

Beyond the Mortgage Rate

Can buying a home still make sense?

Homeownership, future refinancing, and builder incentives—how the complete purchase fits your long-term plan.

Kayode Kosemani, REALTOR®, PMP Research checked October 18, 2026

A mortgage rate can make you pause. It affects your monthly payment, purchasing power, and borrowing costs. But when I discuss homeownership with buyers, I encourage them to look beyond that single number.

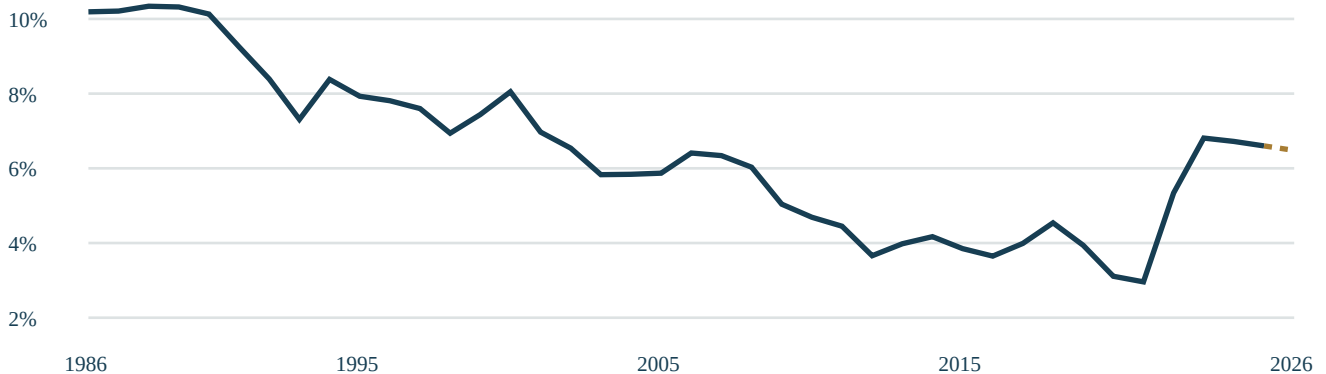
Does the home fit your needs? Can you comfortably afford the complete monthly expense? Will you have savings left after closing? How long do you expect to stay?

You do not need the lowest mortgage rate in history to make a sound homebuying decision. You need a home, payment, and ownership plan that work for your circumstances.

Forty years of perspective

Freddie Mac's national average 30-year fixed mortgage rate was 7.40% on October 15, 2026 . This is a benchmark, not a guaranteed quote. The survey focuses on conventional, conforming purchase loans for borrowers with excellent credit and 20% down. Those characteristics describe the benchmark, not a universal requirement to buy a home. [1]

LATEST WEEK: 7.40% | 2026 YTD: 6.48% | 2021: 2.96%



2026 is an incomplete year-to-date average, shown with the gold dashed segment. Full annual history appears in the appendix. [2, 3]

Rates near 3% in 2020 and 2021 are an understandable reference point. Waiting for those rates to return, however, means waiting for an outcome no one can promise. Nor do higher historical rates prove today's prices are affordable: current income, prices, taxes, insurance, and other obligations matter.

Explore the figures interactively

Open the interactive rate history and payment explorer at chervillc.com

The linked online article includes a year selector and adjustable loan amount. At the latest weekly benchmark of 7.40%, a \$280,000, 30-year loan has monthly principal and interest of \$1,938.66. Taxes, insurance, HOA, maintenance, and mortgage insurance are additional.

Ownership has value. Readiness makes it sustainable.

Homeownership combines a place to live with a financial commitment. Its potential benefits extend beyond the mortgage rate.

Build equity over time

Scheduled principal payments on a fully amortizing mortgage reduce debt. Appreciation may add equity, but values can also fall.

Make the home your own

Ownership generally offers more control over improvements and personalization, subject to permits, association rules, and other restrictions.

Stabilize part of the payment

A fixed-rate loan provides predictable scheduled principal and interest. Taxes, insurance, HOA charges, and repairs can still change.

Support longer-term plans

A suitable home can provide continuity while you gradually repay mortgage debt. Time in the home matters because buying and selling carry costs.

