Your Mortgage *Amortization*

Your mortgage amortization period is the number of years it will take you to pay off your mortgage. Depending on your choice of amortization period, it will affect how quickly you become mortgage-free as well as how much interest you pay over the lifetime of your mortgage (longer lifetime equals more interest, whereas a shorter lifetime equals less interest but also bigger payments).

Let's start by looking at the mortgage industry benchmark amortization period. This is typically a 25-year period and is the standard that is used by majority of lenders when it comes to discussing mortgage products. It is also typically the basis for standard mortgage calculators.

While this is the standard, it is not the only option when it comes to your mortgage amortization. In fact, mortgage amortizations can be as short as 5-years and as long as 35-years!

As mentioned, opting for a shorter amortization period will result in paying less interest overall during the life of your mortgage. Choosing this amortization schedule means you will also become mortgage-free faster and have access to your home equity sooner! However, if you choose to pay off your mortgage over a shorter time-frame, you will have higher payments per month. If your income is irregular, you are at the maximum end of your monthly budget or this is your first home, you may not benefit from a shorter amortization and having more cash flow tied up in your monthly mortgage payments.

When it comes to choosing a longer amortization period, there are definitely still advantages. The first is that you have smaller monthly mortgage payments, which can make home ownership less daunting for first-time buyers as well as free up additional monthly cash flow for other bills or endeavors. A longer amortization also has its advantages when it comes to buying a home as choosing a longer amortization period can often get you into your dream home sooner, due to utilizing standard mortgage payments versus accelerated. In some cases,with your payments happening over a larger period of time, you may also qualify for a slightly higher value mortgage than a shorter amortization depending on your situation.

Your mortgage professional will be able to help you choose the amortization that best suits your unique requirements and ensures you have adequate cash flow. However, it is important to mention that you are not stuck with the amortization schedule you choose at the time you get your mortgage. You are able to shorten or lengthen your amortization, as well as consider making extra payments on your mortgage (if you set up pre-payment options), at a later date.

Ideally, you are re-evaluating your mortgage at renewal time (every 3, 5 or 10 years depending on your mortgage product). During renewal is a great time to review your amortization and payment schedules or make changes if they are no longer working for you.

If you have any questions or are looking to get started on purchasing a home, don't hesitate to reach out to a mortgage professional for expert advice!