

# How to CHOP \$24,000 & 4 Years OFF Your Mortgage

It is my pleasure to make sure you always have the current information you need to make the best decisions for you and your family.

If you ever have a real estate question or need, or know someone who does, contact today. I'm here to help!

## 1 The Right Start

When you begin your house hunt, a first step is to get prequalified for a loan through your lender. Based on your current debt to income ratio, they'll determine the maximum home loan you can secure. Often, that number is used by home buyers as their set price for their new home. This can set you up for failure by creating too tight of a financial squeeze each month. Take a look at your monthly budget and decide what you can spend without stretching yourself too thin.

## 2 Do The Math

Retrieve your most recent mortgage statement and grab a few numbers including your current outstanding loan balance, your interest rate, and your years remaining until payoff. There are many free mortgage payoff calculators available on the web (Bankrate.com is one example) that allow you to play with different monthly payments to get to the right payoff date for you. For example you can reduce the payoff date on a \$200,000 mortgage with an interest rate of 4.1% from 20 years to 10 years by increasing the monthly payment from \$966 to \$1,616 (By the way, that payment increase also saves \$39,181 dollars in interest).

## 3 The Rule of Debt Payment

Although the idea of paying off your mortgage early is seductive, it's still important to pay down debt in the right order. This means if you have other debt with higher interest rates, experts recommend you pay those off first. By saving on the interest on higher interest rate debt first you free up more cash to pay down other debt.

## 4 Bi-Weekly Magic

Extra mortgage payments can add up quickly, specifically since they are applied to the principal. Making an extra mortgage payment quarterly on a \$200,000, 30 year loan can reduce your repayment by 11 and a half years and save you \$62,000. Another trick is to make bi-weekly mortgage payments. Basically, take your monthly mortgage payment cut it in half and pay it every two weeks instead of monthly. This will result in one extra payment at the end of the year. In the \$200,000 loan scenario that one extra payment will save you \$24,000 over the life of the loan and cut 4 years off of your repayment time.

## 5 Have a Goal

It's amazing what a strong goal can do for your ability to be frugal. Crunch some numbers and determine what current expenditures are necessary versus luxury (or at least can be cut back). You may be surprised just how much money you can free up by taking your lunch to work versus buying it every day. The average savings per year is \$1,200 (that's \$12,000 over 10 years). Add to that the savings from homemade coffee versus buying out and you've saved another average \$1,100 a year. That's \$2300 extra in principal payments per year. Which would you rather do, eat coffee and a sandwich out or pay off your mortgage five to ten years early, allowing you earlier access to financial freedom?