

An aerial photograph of a coastal town, likely in San Luis Obispo, California. The image shows a hillside covered in greenery and palm trees, with several houses visible. In the background, the ocean is visible with waves breaking on the shore. The overall tone is warm and scenic.

The Creative Financing Playbook

8 Strategies to Beat High Rates and Get Into Your Next Home With a Payment That Actually Works

If you've been sitting on the sidelines because today's mortgage rates feel out of reach — this guide is for you. The interest rate on your loan is just one variable. And it's a variable you can often change.

THE SCHWAEGERLE REAL ESTATE TEAM

SLO COUNTY · CENTRAL COAST



Why So Many Buyers Have Talked Themselves Out of Buying

The Rate Shift

Rates moved from 2.5–3.5% in 2020–2022 to 6.5–7.5% today — roughly **\$1,000–\$1,200 more per month** on a \$600K home with 10% down.

What Winning Buyers Do

Buyers who are succeeding right now are doing two things:

1. Running the real numbers — not the scary headline numbers
2. Using financing strategies that lower the effective rate or reduce the payment

You have more control over your actual monthly payment than you think.

Before We Dive In: The Math on Waiting

One of the most common things we hear: *"We're going to wait until rates drop."* Let's look at what waiting actually costs.

	Buy Today	Wait 12–18 Months
Home Price	\$700,000	\$735,000 (est. +5%)
Loan Amount	\$630,000	\$661,500
Rate	7.0%	6.0% (hoped for)
Monthly P&I	\$4,193	\$3,968
Monthly Savings	—	\$225/month
Extra Purchase Cost	—	\$35,000 more
Break-Even on Waiting	—	~13 years

 You'd need to stay in the home over a decade just to recoup the extra purchase price — assuming rates actually drop as hoped. Explore whether creative financing can close the gap today.

Strategy #1: Make the Seller Pay to Lower Your Rate

SELLER-PAID RATE BUYDOWN

How It Works

Ask the seller to contribute money at closing to buy down your interest rate — called **seller concessions** or **seller-paid points**. Each point costs 1% of the loan and reduces your rate by ~0.25%. Sellers often prefer this over a price reduction.

Best For

- Homes sitting on the market
- Motivated sellers who need to close
- Markets where concessions are common (certain SLO County sub-markets)

Example: \$650,000 Home

Original Rate

7.0%

After Buydown

~6.25–6.5%

Monthly Savings

~\$275–\$350

5-Year Savings

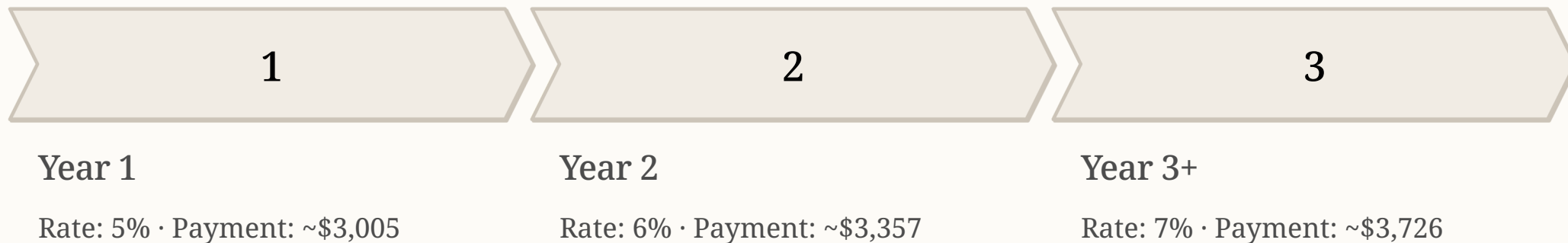
\$16,500–\$21,000

- ❏ Seller contributions are capped at 3–6% of purchase price depending on loan type. Work with a lender who knows how to structure this correctly.

