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More Buyers Are Choosing ARMs — Here's Why It Might Be a Smart Strategy

Let's Talk Home Financing

By JIM SMITH Realtor®

Adjustable Rate Mortgages (or ARMs) were commonly used by purchasers from 2004 to 2006. Roughly 35% of mortgages originated during those years were "adjustable." After the 2008 housing/fiscal crisis, caused in part by risky mortgage loan products including ARMs, the number of ARM transactions made in the U.S. plummeted. But now we are seeing a resurgence of them.

As in the past, **Jaxzann Riggs**, owner of **The Mortgage Network**, helped me with the current situation so I could share it with you.

What Exactly Is an ARM?

An ARM is a home loan with an interest rate that adjusts over time. Historically, you start with a lower, fixed interest rate for a set period — typically 5, 7, or 10 years — and then the rate adjusts at regular intervals based on market conditions.

For example, a 7/1 ARM locks in your rate for seven years, then adjusts annually. A 10/6 ARM is at a fixed rate for 10 years, then adjusts every six months. These loans are structured with caps to limit how much your rate (and payment) can increase at each adjustment or over the life of the loan.

Until recently there was not much incentive for borrowers to consider an ARM because (unlike the ARMs offered 2004-2008) there was virtually no disparity between rates offered on ARMs, and those offered on a 30-year fixed rate loan. In the past 30 days that has changed. As of June 15th, *Mortgage Daily News* reported an average rate of 6.88% and 6.90% for a 30-year fixed rate loan versus 6.625% and 6.45% being offered on a 5-year Adjustable Rate Mortgage.

Why More Buyers Are Taking a Second Look at ARMs

Many purchasers anticipate rate cuts ahead. By using an ARM now, they will enjoy a slightly lower rate during the initial fixed period. Some have the hope that, instead of increasing on the adjustment date, the rate will remain the same or possibly come down. Experts say that the current flatter yield curve supports that theory.

While ARMs aren't one-size-fits-all, they make a lot of sense for certain buyers, especially those with short- to mid-term homeownership plans or who are financially stable enough to absorb a future rate increase if needed.

An ideal ARM borrower often:

- Plans to live in the home for fewer than 5, 7 or 10 years;
- Has a stable income and good credit or anticipates increases in income that would allow them to keep up with increases, in case their bet on the direction of rates turns out to be wrong;
- Has a financial safety net in case payments rise; and
- Understands how interest rate adjustments work.

This isn't about gambling on the market, it's about strategic planning. That's where an experienced mortgage loan officer becomes invaluable. They can help you compare options, understand caps and margins, and decide whether an ARM aligns with your financial goals.

ARMs today are far more borrower-friendly than they were in decades past. Most no longer carry prepayment penalties, and most feature rate caps that protect against sharp increases. And if rates go down, you may even benefit from lower payments and, of course, borrowers always have the option to refinance at a fixed rate when the time is right.

Ultimately, the risks of an ARM are manageable, providing you understand and plan for them.

The Bottom Line

In a high-cost housing market like Denver's, flexibility matters. An adjustable-rate mortgage could be a smart, strategic choice; especially when guided by the right mortgage professional. Whether you're buying your first home, upsizing for a growing family, or simply exploring ways to maximize your budget, it's worth having a conversation with a trusted loan officer.

Jaxzann Riggs and her team at The Mortgage Network have helped thousands of Colorado homebuyers find the right loan for their life plans—whether that's an ARM or something else entirely. To explore your options and see if an ARM could work for you, contact Jaxzann anytime on her cell at **(303) 990-2992** or visit **www.TheMortgageNetworkOnline.com**.

