

How Can An Additional Payment Each Year Change Your Mortgage?

Paying down your mortgage is one of the most important things that you need to do. The fact is that making a commitment to repay your mortgage in 10, 20 or 30 years, is a good choice. But, what if you could cut down that time considerably? Perhaps you could even knock years off of your loan by just making one extra payment per year. You may be one that is thinking that you can not afford to do this. Chances are good, though, that you can do it without even realizing it.

How Does One Payment Matter?

Making an extra payment to your mortgage is something that you should consider because it can save you thousands of dollars. The fact is that just one payment can make a considerable difference in the total that you pay for your home and what's more, it can shave years off of that mortgage. Take a look at the following example. You can use a [mortgage calculator](#) to help you to find out this information specific to your current loan.

If you currently have a \$200,000 mortgage loan and you have secured an interest rate at 6.5 percent, your monthly payment is likely to be \$1264 dollars per month if your loan term is 30 years. This is a considerable payment and you may not realize that the real facts of what you will be paying on the home you are purchasing. It will cost you far more than \$200,000.

Original mortgage amount: \$200,000

Interest rate: 6.5 percent

Term: 30 years

Monthly payment: \$1264

Total interest paid on your loan: \$255,088.98

How much you will really pay in full at the end of your term: \$455,088.98

This information is provided to you on your amortization statement which is what you will see at the time of closing the sale on your home. Your lender must provide this for you before you sign your paperwork, so it should not be too much of a surprise to you as to how much you will pay for your home when interest is factored into the cost. If you

are still unsure, use a mortgage calculator to help you to see what these numbers are for your particular situation.

What will likely be a shock to you is just how much you can save if in fact you add that additional payment to your loan. If you add just another payment per year of \$1264 as in the example above, you could save yourself quite a bit of money. Here's how this breaks down for you.

Original mortgage amount: \$200,000

Interest rate: 6.5 percent

Term: 30 years

Monthly payment: \$1264

Additional payment per year of: \$1264

Total interest paid: \$199,098.92

Total cost of your loan when paid in full: \$399,098.92

Pay off date of the loan is reduced by: 6 years!

In this example, you see that you have not just cut into the amount of interest that you are saving by an outstanding savings of nearly \$56,000 but you also have cut out the time that you will be repaying your loan down to just 24 years instead of the full 30 years. That savings can be figured out for your specific loan by using a mortgage calculator. You simply need to calculate what an additional payment per year will do to your loan.

Where Can You Get An Extra Payment?

While for some, it should not be too much of a strain to get an extra payment for your mortgage together, this is quite different for those that live paycheck to paycheck or that have their budget fully aligned without much room. For these individuals, \$1264 is a lot of money to put into a loan that you technically do not have to. Yet, you may be able to do so without realizing that you are.

Most people get paid every two weeks. This amounts to being paid 26 times per year. Yet, you only have to make 12 payments, one per month on your mortgage. If half of each of your paychecks goes to your mortgage, you still have only 24 mortgage based payments, leaving two extra paychecks per year that do not apply to your mortgage.

Because of this, you likely have an additional month's mortgage payment without realizing it.

Two times per year, you are going to have three paychecks per month. Those extra paychecks can easily be used to apply to your mortgage so that you do not feel that pain. In fact, many mortgage companies will allow you to set up and use a bi monthly payment schedule that will withdraw half of your monthly payment every two weeks. You never really notice nor feel in your budget that you have made that additional payment. Do make sure that your lender allows you to apply this additional amount paid to your principle not just your interest for this time frame.

There are many reasons why you should take into consideration doing just this. First, you are investing your money into your home and saving yourself thousands of dollars. What's more, if you do need to borrow from your home's equity at some point, this extra money is available to you, socked away where you can keep it saving you money.

Take the time to use a mortgage calculator to see just how much money you can save by investing one extra payment per year into your home. For those that have a higher interest rate than the example listed, the savings are even more. Increase your payment every two weeks slightly more and save even more. Taking charge of your mortgage is the first step. Use a [mortgage calculator](#) to help you to determine what is needed for you to do this.

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