Renting provides housing and flexibility

Rent is not “nothing.” It pays for a place to live and generally leaves major repairs to the landlord. Renting may be sensible if you expect to move soon, need to rebuild savings, or are not ready for ownership responsibilities.

It generally does not build ownership equity for the tenant. But not every ownership dollar builds wealth either: interest, insurance, taxes, maintenance, and transaction costs are expenses. Principal payments reduce debt.

A renter may invest the money that would otherwise go toward a down payment or higher ownership expenses. A fair rent-versus-buy comparison includes that opportunity, the expected holding period, and the full costs of both choices.

My goal is to help buyers become ready for ownership—not stretch into a payment that makes everyday life harder.

Steady income, adequate reserves, and the ability to cover repairs are central to that readiness. [4]

New construction or an existing home?

Builder incentives can materially change the economics of a purchase. Compare the entire package, including the home itself.

Consideration	New construction	Existing home
Financing	May offer a special fixed rate, temporary buydown, or ARM	Shop lenders; explore negotiated seller concessions
Price	Check base price, lot premium, upgrades, and final price	Review comparable sales, condition, and negotiating room
Closing costs	Credits may have lender and deadline conditions	Seller credits may be negotiated within loan limits
Repairs	New systems may reduce early needs; warranty terms vary	Inspect immediate needs and future replacement costs
Features	Confirm included finishes, appliances, and landscaping	Existing improvements may already be included
Property taxes	Estimate taxes on the completed home and applicable deductions	Review assessment and buyer-specific tax treatment
HOA	Check dues, restrictions, and potential changes	Review dues, financial condition, and assessments
Timing	Confirm completion and incentive closing deadlines	Coordinate closing and possession with the seller
Inspection	Independent inspection remains valuable	Essential to evaluating condition
Location and resale	Consider future development and builder inventory competition	Consider neighborhood conditions and resale comparisons

A new home can offer a compelling financing package. An existing home may offer a better location, lower price, or improvements already paid for. The better choice depends on the buyer's complete numbers and priorities.

Property taxes deserve a separate check

For a new home, request a projection that includes both the land and completed improvements. For either purchase, do not assume the seller's bill or deductions will match your situation. Verify the applicable assessment and deductions with the county assessor or auditor and your closing team.

D.R. Horton: read beyond the advertised rate

Historical example—offer expired August 29, 2025. This is not a currently available loan offer.

A published D.R. Horton promotion for selected Indiana homes advertised a 4.99% rate, 5.592% APR, and 30-year fixed conventional mortgage with 5% down . Financing through DHI Mortgage was required to receive the advertised rate. Qualifying contracts began May 21, 2025, with closing required by August 29, 2025. Additional closing costs and restrictions applied. [6]

The example demonstrates why a down payment is not the complete cash requirement and why a headline rate is not the complete borrowing cost. Current Central Indiana terms must be obtained separately.

Ask the lender or builder	What to establish
What kind of financing is this?	Permanent fixed rate, temporary payment subsidy, or ARM
What are the full borrowing costs?	APR, points, fees, mortgage insurance, and lender credits
What do I need to qualify?	Credit, documented income, debts, assets, occupancy, and loan-program requirements
Which homes and dates qualify?	Eligible inventory, contract deadline, closing deadline, and rate-lock terms
Must I use an affiliated lender?	Compare the incentive with outside lenders' complete offers
Can incentives be combined?	Whether credits, price reductions, or upgrades are forfeited
What is my full budget?	Cash to close plus taxes, insurance, HOA, and maintenance

Credit-score requirements vary by lender, loan program, and promotion. Ask the lender to confirm the requirements for the specific offer. A particular score or down payment alone does not guarantee approval.

Permanent rate reduction versus temporary buydown

A permanent reduction lowers the contractual rate for the term of a fixed-rate loan. A typical seller-funded 2-1 buydown instead subsidizes the buyer's payments for two years: the buyer initially contributes an amount calculated two percentage points below the note rate, then one point below it, before paying the full amount. The note rate and amortization remain unchanged.

