

# Making Sense of Mortgages



**Amount**

How much the lender is lending you



**Rate**

The rate of interest a mortgage lender charges on the loan



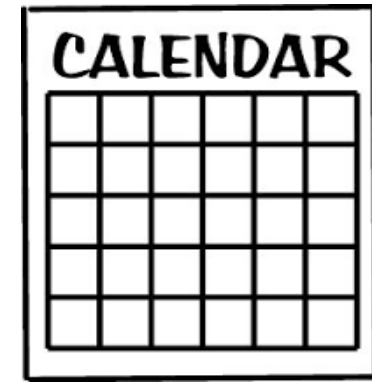
**Payment Frequency**

The frequency with which mortgage payments are withdrawn from your bank account



**Term**

Period of time for which the lender is lending you money

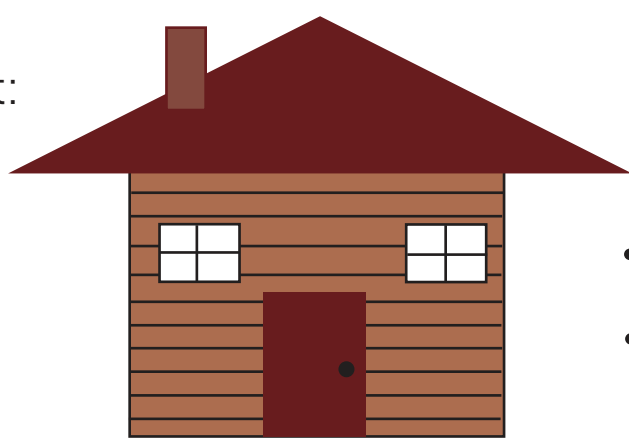


**Amortization Period**

The total length of time it will take to pay off your mortgage

## Small differences can have a BIG financial impact...

- \$500,000
- Down payment: 20%, \$100,000
- Rate: 4.5%
- 25-year amortization



### Scenario 1 Monthly Payments

- \$2,214 payment
- 12 payments per year
- Paid in full in year 25
- \$264,168 in interest

### Scenario 2 Accelerated Bi-Weekly Payments

- \$1,107 payment, every two weeks
- 26 payments per year
- Paid in full in year 22
- \$224,105 in interest

### Payment Frequency

Choose accelerated bi-weekly payments and you'll only pay an additional \$2,214 per year. It takes 3 years off the time it will take to pay your mortgage in full, and it saves you

**\$40,063**

in interest over the original 25-year amortization

- \$500,000
- Down payment: 20%, \$100,000
- 25-year amortization
- Monthly payments



### Scenario 1 4.5% Rate

- \$2,214 payment
- 12 payments per year
- Paid in full in year 25
- \$264,168 in interest

### Scenario 2 3.5% Rate

- \$1,998 payment
- 12 payments per year
- Paid in full in year 25
- \$199,125 in interest

### Rate

Even a 1% difference in interest rates has a big impact on your monthly payments. This example saves you \$217 per month, and you'll also save

**\$65,043**

in interest over the original 25-year amortization.

- \$500,000
- Down payment: 20%, \$100,000
- Rate: 4.5%
- Monthly payments



### Scenario 1 25-Year Amortization

- \$2,214 payment
- 12 payments per year
- Paid in full in year 25
- \$264,168 in interest

### Scenario 2 20-Year Amortization

- \$2,522 payment
- 12 payments per year
- Paid in full in year 20
- \$205,189 in interest

### Amortization

If you can afford an additional \$308 per month as in the example, choosing a 20-year amortization instead of 25 years will save you

**\$58,979**

in interest paid on your mortgage.

**Note:** The above examples assume that each time your mortgage enters a new term you maintain the same interest rate and the same amortization period.