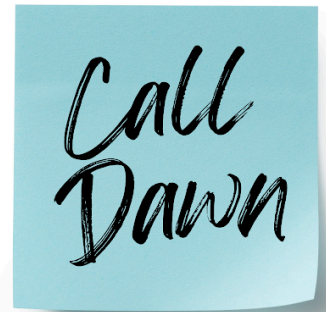




To biweekly or not to biweekly...

After closing on your mortgage, you may receive enticing offers for a bi-weekly payment plan that sound too good to be true. But how can making half payments twice a month save you thousands and shorten your loan term? The answer lies in the structure of these payments. Instead of merely paying twice a month, you end up making 26 half payments annually, which totals 13 full payments—an extra payment each year. This additional payment is where the savings from a bi-weekly mortgage plan come into play.



Financial Planning Considerations

Before committing to a bi-weekly payment plan, consider whether you want to make extra payments towards your mortgage. This might be a good opportunity to consult a financial planner. If you're behind on retirement investing, directing extra funds to an IRA or other investment could be more beneficial, especially since mortgage interest rates are typically low and often tax-deductible.

Exploring a DIY Approach

Even if reducing your mortgage is a priority, a bi-weekly payment plan may not suit your needs. If you're disciplined and organized enough to manage your extra payments independently, you could save on bi-weekly plan fees. By making your extra payment earlier in the year, you can reduce the principal faster, leading to more interest savings. Alternatively, consider adding an extra twelfth of your monthly payment to each check you write.

When a Bi-Weekly Plan Makes Sense

So, when is a bi-weekly mortgage payment plan advisable? If you're committed to paying down your loan but doubt your ability to make those extra payments on your own, an automatic debit from a bi-weekly plan ensures consistent additional payments—no self-discipline required. For those on a bi-weekly payroll schedule, making half payments from each paycheck can make budgeting easier, with the bonus of reducing principal and interest.

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Caveat Emptor: Read the Fine Print

If you decide to enroll in a bi-weekly payment plan, be sure to read the fine print. Are there setup fees or per-transaction charges? Many third-party services do impose such fees. It's worth calling your loan servicer to see if they offer a plan with lower or no costs. Additionally, inquire about when your payments are applied to the principal. If funds are debited from your account but held until the payment due date, you may forfeit significant benefits of the plan.



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