

The Truth About Mortgage Loans

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Refinance Secrets Revealed <http://www.RefinanceSecretsRevealed.com>

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When you close on a new mortgage, your loan papers state the interest rate you will be paying for your loan. But is that interest rate really as good as it looks? Out of your monthly payment that you faithfully make each month, do you know how much of that amount is actually going towards interest?

During the signing of your loan papers, you might have noticed a large sum being disclosed (about three times the size of your mortgage) which indicates the amount of interest and principal you would be paying over the life of your loan?

For example, if you have a 30-year fixed loan for \$100,000, over 30 years, you would have paid approximately \$300,000 to your lender. Only 1/3 of that money is actually what you borrowed. The majority of your hard earned money is actually interest payments.

To verify this for yourself, take your current monthly payment that you make to your lender, (principal and interest only) and multiply it by 360 for a 30-year loan and you'll see the total payments your lender would receive over 30-years.

That huge sum of money in interest is going to someone else. It is money that should be working for you and building you wealth. Do you really want to work three decades to give your lender such a large chunk of your hard earned money?

Here's another tidbit of information that is even more important. How often do you move? In America, the average person moves every 7 years. I don't know about you but when most people move into a new house, they get a new mortgage and go right back to payments where 90% of the amount is going towards interest. If you are average, you'll probably never pay off a house in your lifetime unless you become aware of how

money works. And one of these days, it may be too late.

Think of it like this. If you have a 30-year fixed, \$100,000 mortgage at 7% interest and you move after 5 years, you will still owe 94% of your original loan or \$94,000. Of the thousands of dollars you have paid over 5 years, you will only have reduced the principal by \$6,000 because most of your payment for the first 5 years goes towards interest. After 10 years of payments, (120 payments) you'd still owe about 86% of your mortgage balance. It takes literally 20-25 years of mortgage payments just to reach the 50% mark.

If you are one of those people who are not prepaying a mortgage because it is your last tax shelter, think about what you are really doing. You are paying a dollar of interest to get back 28 cents in tax deductions (or whatever your tax rate is). This is called "negative cash flow."

Another reason I hear for hanging onto a mortgage is that people would rather use the money to invest and get a greater return. First of all, this is not an apples to apples comparison as one is a guaranteed rate of return and the other is not. There's no guarantee with other investments like there is with paying off a mortgage. It all boils down to risk. Yes, you may come out ahead in some investments but they are not Guaranteed. If your money were in the stock market right now, paying off your mortgage would probably have given you a greater return than you are getting right now.

So what is the solution? Pay extra on your mortgage and get it paid off early! Even just one extra payment a year will remove about 8 years from a 30-year loan.

Do you have a plan to be debt free? No matter your income or expenses, it can be achievable for you. Find out where you are now, identify where you want to be in 5 years and make a plan to get there.

Start your debt-free plan today, include your mortgage and build YOUR future wealth, not someone else's.

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Doris S. Dobkins, is a money saving expert and the author the newly published book: "Refinance Secrets Revealed", guaranteed to get you out of debt by retirement with a zero cost loan. Check it out if you have a mortgage loan between \$130,000 and \$300,000, because you are the perfect candidate to take advantage of a zero cost loan.

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