

Title:

Does Paying Points on a Mortgage Make Sense?

Word Count:

513

Summary:

You've found your dream home and are now ready to start shopping for a mortgage. Several lenders

Keywords:

finance points

Article Body:

You've found your dream home and are now ready to start shopping for a mortgage. Several lenders

For most people, paying points doesn't make sense. Points, also called discount points or origination

Paying points basically allows the borrower to buy down the interest rate.

Points became popular in the early 1980s when mortgage rates were in excess of 15%. Most people

Times are different now. Interest rates are reasonable. There isn't a large need to pay a lot of

Let's look at the numbers. You have contracted to purchase a home for \$240,000. You have the 20% down

You find a 30-year fixed rate mortgage at 6.5% with two points. For closing, you will need to pay

The lender can also offer you a rate of 7% with no points.

What do you choose? The lower rate or the lower closing?

At 6.5% you will have a monthly principal and interest payment of \$1,207. At 7% your payment is

It will take you 61 months (\$3,840 divided by \$63) to recoup your points payment in the form of

So you have to live in your home for at least six years in order to take advantage of the savings.

If you are looking at paying points in order to reduce your monthly housing payment, you may want

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