



## Tips to Pay off Your Mortgage

### **Tip #1 - Prepay Early!**

Try to make extra payments as early as you can, because the loans are have very high interest rates, and then you are just digging yourself in a deeper hole. This is even more important if you didn't put a large down payment on the house. The principal is not reducing and the interest is rates are rising, so the more you prepay, the better off you are.

### **Tip #2 – Lump Sum Payments on Principle**

Try to save up and utilize extra cash from overtime, bonuses, personal savings, government tax refunds, or even inheritances to pay a lump sum on your principal. All you have to do is break out your mortgage documents to see when you can prepay and for what amount. In most cases, there are no limits on how much you can pay, but there could be limitations on the number of additional payments you are allowed to make.

### **Tip #3 – Shy away from bi-weekly mortgage payments**

A bi-weekly payment means you're making 24 half-payments compared to 12 monthly payments. For example, if you have a \$100,000 home with a 30 year mortgage and a \$1,000 monthly payment, you would be paying two \$500 payments per month (every other week). This allows you to pay down your mortgage faster, and you can potentially save thousands of dollars. Well this is wonderful, why doesn't everyone do this?

Unfortunately, there's a little catch; if your initial mortgage is not set up as "bi-weekly", then some lenders can charge you hundreds of dollars in payment fees, because the lenders only apply the payments on a monthly basis. The best way to evade this costly loophole is to make sure that your original mortgage is set up on a bi-weekly payment schedule. Just be sure that any amount above the interest is applied to the *principal*.

**Tip #4 – Stay on top of extra payments**

One of the mortgage payment Golden Rules is, making sure that your extra payments are always being handled appropriately. So many people make the mistake of sending in extra payments, and not knowing how the money is being handled once the lenders receive it. In some cases, lenders will receive a payment in between the monthly payment schedule, and then they are sitting their scratching their head thinking, “HmMMM.... what are we supposed to do with this payment”. In the future, you should always make extra principle payments on a separate check that clarifies what the payment is for (on the memo line). Just make sure that you account for those payments so that they are applied correctly with your income taxes.

**Tip #5 - Stay informed**

When most people get a mortgage, they just make the monthly payments, and that's about it. They don't check up on new interest rates that could potentially save them lots of money. By staying up to date with the “fine print” (ARM changes, payment penalties, etc.), you can better assess whether or not your current mortgage is right for you.