Strategy #2: The 2-1 Buydown

START LOWER, BUILD INTO THE PAYMENT

A **2-1 buydown** temporarily reduces your rate for the first two years — typically paid by the seller — then adjusts to the permanent rate in year three.



Total savings over the first two years: ~\$8,600 on a \$560,000 loan. Note: you must qualify at the full note rate (7%), not the buydown rate.

Strategy #3: Let the Lender Buy Down Your Rate — At No Cost to You or the Seller

LENDER-FUNDED RATE BUYDOWN

The problem this solves: You want a meaningfully lower payment, but you don't have extra cash to buy down the rate yourself and you're not in a position to ask the seller for concessions.

How it works: Some lenders offer proprietary buydown programs where they use their own margin to subsidize a reduced interest rate for the buyer — at no extra cost to the buyer or the seller. The lender absorbs the buydown cost as a competitive tool to win your loan. You get a lower rate, a lower payment, and you bring nothing extra to the table.

This is different from a seller-paid buydown (where the seller funds the reduction) and different from paying discount points yourself. The lender is funding it entirely.

Version 1 — The Lender-Funded 1-0 Buydown

Your rate is reduced for the first year only, then steps up to a fixed rate below current market for the remaining life of the loan. Think of it as a softer landing into your permanent payment.

Version 2 — The Lender-Funded Permanent Rate Reduction

The lender prices the loan at a rate below the standard market rate for the full term — no temporary period, just a better rate from day one through payoff.

Real-World Example

On a \$685,000 purchase with 3% down (\$664,450 loan amount):

	Year 1	Years 2–30	Market Rate (7%)
Interest Rate	4.99%	5.99%	7.00%
Monthly P&I	~\$3,563	~\$3,978	~\$4,420



- The buyer pays nothing extra. The lender funds the year-one reduction.
- Even after the buydown year ends, the permanent rate of 5.99% is ~1% below current market — saving ~\$440/month for the life of the loan.
- Over 5 years, that's over \$26,000 in payment savings.

How this compares to a seller-paid 2-1 buydown

A seller-paid 2-1 buydown temporarily reduces your rate by 2% in year 1 and 1% in year 2, then resets to the full market rate (7%) from year 3 forward. A lender-funded program like the one above gives you a below-market rate permanently — which is often the better long-term outcome even if the year-1 savings are slightly smaller.

What to know

- These programs vary by lender and change with market conditions — they're not always available
- Eligibility depends on credit score, loan-to-value, debt-to-income, and property type
- The rate is still real and binding — not a teaser that disappears into something punishing
- We stay closely connected with lending partners who offer programs like this and will flag them when they're available for your situation



When a lender-funded buydown is on the table, it's one of the most powerful tools available — because the savings cost you nothing. Ask us what programs are currently active before you assume you're stuck at market rate.

Strategy #4: ARM Loans — Lower Rates, Calculated Risk

7/1 & 10/1 ARMS

How It Works

An ARM offers a fixed rate for an initial period, then adjusts annually. Because lenders take less long-term risk, they offer **0.5%–1.25% lower starting rates** than a 30-year fixed.

Example: \$600,000 Loan

- 30-year fixed at 7.0%: ~\$3,993/month
- 7/1 ARM at 5.875%: ~\$3,551/month
- **Monthly savings: ~\$440 · 7-year savings: ~\$37,000**

Best For

- Buyers planning to sell or move within 7–10 years
- Buyers expecting to refinance if rates fall
- High-income buyers where savings are substantial

Be Cautious If

- On a tight fixed income
- Planning to stay 20+ years and want certainty

Today's ARMs have meaningful caps: 2%/year adjustment, 5–6% lifetime cap above starting rate.

Strategy #5: Assumable Mortgages

THE HIDDEN GEM MOST BUYERS DON'T KNOW ABOUT

FHA, VA, and USDA loans are **assumable** — a qualified buyer can take over the seller's existing mortgage at the original rate, balance, and terms. Millions of homeowners locked in 2.5–3.5% rates between 2019–2022.

