

How Interest Rates Move Your Payment

A ByOurRep buyer's guide — Antelope Valley

The interest rate on your loan moves your monthly payment more than almost anything else you control — more than your down payment, more than shaving a few thousand off the price. Below is the loan portion of the payment (principal & interest) on a \$500,000 home, 30-year fixed, at an FHA-style 3.5% down. These are exact math.

Interest rate	Monthly P&I	Vs. the 3% payment
3%	\$2,034	—
4%	\$2,304	+\$269/mo
5%	\$2,590	+\$556/mo
6%	\$2,893	+\$859/mo
7%	\$3,210	+\$1,176/mo
8%	\$3,540	+\$1,506/mo

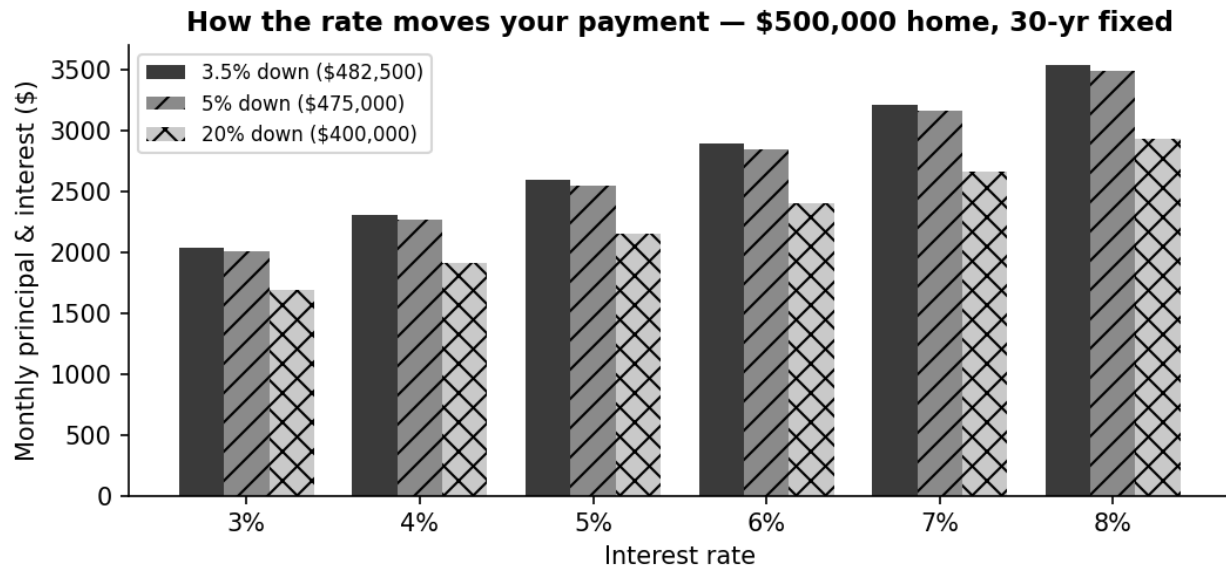
The takeaway: same house, same price, same down payment — only the rate changed, and the payment swung about \$1,500 a month from 3% to 8%. That's roughly \$18,000 a year for the exact same home. The house didn't get more expensive. The money did.

See page 2 for how this looks against 5% and 20% down — and why the down payment moves your payment far less than the rate does.

These figures are clean example math to show the shape of how rates affect cost — they are approximate and not a quote. Your real rate depends on your credit, loan type, down payment, and the day you lock. Always get a real quote from your lender.

Rate vs. Down Payment: Which Moves More?

Same \$500,000 home — three down payments, side by side



Rate	3.5% down (\$482,500)	5% down (\$475,000)	20% down (\$400,000)
3%	\$2,034	\$2,003	\$1,686
4%	\$2,304	\$2,268	\$1,910
5%	\$2,590	\$2,550	\$2,147
6%	\$2,893	\$2,848	\$2,398
7%	\$3,210	\$3,160	\$2,661
8%	\$3,540	\$3,485	\$2,935

Read it across, then down. Going from 3.5% to 5% down barely changes your payment (about \$30–55/month) — more cash up front, almost nothing back monthly. Going to 20% down saves a few hundred a month, but costs an extra \$82,500 out of pocket to get there. Now scan any single row: the **rate** swings the payment far more than the down payment does. Down payment is a lever. The rate is the engine.

