

What Advantages Does a Biweekly Mortgage Offer?

Most homeowners make their regular mortgage payments every month for the duration of the loan term, and never think of doing otherwise. But prepaying your mortgage or making biweekly payments can reduce the amount of interest you'll pay over time.

Under a biweekly mortgage, instead of making the payments once a month, you make half your normal monthly payment every two weeks. For example, if your mortgage is $1,000 per month, under a biweekly system it would be $500 every two weeks.

If you maintain the biweekly payment schedule you'll make an extra month's payment over the course of each year (26 payments per year, which is the equivalent of 13 full monthly payments rather than 12). You'll also pay less interest because your payments are applied to your principal balance more frequently.

The effect of biweekly mortgage payments can be dramatic. For example, if you currently have a $150,000 loan at 8 % fixed interest, you will have paid approximately $396,233 at the end of 30 years. However, if you use a biweekly payment system, you would pay $331,859 and have it completely paid off in 21.6 years. You would save $64,374 and pay the loan off 8.4 years earlier!

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