2.875%

Assumed Rate

vs. today's 7% on a \$380K balance

~\$950

Monthly Savings

\$1,577 vs. \$2,529/month

~\$57K

5-Year Savings

Staggering real-world impact



The catch: you must cover the gap between the assumed loan balance and the purchase price with cash, a second mortgage, or both. We proactively flag FHA and VA listings for buyers who could benefit.

Strategy #6: Owner / Seller Financing

CUT OUT THE BANK

How It Works

The seller acts as the bank — you make monthly payments directly to them at a negotiated rate and term. No bank underwriting, no appraisal requirement, often a faster close.

Example: Paso Robles Income Property

- Purchase: \$525,000 · Down: \$75,000
- Seller carries \$450,000 at 5.5% interest-only, principal and interest versions exist as well
- Monthly payment: \$2,062 vs. \$2,994 conventional
- **Monthly savings: ~\$930**

Key Buyer Protections

- Use a real estate attorney to draft the promissory note and deed of trust
- Record the deed of trust with the county
- Negotiate loan servicing continuity if seller passes away

Most Common When

- Property owned free and clear
- Motivated seller, non-traditional buyer income
- Investment or commercial properties

Strategy #7: The Piggyback Loan — Avoid PMI

80/10/10 STRUCTURE

Split your financing into two loans to stay below the PMI threshold — keeping the first mortgage at 80% of the purchase price.

Option A — Single Conventional Loan

- Loan: \$630,000 at 7%
- Monthly P&I: ~\$4,193
- PMI: ~\$250/month
- **Total: ~\$4,443/month**

Option B — 80/10/10 Structure

- First loan: \$560,000 at 7% → ~\$3,727/month
- Second loan: \$70,000 at 9% → ~\$887/month
- No PMI
- **Total: ~\$4,614/month**

The second loan pays off in 10 years — after which your payment drops significantly and you've built equity without PMI drag.

- ❏ An 80/15/5 variation works with only 5% down. Not all lenders offer piggyback loans — you need one who can originate both loans simultaneously.

Strategy #8: Interest-Only Loans

MAXIMUM CASH FLOW FLEXIBILITY

How It Works

Pay only the interest portion for a set period (typically 5–10 years) without paying down principal. After that, the loan converts to a fully amortizing payment.

\$600,000 Loan at 7.0%

- 30-year fixed: \$3,993/month
- Interest-only (10 years): \$3,500/month
- **Monthly savings: ~\$493**

Who Uses This

- Investors maximizing short-term rental cash flow
- High-income earners with variable income
- Buyers planning to sell before the IO period ends

What to Know

- No equity built through principal paydown — only through appreciation
- Requires strong credit and larger down payment
- Common in jumbo loan territory

 Interest-only loans are a tool, not a magic fix. Not recommended for buyers who need the discipline of mandatory principal reduction.

The Multiplier Effect: Stacking Strategies

Here's what most buyers don't realize: these strategies work even better in combination. The buyers who truly unlock value aren't just using one tool — they're layering two or three together based on their situation.

01

Combo #1 — The Negotiated Entry

2-1 Buydown + Seller Concessions · Lower payment for 2 years, no extra out-of-pocket cost, full market price offer a seller actually accepts.

03

Combo #3 — The 10% Buyer Play

80/10/10 + Seller-Paid Closing Costs · Maximum leverage, minimum upfront cost, no monthly PMI drag.

02

Combo #2 — The ARM + Refi Plan

7/1 ARM + Intentional Refinance Strategy · \$37,000 in savings over 7 years with built-in time to reassess if rates drop.

04

Combo #4 — The Assumable + Bridge

Assumable Loan + HELOC Second · A blended rate no new conventional loan can compete with.

Combo #1 & #2 in Detail

The Negotiated Entry

2-1 Buydown + Seller Concessions

Negotiate a \$15,000 seller concession and apply it to a 2-1 buydown. Year 1 at 5%, Year 2 at 6%, Year 3 at full 7%. Income grows into the payment; refinance if rates drop.

