

15-Yr. vs. 30-Yr. Mortgage

15-Year, 30-Year?

In the past, the 30-year, fixed-rate mortgage was the standard choice for most homebuyers. Today, however, Lenders offer a wide array of loan types in varying lengths, including 10, 15, 20, 30 and even 40-year mortgages.

Deciding what length is best for you should be based on several factors including: your purchasing power, your anticipated future income and how disciplined you will be about paying off the mortgage.

What are the benefits of a shorter loan term?

Some homeowners choose fixed-rate loans that are less than 30 years in order to save money by paying less interest over the life of the loan.

What are the advantages to a 30-year loan?

Despite the interest savings of a 15-year loan, they're not for everyone. For one thing, the higher monthly payment might not allow some homeowners to qualify for a house they could otherwise afford with the lower payments of a 30-year mortgage. The lower monthly payment can also provide a greater sense of security in the event your future earning power might decrease.

Pay extra principal and see the savings!

With a little bit of financial discipline, you pay off a 30-year loan faster with an extra payment toward the principal. Simply include extra funds with your monthly payment earmarked to apply to the principal. Most Lenders will allow this without penalty.

For example, if you had a 30-year loan, and sent in 1/12 extra toward principal each month, your 30-year loan should be cut to approximately 21 years! But if your financial situation suddenly took a turn, you could always fall back on the regular monthly payment.