



The Case for Paying Off Your Mortgage Quickly

Because a home purchase is such a big investment, the mortgage loan you obtain to buy it will generally take many years (about thirty usually) to pay it off. Most people expect to be making mortgage payments for most of their working lives. Yet, if you have more money to put towards mortgage, should you? While it is not always the right course for every situation, there are some compelling reasons to pay off your mortgage as quickly as possible.

First of all, the decision of how quickly to pay your mortgage depends largely on your personality. You may want to make larger monthly payments if you are the kind of person who despises risk and thrives on a debt-free mentality. You also need to have the kind of personality that is disciplined enough to continue to save or invest the same amount of money consistently after you finish paying off your mortgage. Otherwise eliminating that debt might make you feel too free, so much so that you waste your savings.

There are some reasons for quickly paying off your mortgage that make sense for everyone, regardless of personality type.

Interest

One reason why a mortgage is such a huge investment is because of the interest. Not only do you have to repay the lender the exact amount of the home's selling price, but you must also make the loan worthwhile for the lender by paying interest, sometimes even more than twice the home price. Consider this example: You buy a home for \$200,000 at 6% for a 30-year term. Over the course of the loan you would end up paying \$231,676.00 in interest! Just think – if you were able to afford to pay off your loan in 20 years, instead of 30, you would pay only \$143,886.40 in interest. That is a savings of \$87,789.60. And if you were able to make the payments on a 15-year loan you would pay a total of \$77,842.20 in interest, a \$153,833.80 savings from the 30-year plan! Who wouldn't want an extra \$150,000 sitting in their bank account at the end of their mortgage? Yet that is where the personality and discipline comes in to play. You really only save that much if you are able to continue paying yourself the amount of the mortgage for the following fifteen years, saving or investing it rather than spending it.

Equity

The faster you pay off your principal loan balance, the faster you gain equity in your home. You can use your equity to finance other financial ventures, or simply let it accrue to give you more security in the case of fiscal emergency.

Peace of Mind

Another great advantage to paying off your mortgage early is the peace of mind it affords. Debt of any kind can be a heavy stress burden and a mortgage debt is especially pressing. The sooner you are free of that debt, the freer you will be to do other things with your money. You will also be able to relax knowing that if a financial emergency arose, you would have more money to throw at the problem since you wouldn't have to be making mortgage payments anymore. And that crisis would not put you in as much risk of losing your home, since it would already be paid off.



There are, of course, drawbacks and disadvantages to paying off your mortgage sooner than 30-years, but if you are disciplined and determined to be debt-free, it can be a great way to save money and save you from mortgage-related headaches.