

PRINCIPAL VS. INTEREST GUIDE

WHEN MORE OF YOUR PAYMENT GOES TOWARD
PRINCIPAL THAN INTEREST



How Long Does It Take Before More of Your Payment Goes Toward Principal?

Here's something many homeowners don't realize.

There isn't one universal point when more of your scheduled mortgage payment begins going toward principal than interest.

 **Your interest rate makes a significant difference.**

On a standard 30-year fixed mortgage, here's approximately when the principal portion of the scheduled monthly payment first becomes greater than the interest portion:

INTEREST RATE	PRINCIPAL BECOMES MAJORITY AROUND
3.00%	Year 7.0
3.50%	Year 10.3
4.00%	Year 12.8
4.50%	Year 14.7
5.00%	Year 16.2
5.50%	Year 17.5
6.00%	Year 18.6
6.50%	Year 19.4
7.00%	Year 20.2
7.50%	Year 20.8
8.00%	Year 21.4



At **3%**, the crossover happens relatively early.



At **7%**, you're roughly **20 years** into a 30-year mortgage before the principal portion of your scheduled payment becomes larger than the interest portion.



That doesn't mean reaching the 50/50 point makes your mortgage "good." And being on the other side of it doesn't mean you shouldn't refinance.



The 50/50 point isn't a rule.

It's a way to understand what's happening inside your mortgage payment.

And it helps illustrate why replacing an existing mortgage with a new 30-year loan deserves more analysis than simply comparing rates and payments.



By refinancing your existing loan, your total finance charges may be higher over the life of the loan.

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