Save on your Mortgage Richmond

Basic Steps In Taking Off Years From The Mortgage

Owning your very own home outright is amongst the most major accomplishments that an individual can make in their lifetime. The faster your mortgage is paid off, the more money you will save on interest costs. You can take years off your loan by taking a few simple steps which will help make sure you are paying off your mortgage as effectively as possible. The best part is, this process is totally free.

1. You will initially get your credit score before you start to shop around for the best mortgage. The ongoing service fees that the mortgage firm charges are usually reasonable, but it is better to know precisely what fees would be charged before you sign on a loan. It might be in your best interests to consult a mortgage broker at this time.

2. The next step requires you to select either weekly or bi-weekly payments. Having a bi-weekly mortgage means that you will be required to make 26 half-monthly payments rather than 12 monthly payments. Nonetheless, you would save a substantial amount on interest. It is important to remember that if your mortgage is originally set up as bi-weekly, your lender could charge you an upfront fee of $300-$400.

For instance: Making two payments of $415 in leu of one $830 payment, interest savings over the length of the mortgage loan would be roughly $27,000 and would enable you to pay off your house sooner by 4-1/2 years.

3. Paying a little bit more each month is the third step. Slight increases in dollars would help decrease the total principal still owing. If you could pay an additional 10 to 15 percent each and every month then you will be in a good position to pay off your mortgage sooner.

For instance: You could save almost $48,000 in interest and pay off your loan 8 years early by just upping your payment from $830 to $1000 each month.

4. Making a lump sum payment at least once a year with your tax refund, work bonus or from saved money, this can significantly help reduce the amount remaining on your principal. It is better to check your mortgage documents in order to see how frequently you are permitted to prepay and in what amount to be able to ensure that you will not be subjected to any additional fees. While the majority of mortgage loans do not prohibit you from paying off your loan in advance, some loans do have parameters regarding any additional payments which you may make.

5. At renewal time, it is better to pay off as much of your remaining mortgage as you can. At renewal, nearly all mortgages become open and you could pay off as much as you want.

6. Make sure that you check your mortgage payment to ensure that your extra payments are being placed straight against the principal. It is important that the bank accurately documents each and every payment which you make. Any extra payments which you make should be done utilizing a separate cheque. On the memo line, make certain you note that they payment must be applied to the principal only. At the end of the year, when doing your taxes, compute the payments and make sure that the total amount which you paid has been correctly applied.

7. The final step to follow is to make certain that you are staying current and are informed regarding your mortgage. New products are coming out each and every year and the interest rate is always changing. There is the possibility that you may want to shop around for a better product eventually.

Like for example: At the start you may have only been able to qualify for a lower-rate adjustable mortgage. At some point later on, you may decide to select a more affordable, fixed-rate long-term mortgage.

There are several situations where paying off your mortgage sooner is not the right choice. For instance, some people may choose to invest in mutual funds when the yields return 10 to 12 percent each year. Normally, most people choose to pay off their mortgage instead.

Another good time to avoid investing money is if you are planning on moving in the near future. Saving your money for a down payment on your new house may be more advantageous then investing money into your current home.

By following these simple steps and doing a little research it is totally possible to save thousands of dollars on your mortgage. However, the banks won't tell you how to save money because that would make them lose money and their profits will come to a standstill.