Under Fannie Mae's rules, borrowers qualify at the note rate, not the reduced introductory payment. Temporary relief should not conceal an unaffordable later payment. [7]

Compare the monthly budget—and the five-year picture

These hypothetical examples hold price and other costs constant to isolate financing. They are not lender quotes or current D.R. Horton offers .

Shared assumptions: \$350,000 price; \$70,000 down (20%); \$280,000 conventional loan; 30-year term; no mortgage insurance. Monthly allowances: \$300 property taxes, \$125 homeowners insurance, \$50 HOA, and \$200 maintenance. The 20% down payment is a modeling choice, not a universal requirement.

Monthly amount	Existing: 7.40% fixed	New: 4.99% fixed*	New: 7.40% + 2-1 subsidy
Buyer P&I, year 1	\$1,939	\$1,501	\$1,572
Buyer P&I, year 2	\$1,939	\$1,501	\$1,751
P&I, years 3–30	\$1,939	\$1,501	\$1,939
Taxes, insurance, HOA	\$475	\$475	\$475
Maintenance allowance	\$200	\$200	\$200
Total budget, year 1	\$2,614	\$2,176	\$2,247
Total budget, year 2	\$2,614	\$2,176	\$2,426
Total budget, year 3 onward	\$2,614	\$2,176	\$2,614

*Hypothetical permanent rate, separate from the expired D.R. Horton offer. APR cannot be established without actual loan fees. Dollar figures rounded; P&I means principal and interest. The seller funds the temporary subsidy in this illustration.

The permanent-rate example saves approximately \$437 a month in principal and interest. The temporary buydown saves the buyer about \$6,643 over two years , after which the full payment applies.

After five years: cash, expenses, and equity

Also assume \$7,000 in acquisition closing costs; no buyer-paid points; no refinancing or price change; constant listed expenses; and the full maintenance allowance spent.

Five-year measure	7.40% fixed	4.99% fixed	7.40% + 2-1 subsidy
Buyer cash outlay, including down payment and listed costs	\$233,820	\$207,583	\$227,176
Mortgage principal repaid	\$15,336	\$22,916	\$15,336
Equity before selling costs	\$85,336	\$92,916	\$85,336
Expenses excluding down payment and principal	\$148,484	\$114,667	\$141,841

Calculated with unrounded payments. Subsidy supplements the buyer's payment, so amortization is unchanged. Prepaid taxes/insurance are represented within the five years of expenses, not added again; actual closing cash may require additional escrow funding. Unspent escrow remains an asset. Excludes utilities, moving, upgrades, selling costs, tax effects, investment opportunity cost, and separate reserve balances.

Cash outlay is not the same as expense; equity is not spendable cash. A higher new-home price or added loan charges can reduce or eliminate the advantage. Replace these assumptions with actual property and financing figures before deciding. [5]

Refinancing: an opportunity, not the foundation

Refinancing replaces your existing mortgage with a new loan. It may reduce your rate, change your term, or meet another goal. But a favorable future loan is not guaranteed.

Credit, income, debt, property value, eligibility, and closing costs all matter. Extending repayment can lower a payment while increasing total cost, so compare both the monthly savings and the payoff timeline. [8]

A hypothetical refinance after two years

Starting with the \$280,000 mortgage at 7.40%, assume on-time scheduled payments and a future 5.50% rate. That future rate is a scenario, not a forecast.

Measure	Approximate amount
Remaining mortgage balance	\$274,534
Existing monthly principal and interest	\$1,939
Hypothetical new rate	5.50%
New term, preserving original payoff timeline	28 years
New monthly principal and interest	\$1,603
Monthly P&I savings	\$335
Refinance costs, paid separately	\$6,000
Simple cost-recovery period	About 18 months

No additional borrowing or financed fees. Taxes, insurance, and other ownership expenses are not included in the savings. Simple recovery divides transaction costs by monthly P&I savings; it is not a complete investment-return calculation.

If you expect to keep the new loan long enough to recover the costs, refinancing may be worthwhile. But selling soon, financing fees, a different term, or a change in financial circumstances can change the result. Compare actual Loan Estimates before committing.

Buy based on a payment you can sustain today. Treat refinancing as a possible future improvement.

If rates do not fall

Your purchase still needs to work. For a fixed-rate loan, continue planning around the contractual payment and allow for changing taxes, insurance, and repairs. Do not rely on refinancing to make an unaffordable home manageable.