Result: Lower payment for 2 years, zero extra out-of-pocket, offer a seller accepts.

The ARM + Refi Plan

7/1 ARM + Intentional Refinance Strategy

Take a 7/1 ARM at 5.875% instead of a 30-year fixed at 7%. Save ~\$440/month. If rates drop in years 3–5, refinance into a 30-year fixed. If not, the ARM stays fixed until year 7.

Result: \$37,000 in savings over 7 years with built-in time to reassess.

Combo #3 & #4 in Detail

The 10% Buyer Play

80/10/10 + Seller-Paid Closing Costs

Put 10% down, structure an 80/10/10 to avoid PMI, and negotiate the seller to cover closing costs. Come in with exactly 10% and no additional cash out of pocket.

Result: Maximum leverage, minimum upfront cost, no monthly PMI drag.

The Assumable + Bridge

Assumable Loan + HELOC Second

Find a home with a VA loan at 2.875% and \$350,000 remaining. Home priced at \$620,000. Assume the VA loan and take a HELOC for the \$270,000 gap. Blended rate across both loans is significantly below market.

Result: A payment structure no new conventional loan can compete with.

- ① Every buyer situation is different. The right combination depends on your down payment, income, timeline, and risk tolerance. We map your situation to the strategies that fit.

Your Quick-Reference Guide

Use this as a starting point for your conversation with us and your lender. Don't walk away from a home because the headline rate feels too high — get the real numbers first.

Your Situation	Strategies to Explore
Need a lower payment immediately	Lender/Seller-Paid Buydown · 2-1 Buydown · ARM
Limited cash for closing costs	Lender-Paid Buydown · Seller Concessions
Only 10% down, want to avoid PMI	80/10/10 Piggyback
Planning to move or refi within 7 years	7/1 ARM · 2-1 Buydown
Found a home with FHA or VA financing	Assumable Loan
Buying from motivated seller, no mortgage	Owner/Seller Financing
Variable income or investment buyer	Interest-Only Loan
Not sure — want all options side by side	Talk to us first

Who We Are and How We Work

THE SCHWAEGERLE REAL ESTATE TEAM

An independent, family-owned boutique brokerage serving San Luis Obispo County and the Central Coast. Owen and Camille Schwaegerle built their lives here and built a business around one belief: you deserve a real advisor, not just an agent trying to close a deal.



Real Numbers

We run all scenarios side by side before you make an offer.



Lender Network

We connect you with lenders who execute creative financing structures.



Specialties

Investment & multifamily, move-up/move-down, relocation buyers, exit strategy planning.

*Owen and Camille Schwaegerle are also the hosts of the **Happy House Hacking Podcast and The Love Where You Live Show** — a resource for buyers and investors exploring creative strategies in Central Coast real estate.*

Let's Run Your Numbers

The strategies in this playbook aren't theoretical. They're tools we use with real buyers, on real transactions, in our market — right now. The only way to know which ones apply to your situation is to have a real conversation.

1

Buyer Strategy Session

We map your situation: what you qualify for, which strategies apply, and your real monthly cost across several scenarios.

2

Lender Introduction

We connect you with lenders who can execute the strategies in this guide — not just a standard 30-year-fixed quote.

3

Ongoing Search

We actively flag assumable loan opportunities and motivated sellers open to concessions or creative terms.

Reach Out Today

INDEPENDENT · FAMILY-OWNED · CENTRAL COAST

Serving San Luis Obispo County & the Central Coast.

 **Call or Text**

805-215-5063

 **Website**

schwaegerleteam.com

 **Email**

hello@schwaegerleteam.com

- ☐ This guide is for informational purposes only and does not constitute legal, tax, or financial advice. Mortgage products, rates, and availability vary by lender and borrower qualification. All examples are illustrative only. Please consult a licensed mortgage professional before making any financing decisions.