

Bi-Weekly Mortgage

If you search for "bi-weekly mortgage" with an Internet search engine, you will be overwhelmed by the number of companies offering "Bi-weekly Mortgage Reduction Services" or "Bi-weekly Savings Programs." Beware, you are entering dangerous waters.

Beware of Bi-Weekly Mortgage Reduction Services and Savings Programs

These "Reduction Services" and "Savings Programs" are charging you fees to "make a bi-weekly mortgage payment" for you. The enticement is that they will save you an impressive amount of money on your mortgage and reduce the number of years you pay on your mortgage.

The first problem is thinking they will make bi-weekly mortgage payments for you.

The real story is that they are not actually making bi-weekly payments on your mortgage. *They are making bi-weekly deductions* from your bank account. These funds are placed into an account from which your monthly mortgage payment is made (which only takes 24 deductions - but during the course of a year 26 deductions will be made from your account). With the extra 2 deductions, the "Service" makes an additional mortgage payment. In other words rather than making 12 mortgage payments, 13 payments are made.

Further, no extra payment is deducted from the balance of the mortgage UNTIL you have made enough early payments to be a full two weeks ahead. The "Service" simply holds on to your money until then, paying you NO interest, while you're being charged the normal amount of interest you would have been charged anyway.

The enticement is that they are providing a special service to you that would either not be possible for you to get on your own or that you won't have the time or discipline to make it happen.

The real story is that you can easily make an additional mortgage payment each year. An easy way to do this is to have your mortgage payment automatically deducted from your account each month with an additional 1/12 payment to be applied to the principal amount. At the end of 12 months, you will have made an additional payment. And you won't have to pay any fees to a "Service".