

Understanding AMORTIZATION

Your amortization table is an important tool, outlining every mortgage payment you'll make and it's contribution toward equity.

AMORTIZATION is a big word, but a pretty simple idea. Put in plain terms, it is the process of paying off debt (your home loan) in equal installments over the term of your loan.

The amortization schedule you received at closing outlines how much of your mortgage payment is applied to principal and interest each month throughout your loan term. This helps you keep track of your balance and understand the true cost of your home over the life of your loan.

STILL CONFUSED?
Let's look at an example:

You bought your home for **\$150,000** with a down payment of **10%**, resulting in a loan amount of **\$135,000**. You secured a 30-year fixed-rate mortgage at **4.5%** interest with a monthly mortgage payment of **\$684.03**.

THE FOLLOWING ARE HIGHLIGHTS FROM THE FULL AMORTIZATION SCHEDULE ON YOUR LOAN:

DATE	INTEREST	PRINCIPAL	BALANCE
Month 1	\$506.25	\$177.78	\$134,822.22
Month 24	\$490.27	\$193.76	\$130,544.24
Month 48	\$472.06	\$211.97	\$125,669.68
Month 72	\$452.13	\$231.89	\$120,336.96
Month 96	\$430.34	\$253.69	\$114,503.01
Month 180	\$335.31	\$348.72	\$89,067.12
Month 360	\$2.56	\$681.47	\$0

If you stayed in your home for **30 years**, you would pay over **\$246,249** in principal and interest over the life of the loan. To illustrate the power of interest rates, on this same loan with a **7%** interest rate, you would pay **\$323,337** in total principal and interest.

Notice how the amount of principal and interest paid flip over time? Look at the full schedule to see the shift happen month-to-month. In the early years of homeownership, the largest portion of your payment is applied to interest, meaning you're building equity at a slower pace. But as the life of the loan progresses,

you see more of your payment applied to your principal, which pays down your balance faster. Why? Because the interest you are charged each month is calculated using your outstanding balance, which gets smaller with every payment you make.

Be sure to pay your mortgage on time so you stay on schedule and don't incur any late fees or negative impacts on your credit. If you can, consider paying a little extra every month and apply it to your principal – your equity will add up faster and you'll pay off your mortgage sooner.

MARIO GALDOS | Sr. Loan Officer | NMLS# 220759
3820 Farm to Market Rd. 3009 #148, Schertz, TX 78154 | O: 210.476.5523

