



## Accelerating Your 30-Year Mortgage

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When thinking about a 30-year mortgage, people often laugh and attempt to calculate how old they will be 360 months later.

But taking out a 30-year mortgage doesn't mean that you must keep the same loan for 30 years. In addition to the possibility that the home will be sold before the end of the mortgage term, there are a number of other factors which may come into play:

**You may refinance down the road.** As we have seen, rates fluctuate. They may go down again, making refinancing a smart thing to do.

**You may pay the loan off faster.** The dollar amount paid on your 30-year mortgage each month is fixed, with some of each payment going to interest and some to principal. The portion going to each however, *changes* over the life of the loan - most of the early payments go to interest, whereas by the end of the 30-year period, your payments are going almost entirely to principal. **If you choose to make additional payments on your mortgage, your monthly payment amount doesn't change, however you will reduce the term of your loan off the back end.**

**One innovative way to pay down a loan faster is to make biweekly mortgage payments.** This means that you make one half of the regular monthly mortgage payment every two weeks (instead of once a month), and, over time, you reduce both the term of your mortgage as well as the total number of payments. Paying down the principal and interest every two weeks reduces the term of your loan, while providing some financial cushion. If you run into trouble one month, you are only committed to making one monthly payment, not the extra, self-accelerated payment.

**The bottom line:** Loans are not static, and you have some control over the length of your loan, even with a fixed-rate long-term mortgage.



*Got questions about real estate financing?*

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