

# How to Manage Your Mortgage

It's a dream for many families to own a home. Keeping your home also means managing your mortgage.

## **Pay on time**

Your mortgage payment is one of your most important bills. It is crucial that you make every payment on time. When you pay your mortgage on time you are one step closer to a fully paid home. In addition, on-time payments improve your credit.

One of the best ways to make sure that your mortgage payments are on time is to use your credit union's auto-pay option. You can schedule your payments in advance. The online process enables you to time the payment just right. Online payments are easy to set up and usually free.

Set up automatic reminders to make sure that you have paid your mortgage. If for some reason, you are unable to make a payment, contact your lender immediately. Explain your situation and work with the lender to make your account current.

## **Set aside a rainy day fund**

Unfortunately, unexpected things happen. Your house might need an emergency repair, there might be some other unforeseen expense or you might lose your job. The rainy day fund helps you manage unexpected expenses. You should have a reserve fund that is large enough to pay all of your bills for at least 6-months.

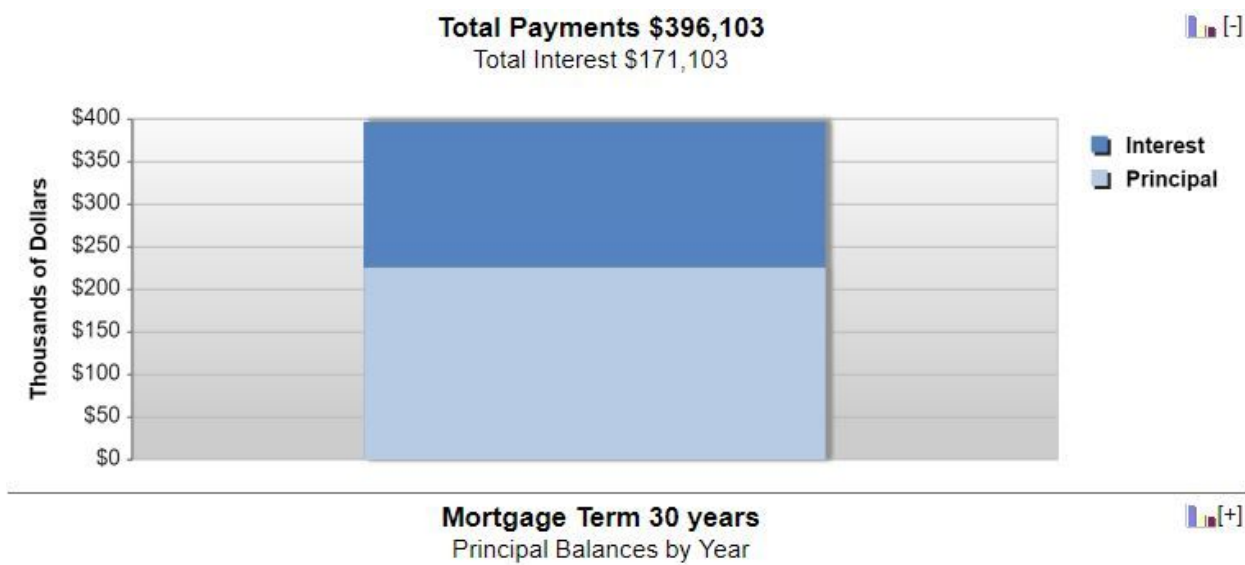
### **The rainy day fund helps you in several ways:**

- It provides you liquidity in case of emergency.
- Having a rainy day fund will reduce stress in your life.
- It gives you more options.
- It creates a habit of saving.

## **Try to make extra payments**

Paying down your mortgage is a great achievement. Making extra payments will shorten the life of your mortgage. Extra payments will help you save thousands of dollars during the life of the loan.

If you have a \$225,000 mortgage with a 4.2 percent interest rate, your monthly payment is around \$1,100 on a 30-year loan. (You can use [this mortgage calculator](#) to calculate your own monthly payment.)



Let's see what happens if you pay an extra \$100 each month.

No Extra Payments	With Extra Payments
<b>\$1,100.29</b> Monthly Payment	<b>\$1,200.29</b> <i>Equivalent Monthly Payment</i>
<b>30 years</b> Pay-off time	<b>25 years 6 months</b> Pay-off time
<b>\$171,103.91</b> Interest Paid	<b>\$141,688.18</b> Interest Paid
<b>4 years 6 months</b> Time Saved Making Extra Payments	<b>\$29,415.73</b> Total Interest Savings With Extra Payments

Your payoff time goes from 30 years to 25 years and 6 months. During the life of the loan, you will save \$29,415.73. You can use this [extra payment calculator](#) to see how much money you save by making extra payments.

It is a mistake to send an extra mortgage payment without specifying that it is supposed to be a principal payment. If you can make extra payments, make sure that you note that it is a principal payment.

### Resist the urge to overspend

When you buy a house it is easy to overspend. Buying a new TV, new furniture or new appliances is tempting. Remodeling your kitchen or your bathrooms can be tempting too. Once the bills start rolling in reality hits.

Spend slowly. Try to avoid buying on credit. It is best to save money each month and only buy when you can afford to pay cash.

### **Anticipate new expenses**

Moving from an apartment to a house will have new expenses. You might have been living in a condo where utilities were included in your home owner's association fees. When you move into your new house you might have unanticipated expenses such as a larger electric bill, landscaping service, trash service and more. Make sure that you budget enough money to cover new and unanticipated expenses.

### **In conclusion**

Your home is your biggest investment. Treat it accordingly. Always make your mortgage payments on time. Work with your lender, if you have difficulties with making a payment. If at all possible, try to make extra payments to pay down your mortgage faster.