Using a Loan Calculator to Determine Your Mortgage Term by [Crowin Smith]

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When looking for a home loan, one of the most overlooked upon factor is the mortgage term or the actual duration of the loan. What most people fail to realize is that this is in fact one of the most important factors to consider because it has a direct effect on the repayment amounts. If you havenâ€™t thought about it, time is really goldâ€”in this case money.

Just like in any loan type, there is a set number of years for the loanâ€™s principal to be paid off. As a matter of fact, how much your loan would cost would be directly proportionate to the number of years you have agreed upon to settle the loan. Once the borrower is done paying the loanâ€™s principal, there will be no further increase in mortgage payments because the interest payments will no longer increase. Using a simple loan calculator can help you connect the dots when it comes to the relationship between the mortgage term, the interest rate and the overall mortgage repayment amount.

Some borrowers choose to go with mortgages that run for 25 to 30 years. They are normally fixed rate loans. Because of the long mortgage period, the interest rates will be significantly higher. Loans that run for 30 years usually cost twice as much because of the high interest rates. That simply means the borrower could have afforded to buy two houses with that amount of money. Mortgage rates for long-term loans will significantly rise in due time.

There are many factors that affect the duration of a loan. The first and obvious factor would be the home buyerâ€™s financial predicament. If the borrower is capable of paying high repayment amounts, then they can afford to purchase a loan with a shorter mortgage term. But as for those who canâ€™t afford big mortgage repayments, they have no choice but to stick to loans with longer mortgage terms. By choosing a shorter mortgage term, your monthly payments will be higher and vice versa. Despite the higher monthly payments, you will still be able to save money on your loan because of the low interest rates. You can do the math using a mortgage calculator to see for yourself.

Brokers and lenders would advise borrowers to first take a look at their current finances to see whether they could afford a shorter mortgage term. Not only will they be able to save money with a shorter mortgage, they would also be able to save precious time. With the help of a loan calculator, determining the loanâ€™s mortgage term will be easy. Buying a house is making the biggest investment in your life. Nobody wants to ruin their financial future by securing the wrong mortgage type.

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For more information regarding a Loan Calculator, Please visit a Cashbackmortgage.com.au

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