

## Mortgage Lending Tips

One should never accept a mortgage loan strictly at face value. When you sign your mortgage loan paperwork, you should know the interest rate you will be paying for every month after that for the duration of the mortgage loan. But interest rates of mortgage loans aren't always as attractive as they look. Very few people are aware that most of their monthly payments actually go to their mortgage loan interest.

When you take a 30-year mortgage loan for \$100,000, the total amount you pay is \$300,000. \$100,000 is used as payment for the principal mortgage loan balance. But the remaining \$200,000, what part of your mortgage loan did that go to? You guessed it # interest. The bulk of your mortgage loan payments actually go to interest and to the pockets of your lenders.

Now, here's another thing to consider when acquiring a mortgage loan. Moving is a common trend in the United States. The average person in the U.S. moves every 7 years or so. Moving into a new house usually means getting a new mortgage loan to cover the costs of the new house. It's an endless cycle. And with interest payments constituting 91 percent of your monthly mortgage loan payment, it is also a vicious cycle.

Think about a 30-year fixed rate mortgage loan at \$100,000. The interest rate for this mortgage loan is 7 percent. If you move after 5 years, you'd still have a mortgage loan balance of \$94,000, 94 percent of the original amount.

Over the course of five years, you paid several thousands of dollars for your mortgage loan but only ended up paying only \$6,000 of your mortgage loan because the rest went to interest. 86 percent of your mortgage loan is what you would still owe even after a decade, or 120 payments. To pay 50 percent of your loan, you need about 20-25 years of mortgage loan payments. That's how long a mortgage loan takes to be paid off.

And if you think that a mortgage loan will help you with your taxes, think twice. Mortgage loans take about a dollar of interest from you while you get back only about 28 cents from tax deductions.

Instead of prepaying their mortgage loans, some people use their income to jumpstart another investment. But the problem with investments is that there is no sure-fire way to adopt in order to succeed. You could get lucky or you could go broke. It's a far riskier business to invest your money in the stock market than to pay off your mortgage loans.

Now don't let this picture about mortgage loans worry you and make you stay away from them for the rest of your life. The truth of the matter is, mortgage loans are a part of life. So how do we move past the mortgage loan hurdles? Pay off your mortgage loans early by paying more than the minimum payment. By paying extra once a year, you can eventually remove 8 years from a 30-year mortgage loan.

Perhaps the smartest way for you to get ahead on your monthly mortgage loan payment is through a bi-weekly mortgage loan. With a bi-weekly mortgage loan, your payment is made every two weeks for half your monthly amount. At the end of the year, you'll observe that you have made 13 monthly payments instead of 12.