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More Mortgage Tips for the New Year

There is no time like the present to make changes to your mortgage loan, changes that could save you hundreds of dollars this year. You may already realize that you can save a lot in interest by refinancing your loan into one with a lower rate. You may also know that if you have acquired 20% equity in your home, you can save hundreds by canceling your private mortgage policy. If you have an adjustable rate mortgage (ARM) that will be resetting this year, you may also know that refinancing into a fixed rate loan could save you from the impending "payment shock." Even knowing all this, depending on your circumstances, there may be other valuable tips that can help you have a more productive mortgage this year.

If you do not have a fixed rate mortgage or a traditional ARM, you may have an option ARM loan that allows you to decide between four different payment amounts each month for a certain amount of time. It may be tempting to stick with the lowest payment option, but if you can at all afford it, try to make the monthly payment that would allow you to pay off your mortgage in 30 years. If you can't make that payment every time this year, at least try to make the interest-only payment during those months that you cannot make the 30-year contribution. If you consistently make the minimum payment, not only will you be making no contribution to your loan's principal, but neither will you be covering the monthly interest charges and the negative balance gets added to your loan total. This means your loan balance is actually increases, instead of decreasing each time you make the minimum payment! If you are planning to stay in your home for many more years, you should even consider simply refinancing into a fixed rate loan to avoid the temptation to make the minimum payment.

No matter what type of mortgage loan you have, it is often a good idea to make at least one extra payment this year to further pay down the principal of your home loan. In fact, if you can consistently make one extra payment a year, you will pay off a 30-year loan in only 25 years, and in the process you will save yourself thousands in interest charges. Make sure your loan does not have a prepayment penalty for this type of action though.

Another tip is to consider the lifestyle changes you expect this year. If you are adding a new family member to your household this year, whether it be a new baby or an aging relative, you may need to get a cash-out refinance or a home equity loan in order to add on that new room or make necessary repairs or remodeling. If you have a child leaving for college this year or simply moving out, you may want to make a financial plan to throw more money toward your mortgage than you could have realistically done before.

Every homeowner's mortgage situation is unique, but regardless of your particular home loan type, you should take some time to sit down and evaluate how your mortgage is working for you. Making some small changes may net you hundreds in savings or help you get the right funding for your needs this year.