

7 Ways to Get the Mortgage Monkey Off Your Back

The key to paying down your mortgage early is in the first 5 years (when the largest amount of interest is being paid). Remember to give specific instructions to your bank or lender to put any additional payments toward the principal.

1 BI-WEEKLY PAYMENT PLAN

Pay half your mortgage payment every 2 weeks (some months you will have 3 payments). Over the course of a year you will make an extra full payment.

EXAMPLE: If your payment is \$1,500/month, you will pay \$750 every two weeks. Works out to 26 payments a year and takes years off your mortgage.

2 MATCHING PRINCIPAL PAYMENT PLAN

Take the principal payment from your first statement and add that to your payment each month.

EXAMPLE: 30yr, \$350K at 4.25% = \$1,722/month. The principal is \$480 and interest \$1,242, so an extra rounded-up payment of \$500 each month will pay off your mortgage 11 years early and save you \$107K in interest.

3 EXTRA PAYMENT PER QUARTER

Make an extra full payment toward your principal balance each quarter.

EXAMPLE: 30yr, \$220K at 4% = \$1,050/month. Pay an extra \$1,050 per quarter towards your principal and shave close to 11 years off your mortgage.

4 CASH INFLUX/WINDFALL

Use extra income or cash influx to pay down the principal of your loan.

EXAMPLE: A tax refund, larger commission, or unexpected cash like a birthday gift or inheritance can be used as extra cash. Additionally, first time buyers get a tax credit—you can also use that to pay down your principal balance.

5 REFINANCE TO A 15-YEAR LOAN

This option makes sense if you are already prepaying your mortgage using one of the steps above, rates are low and you are early in your mortgage. By switching to the 15-year mortgage you shorten the life of the loan.

6 DIVIDE YOUR MORTGAGE PAYMENT BY 12

Pay your normal monthly mortgage payment. Then divide your monthly mortgage payment by 12 and pay that number towards the principal each month.

EXAMPLE: Mortgage = \$1,722. Divide by 12 and pay an additional \$143 towards your principal every month. This can take 5 years off your mortgage.

7 DO WHAT YOU CAN

Make budget cuts and save where you can. Every little bit counts, even if it is only \$100/month extra to the principal.

EXAMPLE: 30yr, \$220K at 4% = \$1,050. Pay an extra \$100/month towards your principal and save \$28K in interest over the life of the loan.