PREMIER
MORTGAGE GROUP
experience the difference

BUILD HOME EQUITY FASTER

Many borrowers use a refinance to shorten the term of the mortgage. And brace yourself: Even at low rates, a shorter term means a higher monthly payment. The benefit is that you'll build up equity faster and pay far less in total interest over the life of the loan.

Consider Jim Neill, 48, a real estate broker and his wife Merrilyn, 55, a psychotherapist. Recently, the couple took out a 15-year fixed-rate loan at 6.75% to replace an 8.13% ARM with a 30-year term. Their monthly payment jumped by $200, but now they will own their own home outright by the time they retire. In addition, the total interest on the 15-year loan will come to $95,447, vs. $222,234 on the remaining life of the ARM -- and that assumes their adjustable rate would have held steady at its current 8.13%. "This is forced savings," says Jim. "When we retire, we can scale down and take equity out of the house."

If you can't afford the payments on a 15-year mortgage, your next best means of building equity is to refinance for less than 30 years. To do so, ask your mortgage company to customize your new loan's term to match the years that are left on your old loan -- if you are five years into a 30-year mortgage, for example, ask for a 25-year loan.

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