year	Average
2000	8.05%	2009	5.04%	2018	4.54%
2001	6.97%	2010	4.69%	2019	3.94%
2002	6.54%	2011	4.45%	2020	3.11%
2003	5.83%	2012	3.66%	2021	2.96%
2004	5.84%	2013	3.98%	2022	5.34%
2005	5.87%	2014	4.17%	2023	6.81%
2006	6.41%	2015	3.85%	2024	6.72%
2007	6.34%	2016	3.65%	2025	6.60%
2008	6.03%	2017	3.99%		

Freddie Mac PMMS, 30-year fixed series, national annual averages (calculated from Freddie Mac's weekly data). Historical averages do not predict future rates.

Sources

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Figures checked against these sources on October 21, 2026. Data changes, so check the source for the latest.

Important: please read

General information and historical data only. This guide was put together from publicly available data and is for general education. It is not a loan offer, a rate quote, a commitment to lend, or financial, legal or tax advice. It does not quote an interest rate, APR or payment for any loan. The rates shown are national survey averages; they do not predict future rates and are not a quote. Your actual rate, APR, payment, loan terms and eligibility depend on your full application, credit, income, property and market conditions when you apply. ARM payments can increase after the initial rate period. Home values can go down, which can make it harder to sell or refinance. All loans are subject to credit approval and underwriting guidelines. Not all borrowers will qualify.

How this guide was made. I compiled this guide with the help of AI tools (ChatGPT and Claude), which gathered public information and drafted much of the text. I reviewed the guide before sharing, and the figures were checked against the sources listed, but it may still contain errors or become out of date. The cover photo of me was enhanced with an AI tool, and the city skyline is an AI illustration. Please confirm anything important with the original sources and talk with me or another licensed loan officer about your own situation before you decide.

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