

## What Advantages Does a Biweekly Mortgage Offer?

One of the most precious assets that you are likely to possess as you progress through life is your home. Owning their own homes is something that most Americans strive for.

Unfortunately, for the vast majority of people, one of the major drawbacks in owning a home is the long-term mortgage that must be paid off. Mortgages often stretch out 30 years with interest and principal repayments.

Most mortgage repayments are made on a monthly basis. However, arranging to make payments biweekly can have a dramatic effect on the amount of money you have to pay and the time frame before it is all paid off.

Under a biweekly mortgage, instead of making the payments once a month, you make half the payment every two weeks. If your mortgage is \$1,000 per month, under a biweekly system it would be \$500 every two weeks.

You make 26 payments per year, which is the equivalent of 13 monthly payments rather than 12. The extra payment should be taken directly off the principal, reducing the payment schedule accordingly.

The effect of biweekly mortgage payments can be dramatic. For example, if you currently have a \$150,000 loan at 8 percent fixed interest, you will have paid approximately \$396,233 at the end of 30 years.

However, if you use a biweekly payment system, you will pay \$331,859 and have it completely paid off in 21.6 years. You save \$64,374 and pay the loan off 8.4 years earlier!

The savings you realize using a biweekly payment schedule can save you nearly half of what it cost to buy the house in the first place.

An increasing number of mortgage companies are now offering a biweekly payment option. It is even possible to convert your current monthly payments into a biweekly schedule.

Some companies will attempt to charge you to refinance the loan. However, this is not always the case and shopping around can save you money in refinancing charges.

Be wary of independent companies offering to do this for you for a fee — you can do it for yourself for free.

You should receive professional financial advice when considering switching to a biweekly mortgage payment schedule.

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