

adapt

mortgages

TUTORIALS

Amortization

... the calculation that turns your loan and interest due on your loan into the same monthly payment for each month of the 25 year term of your loan.

Don't ask me why 25 years. I still don't have an answer to this question. If you know; please let me know.

In order to achieve this level monthly payment you have to pay back very little of your loan in the early years of your mortgage. It takes about 5 years to pay back 10% of what you borrowed.

At the one extreme of house purchase is 'interest only' i.e. you are not paying back any of the money you borrowed just interest. While at the other extreme is a cash purchase i.e. you are one of the lucky few who can buy your house outright with your own money; you don't borrow anything and therefore pay no interest.

In between these two extremes we have capital repayment i.e. you pay back part of the amount you borrow along with the interest due, on what is left to pay back, to the lender with each monthly payment.

The best thing you can do is to overpay your mortgage (assuming your lender will let you - remember they make a living out of collecting interest). Overpayments reduce the amount you owe; paying off your mortgage earlier by paying less interest! Sometimes this can be quite dramatic.

Alun Davies ~ Adapt Mortgages, 6 Colchester Avenue, Penylan, Cardiff CF23 9BP
tel 029 2048 0555 mob 07799 073 215 e-mail alun@adaptmortgages.co.uk

regulated by the [Financial Services Authority](#)

“Your home may be repossessed if you do not keep up repayments on your mortgage.”