Five questions before you commit

- Can I comfortably afford the complete payment? Include ownership expenses, other debts, savings, and household priorities.
- Will I have reserves after closing? The down payment and closing costs should not consume every available dollar.
- Does the home fit my expected time horizon? Buying and selling costs matter, particularly over shorter ownership periods.
- Have I compared complete offers? Evaluate price, APR, cash to close, loan terms, incentives, and condition together.
- Does the purchase work without refinancing or appreciation? Those possibilities should strengthen a sound plan, not rescue an unaffordable one.

A higher mortgage rate deserves careful attention. It does not automatically close the door to homeownership.

For a financially prepared buyer, the right home can offer stability, greater control, and an opportunity to build equity over time. Builder incentives may improve the numbers. Future refinancing may create another opportunity.

The strongest starting point is a purchase you can afford and a plan you understand.

YOUR NEXT STEP

Let's put your goals beside the numbers.

Considering an existing home or new construction in Central Indiana? Send me "HOME" . Let's discuss your goals and the questions to review with your lender.

The full history, 1986–2026

National annual average 30-year fixed rates. Forty years, 41 calendar-year entries; 2026 is YTD through October 15.

Year	Average rate
1986	10.19%
1987	10.21%
1988	10.34%
1989	10.32%
1990	10.13%
1991	9.25%
1992	8.39%
1993	7.31%
1994	8.38%
1995	7.93%

Year	Average rate
1996	7.81%
1997	7.60%
1998	6.94%
1999	7.44%
2000	8.05%
2001	6.97%
2002	6.54%
2003	5.83%
2004	5.84%
2005	5.87%

Year	Average rate
2006	6.41%
2007	6.34%
2008	6.03%
2009	5.04%
2010	4.69%
2011	4.45%
2012	3.66%
2013	3.98%
2014	4.17%
2015	3.85%

Year	Average rate
2016	3.65%
2017	3.99%
2018	4.54%
2019	3.94%
2020	3.11%
2021	2.96%
2022	5.34%
2023	6.81%
2024	6.72%
2025	6.60%
2026 YTD	6.48%

Annual averages from weekly Freddie Mac PMMS observations, rounded to two decimals. Methodology changed November 17, 2022. The incomplete 2026 average is not the latest weekly rate. [2, 3]

Sources and calculation notes

Primary sources underpin the rate history, financing explanations, and buyer guidance. The expired builder example is identified separately from current market data.

Freddie Mac: October 15, 2026 PMMS release

Freddie Mac: historical data and downloadable weekly observations

FRED: MORTGAGE30US, including methodology change

CFPB: financial considerations of buying a home

CFPB: build your homebuying budget

D.R. Horton: historical Edgewood Farms promotion (expired August 29, 2025)

Fannie Mae: temporary interest-rate buydowns

CFPB: Should I refinance?

How the examples are calculated

For a fixed fully amortizing loan, monthly principal and interest equals $L \times r \div [1 - (1 + r)^{-n}]$, where L is the loan balance, r is the annual rate divided by 12, and n is the number of monthly payments. Tables use unrounded calculations before final rounding.

Five-year equity assumes a constant \$350,000 home value less the remaining loan balance. Expenses exclude down payment and principal repaid. Temporary subsidy calculations use buyer contributions based on 5.40% in year one and 6.40% in year two, while the mortgage amortizes at its 7.40% note rate.

Examples deliberately hold non-financing expenses constant; they do not forecast Indiana property taxes, insurance, maintenance, appreciation, or future interest rates. Current property-specific information and lender disclosures should replace these assumptions.

The historical D.R. Horton terms were retrieved from indexed official property-page material. The offer is expired, the linked page may change or become unavailable, and no current equivalent or offer-specific credit-score minimum is asserted.



Kayode Kosemani, REALTOR®, PMP

Indiana licensed real estate professional | License RB25000025 Clubhouse RE Mega Team | eXp Realty | chervillc.com

Clubhouse RE is brokered by eXp Realty. Equal Housing Opportunity. Educational information only; not a loan offer or approval. Rates, incentives, eligibility, and property availability are subject to change.