Hi everyone, Jerry Manor here. Last week on SeaComm Money Matters we discussed home equity and we touched a little on mortgage. I had a couple of calls with further questions so let's talk mortgages today.

Understanding your mortgage payment can feel overwhelming, but breaking it down into its components makes it easier to manage. Let's take a look at what's included in your mortgage payment, discuss some common questions, and explain how to manage your payments effectively. So, what's included in your mortgage payment? The principal is the original amount of your loan. For example, if you bought a house for $100,000 and made a $20,000 down payment, your principal loan amount would be $80,000. A portion of each mortgage payment reduces this principal, with more of your payment going toward it as your loan progresses. Next, Interest is the cost of borrowing money and is based on the remaining loan balance. It's expressed as an annual percentage rate (APR). Factors like your credit score, the length of the loan, and market rates determine your interest rate. In Fixed-rate mortgages, the same interest rate stays the same, while variable-rate mortgages fluctuate based on market conditions. Variable rate mortgages tend to start out at a lower rate than a fixed rate mortgage. If your down payment was less than 20% of the home's price, you might need to pay private mortgage insurance. This protects the lender in case you default on your loan. You can get rid of the PMI once you reach 20% equity in your home. Lenders also require insurance on the home. The cost of your coverage depends on your home's value and the level of protection you choose. The other cost in a mortgage is property tax. Many lenders require what is called an escrow account with part of your payment going there with the lender paying the taxes from this account when they are due. Some mortgages allow you to do it on your own.

Consumers can obtain a mortgage with less than excellent credit but they will probably have to pay a higher interest rate and also may have to make a larger down payment. If you are thinking about buying a home it's a real good idea to improve your credit which is a great topic for a future edition. So, how much mortgage can you afford? Well, You should spend no more than 28% of your gross monthly income on your housing costs including mortgage, insurance and taxes. Financial gurus also say you should spend no more than 36% of your income on all credit including mortgage, auto, student loans and credit cards. Keeping track of your mortgage is so important because it is more than just a loan, it represents your home and your financial well being. Maintaining a good budget to make sure the payment is always made and looking into strategy's to pay it down faster will serve you well in the long run. You can set up automatic payments to be sure it is always paid on time and you can try to make an extra payment or two on the principal every year which will shorten the term of the loan and save you interest. One way to do that is to take your payment and split it in half and because most people get paid every two weeks, you can make a half payment every payday. Two months out of the year feature three paydays so that’s two extra half payments a year. Just make sure you have it set up to be applied to the principal of the loan. Home ownership is still part of the American Dream. Learn all you can.

That’s it for today’s edition of SeaComm Money Matters. Have a great weekend!