

Real Estate Intelligence

Keeping you up to date with useful real estate news and intelligence

Brought to you by
Justin Bevins

Weighing 30 and 15 year Fixed-Rate Mortgages

One important decision homebuyers face is whether to secure a 30-year, fixed-rate mortgage or go for a 15-year one, which carries a lower interest rate. "All things equal, a 15-year mortgage allows you to pay off your mortgage twice as fast while saving a significant chunk of money on interest," explains Mark Crosby, a mortgage expert in Wilmington, Del. Still, "I think the 30-year mortgage is a logical choice for most people because it has more advantages."

For starters, mortgage payments are less expensive with a 30-year mortgage, enabling more consumers to qualify for home purchases. "With a 30-year mortgage you are almost always free to make additional principal payments necessary to pay off your loan [faster] without penalty," Crosby says. "With the 15-year loan, you are committed to giving that extra money to your lender each month, whether you can really afford to at the time or not."

Higher payments that come with a 15-year mortgage make little sense if they keep you from building savings or contributing to a 401(k) plan, IRA or a college fund, adds Dan Green, a loan officer with Waterstone Mortgage in Laurel, Md. "You could be needlessly tying up too much of your money into your house." Green said another reason people favor a 30-year fixed mortgage is the tax benefit. "This is because the amortization schedule of 30-year fixed is back-heavy, with early-term payments big on interest and light in principal," he explains. "By contrast, the 15-year fixed is always light on interest which lowers its taxpayer benefits."

While it's true you gain more of a tax break from a 30-year loan, it shouldn't be the main consideration when deciding on a term. The 30-year borrower pays less in yearly taxes because he or she pays significantly more in interest.

So it all comes down to choice and circumstances.

Choose the 15-year loan if you have the financial wherewithal to assume the payments. Your interest savings will be substantial and you'll own your home faster.

Opt for the 30-year loan for lower payments and greater flexibility. You can always choose to pay more on your mortgage when the money is available.

31730 Railroad Canyon Rd., Ste. 4 Sun City, CA 92587

Justin Bevins, REALTOR®, BRE #01407424
tel 951-326-0521 fax 951-244-2293 email Justin@BevinsGroup.com

www.BevinsGroup.com



If your property is currently listed with a real estate broker, please disregard this notice. It is not our intention to solicit the offerings of other real estate brokers. Equal Housing Opportunity. Download updated market reports, neighborhood statistics, and even request a free market valuation for your home at www.BevinsGroup.com