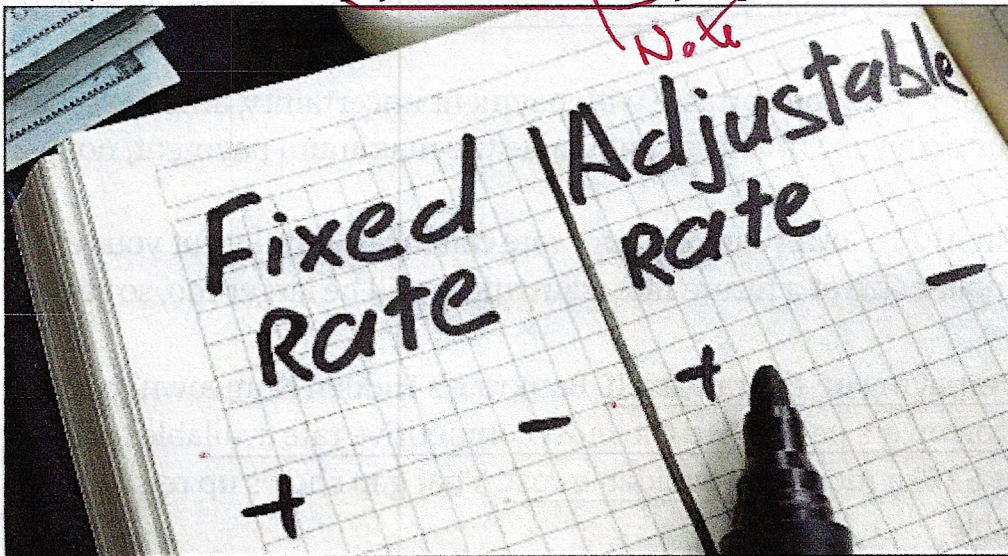


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Fixed-rate vs. adjustable-rate mortgages: What's the difference?

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Both fixed-rate and adjustable-rate mortgages (ARMs) are legitimate ways to finance a home — neither is automatically the smarter choice. What matters is your situation: how long you plan to stay in the home, and how much payment uncertainty you plan to take on.



A fixed-rate mortgage maintains the same interest rate for the life of the loan, so your principal and interest payment won't change unless you refinance. That doesn't mean your total housing payment is locked, too — property taxes and homeowners insurance can still rise and take your overall payment up with them.

Fixed-rate mortgages are the most common type of home loan, typically written in 15-year and 30-year terms. Some lenders also offer custom terms anywhere from 8 to 30 years.

An adjustable-rate mortgage starts with a fixed interest rate for a set period, typically three, five, seven, or 10 years. During that introductory period, you'll usually pay a lower interest rate than you would with a comparable fixed-rate mortgage, which can mean lower monthly payments at the start of your loan.

The trade-off comes later after the introductory term ends. From that point, your rate adjusts up or down on a set schedule, usually every six or 12 months, based on a financial index such as the Secured Overnight Financing Rate (SOFR) — the benchmark most lenders use to price ARMs. Most ARMs cap how much the rate can rise at each adjustment and over the life of the loan, but even with caps in place, your payment can climb substantially.

An ARM isn't inherently bad; it's just less predictable than a fixed-rate mortgage.

Which rate type fits your situation?

Your answer comes down to two things: how long you'll stay in the home and how much payment uncertainty you can handle. Here's how to think it through:

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- If you plan to stay in your home for more than seven years, a fixed-rate mortgage may offer fewer surprises. If rates fall after you lock it in, you still have the option to refinance. With this choice, you're never forced to accept a higher monthly principal and interest payment.
- If you're buying your first home or want a mortgage that's simple and predictable, a fixed-rate mortgage may be a good option. Your interest rate and monthly principal and interest payment remain the same as long as you have the loan. No scheduled rate adjustments or changing payment amounts to track.
- If you have limited savings or less predictable income, a fixed-rate mortgage could give you more stability. A mortgage payment that can't adjust higher can provide more financial certainty.
- If you expect to move within a few years, an ARM could help you save money upfront. Many ARMs start with a lower introductory rate, which may make sense if you plan to sell your home in advance of the rate adjustment.
- If you expect your income to improve or you're comfortable with payment uncertainty, an ARM's early savings could be worth the risk. Just confirm your finances can handle the maximum payment, not just the starting one.
- If you're borrowing a large amount, an ARM's lower introductory rate can meaningfully cut your early interest costs. But remember that the dollar size of a future rate adjustment will be larger too, so stress-test the math before you commit.

None of this matters much if you're overpaying on the rate itself. Bankrate's Hidden Homeownership Tax research found that 87% of 2025 borrowers paid above the most competitive rate available to them — an average of \$3,343 a year, or about \$278 a month, in avoidable cost. That gap shows up regardless of whether you choose fixed or adjustable.

Shop multiple lenders on the same day, compare full quotes rather than just the headline rate and see how we calculate the most competitive offer to understand where that savings comes from.

Can you switch rate structures later?

Choosing fixed or adjustable now doesn't lock you in forever. You can refinance an ARM into a fixed-rate loan or a fixed-rate loan into an ARM, if your situation changes.

Just don't count on refinancing as your backup plan. Qualifying for a new loan means meeting a lender's requirements at the time you apply, and there's no guarantee you will. If your credit score drops, your home's value declines, you don't have enough equity or rates rise, refinancing may not be available (or worth it) when you need it. That's especially risky if you took an ARM specifically betting on refinancing before the first adjustment; if the refinance doesn't come through, you're left with a payment you didn't plan to afford. Choose a mortgage you could afford even if refinancing turns out not to be an option.

Frequently asked questions

- Are mortgages fixed or variable? Most U.S. mortgages are fixed-rate loans, meaning your interest rate and monthly principal and interest payment stay the same for the life of the loan. However, some mortgages have variable rates, such as adjustable-rate mortgages, where the interest rate can change after an initial fixed period.
- Is an ARM riskier than a fixed-rate mortgage? Yes. An ARM's rate and payment are fixed for an introductory period, but then the rate can rise enough to make the loan noticeably more expensive than the

fixed-rate loan you passed up. A fixed-rate mortgage carries no such risk — your rate can't increase for reasons outside your control.

- Is an ARM or a fixed-rate mortgage easier to qualify for? Fixed-rate mortgages are generally easier to qualify for. A conventional ARM typically requires a minimum down payment of 5%, a credit score of 620 or higher and a debt-to-income ratio of 45% or below — and lenders usually evaluate whether you could handle the highest possible future payment, not just the introductory one. Requirements vary by lender and loan program, so confirm the specifics before you apply.

Key takeaways

- A fixed-rate mortgage locks in the same interest rate and monthly payment for the life of the loan.
 - An adjustable-rate mortgage usually starts with a lower rate than a comparable fixed-rate loan — but that rate is temporary.
 - If you don't sell or refinance the ARM before the first rate adjustment, your payment could increase.
- Borrowers should consider whether they could afford the highest possible payment if the ARM adjusts upward.