One honest note: at 3.5% down (FHA) or 5% down (conventional), you'll almost certainly pay mortgage insurance on top of these numbers — and depending on the loan it may or may not come off later. That's covered in the all-in payment on page 3.

Principal & Interest Isn't Your Whole Payment

The all-in picture — where calculators lie to you

Every number on pages 1 and 2 is principal & interest only. Your real monthly payment stacks more on top. Here's a realistic example on the \$500,000 home at 3.5% down and a 6.5% rate — with the added pieces estimated, so you see the shape of the all-in number.

Payment piece	Monthly (est.)	How sure
Principal & interest (6.5%)	\$3,050	Exact math
Property taxes	\$562	Estimate — ~1.35% blended AV; verify the parcel
Homeowner's insurance	\$150	Estimate — AV fire areas vary a lot; get a quote
FHA mortgage insurance (MIP)	\$221	Estimate — depends on loan terms
All-in monthly (est.)	\$3,983	

That P&I of about \$3,050 becomes roughly \$3,983 all-in — and that's before any HOA dues. A payment can easily run \$700–900 a month higher than the calculator's principal-and-interest number once everything's stacked on. Going in with eyes open beats getting blindsided at closing, every time.

What actually goes into your payment:

- **Property taxes** — in much of the AV, figure ~1.25–1.5% of value with assessments and Mello-Roos. LA County runs higher than Kern, so Palmdale/Lancaster aren't the same as Rosamond. Check the actual parcel.
- **Homeowner's insurance** — in fire-prone areas this can be double or triple a casual guess. Get a real quote early; the seller's old policy isn't your number.
- **Mortgage insurance** — on low-down loans (FHA 3.5%, conventional 5%). May or may not come off later depending on the loan.
- **HOA dues** — if the home is in an association.

The tax, insurance, and mortgage-insurance figures above are estimates to illustrate the all-in shape — not a quote and not tax, legal, or lending advice. Your real numbers depend on the specific home, loan, and your situation. Check with your lender and a tax professional, and let's run your actual numbers together.

Two Things Buyers Miss About Insurance

Why the policy you pick is part of your payment

1. The quote itself swings your payment.

Two policies on the **same house** can be hundreds of dollars a year apart. A \$1,600/yr policy vs. a \$3,000/yr policy is about **\$117 more a month** — same home, same you, just a different company writing it. Insurance is paid through your monthly escrow account, so that gap lands right on your payment. In our fire-prone AV areas the spread is real — shop more than one quote, and do it early, before a closing date forces your hand.

2. Not every carrier is backed the same if it goes insolvent.

California has a safety net called the California Insurance Guarantee Association (CIGA). If your insurer goes broke, CIGA pays covered claims — but only for certain carriers, and only up to a limit. It comes down to whether your insurer is admitted or non-admitted:

- **Admitted carrier** — licensed by the state, rates reviewed by the California Department of Insurance, and required to be part of CIGA. If it goes insolvent, CIGA backs covered claims up to **\$1,000,000** for a dwelling-structure loss (the house itself), and up to **\$500,000** for other coverages like personal property, other structures, and loss of use. Auto and personal-injury claims cap at \$500,000 too.
- **Non-admitted (surplus-lines) carrier** — allowed to write in California but **not** part of CIGA. If it goes insolvent, there's no CIGA backstop and a claim can go unpaid.

Surplus-lines coverage isn't a scam — with big carriers pulling back from California, it's sometimes the only way to insure a home the regular market won't touch, and many of those carriers are financially strong. Just make it a deliberate choice. **Ask your agent whether the carrier is admitted or non-admitted in California**, and if it's non-admitted, check its financial-strength rating. And know that even on the admitted side, the caps mean a very large rebuild could still exceed what CIGA covers if the carrier fails — "admitted" means a safety net with a limit, not bulletproof.

CIGA coverage figures reflect current California law (per CIGA, ciga.org) and are summarized here for general education — I'm not your insurance agent and won't pretend to be. This is general info, not insurance, tax, legal, or lending advice, and statutory caps can change; confirm current limits with CIGA or a licensed insurance professional. The point is to make sure you ask the right questions before you sign.

Want your real number? Call or text Brian at (661) 400-3990, or email Brian@ByOurRep.com. We'll run your actual numbers together — no pressure, no sales pitch. That's the job.