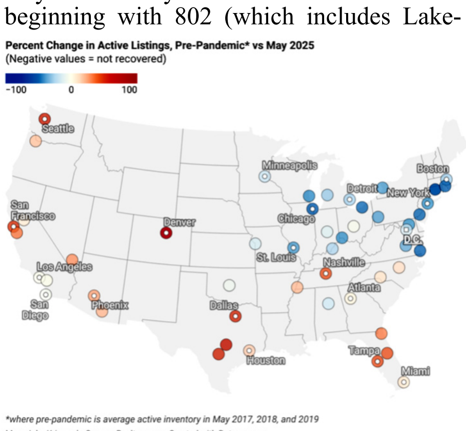
I don't know any mortgage broker or loan officer more knowledgeable than her.

Denver Leads the Nation in the Increase in the Number of Unsold Listings

The map from **realtor.com** displayed below shows the wide disparity in the increase of active listings compared to before the pandemic. The darker the red, the greater the increase over pre-pandemic levels, and Denver is the darkest at a 100% increase, or double the number of pre-pandemic listings. Coming in second was Austin with 69% increase, then Seattle with 60.9% increase.

The cities in blue have ***fewer*** active listings than they did prior to the pandemic, with Hartford down 77.7%, Chicago down 59.3%, and Virginia Beach down 56.7%.

One never knows which "Denver" statistics the media are referring to. Is it only the City and County of Denver? Is it ZIP codes beginning with 802 (which includes Lakewood)? Is it the Denver metro area — and how do they define it? Is it the "Denver MLS," which is REcolorado, but which carries listings far flung from Denver itself? And does it include the listings from the northern Colorado MLS, IRES, which are also displayed on REcolorado?



Because of that, I choose to do my own analysis on REcolorado whenever I read about Denver statistics. At right is a chart I created from REcolorado data using the criteria described in its headline. If you consider March 2020 as "pre-pandemic," that figure is roughly half the number of active listings in May 2025, so the 100% increase holds true — although that has to be a coincidence, since I can assure you that realtor.com doesn't use my 25-mile radius of downtown Denver as their definition of "Denver" or "metro Denver."

There is another factor which realtor.com didn't consider in analyzing the figures represented by the map at left. The reason today's inventory is so high in Denver is that the listings aren't selling as readily as they do in, say, the northeast and Midwest. If we had more buyer demand here, the number of unsold listings would be much smaller.

Although I don't have access to the raw data for Boston, Hartford or Chicago, I would guess that sellers are putting their homes on the market at about the same rate as here in Denver, but there are more buyers ready, willing and able to snap them up.

Active Residential Listings Within 25 Miles of Downtown Denver — Last 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
January	4,277	4,709	4,599	4,177	6,052	5,110	2,747	1,688	4,496	5,014	7,643
February	4,206	4,607	4,582	4,373	6,210	5,261	2,449	1,801	4,129	5,570	8,427
March	4,462	4,964	5,495	4,857	6,527	6,388	2,254	2,454	4,709	5,900	9,504
April	5,446	5,669	5,878	5,563	7,286	7,217	2,950	3,523	4,854	6,955	11,195
May	5,994	6,027	6,473	6,554	8,935	7,376	2,594	3,987	5,263	8,918	12,609
June	6,705	7,161	7,515	7,366	9,397	6,687	3,460	6,204	6,139	9,770	
July	7,786	7,734	7,648	7,548	9,171	6,818	4,298	7,315	6,452	10,062	
August	7,882	7,749	7,636	8,079	9,087	6,012	3,878	7,090	6,836	10,228	
September	7,851	8,025	7,759	8,562	9,152	5,677	4,087	7,843	7,460	10,685	
October	7,408	7,181	6,628	8,455	8,416	5,292	3,566	7,427	7,329	10,474	
November	6,071	6,095	5,484	7,650	6,979	3,944	2,553	6,419	6,581	8,983	
December	4,900	4,885	4,216	5,969	5,434	3,012	1,815	5,169	5,169	7,084	

Pandemic market

That was the situation during the pandemic. Media complained that sellers weren't putting their homes on the market, but I showed in my columns at the time that new listings had not decreased much. Buyers were simply snapping up new listings. More at **http://RealEstateToday.substack.com**.

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