

“Home Cents®” Help Tips

Pay Down Your Mortgage Faster

Buying a home is probably the best investment you will ever make. That's because you can pay off your mortgage and build equity in your home over time. Renters on the other hand will continue to pay rent and will likely see their rent payments increase significantly as time goes by.

From the moment you make that first mortgage payment, you will probably be dreaming of the day when you can make your last one and be "mortgage-free." For most people that day is pretty far off in the future, but it is possible to speed up the process.

Your REALTOR® will be able to advise you on ways you can pay down your mortgage as quickly as possible. This information will be helpful when you are arranging financing on your home. Be sure to discuss various options with your financial institution before choosing a mortgage.

Amortization schedule

One of the best ways to pay off your mortgage faster is to shorten the "amortization period." By choosing a shorter amortization, you will not only pay for your home in less time, but you will make substantial savings in interest too.

For example, the most common mortgage amortization is 25 years. By shortening that period to 15 years, you will erode the amount of money you owe much more quickly and make fewer interest payments. Shortening the amortization period is not for everyone as it does mean larger payments, but for many people the benefit of long term savings is worth it.

Usually each mortgage payment is blended and applied to both the principal and interest so at the beginning, the interest portion of the payment is extremely high. However, with each payment, more and more of it is applied to the principal. Ask your REALTOR® to give you examples of what your payments would be at the current interest rate amortized over 25 years as compared to 15 years.

Payment options

It used to be that most people made monthly mortgage payments, but weekly, bi-weekly and semi-monthly payments are more popular today. With these types of payment options you will reduce the amount of principal you owe faster because you make payments on a much more frequent basis and less interest is accrued. Many mortgages also offer homeowners the option of making an additional payment each year or increasing your payment each month. Making the equivalent of one extra payment a year can save you a considerable amount over time.

Anniversary date

Many mortgages allow you to make a lump sum payment on the anniversary date of your mortgage. Again this reduces the amount of money you pay interest on resulting in long term savings. It's wise to find out what "pre-payment" privileges are available on the mortgage you choose.

Your REALTOR® along with either your bank, trust company or mortgage broker can help you look at all the possibilities for financing your home and can tailor a mortgage that fits your income and your goals.

Shop around

Look for a mortgage that has as much flexibility as possible. Be sure you can make at least one extra payment a year and can choose the payment plan that works best for you. Your REALTOR® is

experienced and knowledgeable about the many mortgage options and the types of payment plans available and can act as your guide to help you become mortgage free sooner.

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