

How To Beat Your Banker At Their Own Game Using Loopholes In Their Own Rules

Many homeowners often feel that they will never actually get their mortgage paid off in full. Part of the reason for this is that the traditional mortgages are set up for a 30-year time period. Picturing life a full 30 years from now, or even 10 years from now may seem a bit overwhelming for many people.

Imagine what it would be like if you could pay off your mortgage sooner than anticipated. Sure, we all think about it, we tell ourselves that next year we will start paying more than is required each month, or that once we pay off the car loan, we can put more money to that mortgage.

Unfortunately, many homeowners never seem to have that extra money to put towards their mortgage payments. These same people are able to afford their mortgage payments each month, but just never seem to have anything left over at the end of the month to put towards an overpayment on the home loan.

If you are looking for a way to pay off your mortgage quicker than the original terms of the loan, then there are certain things that you need to understand.

First of all, the lender wants you to take the full 30 years to pay off the house because the lender is earning interest from you during that time period. If you pay off the loan sooner than expected, the profit to the lender will be reduced. Because of this, most lenders are in no hurry to educate you about the methods that you can use to achieve an early pay off.

Next, it is important that you understand that the lenders use what is called amortization to set up your repayment plan. In this amortization the lender allocates where the money that you pay each month goes. By this I mean that the lender allocates a percentage of your monthly payments towards interest, and the bulk of the remainder goes towards your principal.

In the beginning of the repayment period (first few years of the loan), the bulk of the money that you pay the lender each month will go towards the interest. The lender wants to make sure that they get their profit from you as quickly as possible, in case you default on your mortgage. If you were to pay the lender back, at the exact rate they set up in the amortization schedule, 99.5% of the final payment that you make to the lender would go towards the principal. Conversely, roughly 85% of the very first payment that you make on your house will be allocated to interest.

With amortization schedules, a homeowner can realize huge savings on the amount of interest that they pay the lender if they make a few changes in their payment methods. One of the changes that you can make is to make bi-weekly payments on your mortgage instead of monthly payments. No, you do not have to pay twice the amount of money;

you simply pay half of the payment after two weeks, and the second half of the payment two weeks later.

An example of this would be if your monthly mortgage payment is \$1,500, you could pay \$750 bi-weekly and save a huge amount of money on the interest of the mortgage. In context, a homeowner can literally save between \$30,000 and \$100,000 in mortgage interest by making bi-weekly payments instead of monthly payments. Every person's experience will vary, but the average homeowner could save \$60,000 in mortgage interest, all without a need to refinance his or her home loan. The bi-weekly payment system is perfectly legal, and it could pay you handsomely for your extra efforts. These kinds of savings are possible, because of the way the lenders use the amortization schedule and the way that they allocate the money that is paid to them.

Another reason bi-weekly payments help save you a considerable amount of money on your mortgage interest is because you would actually be making 26 payments each year, or in other words you would be making 13 months worth of payments annually. Right there you have found some of that "extra" money that you never seemed to be able to come up with that you wanted to put towards your mortgage. In reality, you will be making one extra monthly payment, but since you will quickly become accustomed to paying a smaller payment every two weeks, it won't be as big of a shock to your wallet as if you tried to come up with an entire extra monthly payment all at once.

By considering some of these very simple changes in the way that you repay your mortgage, you could own your home quicker, establish equity faster, and reduce the interest that you pay to the lender by thousands of dollars.

It is recommended that you consult a financial advisor, or other expert to learn which repayment methods would be best for you and current situation. They will be able to show you, via an amortization schedule, exactly how the money would be allocated and how you can start saving money today.

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