

Financial Insights

SUMMER 2010

Refinance to a 10-Year Mortgage?

Choosing the right mortgage term can help you accomplish a variety of financial goals. For example, if the goal is to lower your monthly payments, refinancing to a 30-year mortgage with a low fixed rate may be a good option. But if your goal is to reduce the total interest you'll pay over the life of the loan, or to pay off the mortgage faster, you may consider a shorter-term mortgage, such as a 10-year mortgage.

Benefits of a Shorter Term

If you've already paid off a good chunk of your mortgage—perhaps you have 15 or 20 years left on the loan—a shorter term could help you secure a lower rate and save money on interest, provided you can afford the higher monthly payments of a reduced loan term. Benefits of a 10-year mortgage include:

- **Lower rate.** The rate is fixed and generally lower than rates on 30-year or 15-year mortgages.
- **Reduced interest.** The interest you pay is amortized over 10 years, so you pay less

in interest over the life of the loan compared to a longer-term mortgage.

- **Build equity.** Accelerated principal payments help you build equity quickly.
- **Faster payoff.** You could pay off your mortgage before a financial event like sending children to college or retirement.

Weigh Risks Carefully

A 10-year mortgage can save money in the long run, but it only makes sense if you have a safety net and can afford the higher payments. Be realistic and consider the following:

- **Higher monthly payments.** Can you handle the payments comfortably and still meet all your other financial obligations?
- **Greater risk.** Consider how an unexpected job loss, illness, disability or other financial disaster could reduce your household income and ability to pay the mortgage. Make sure you have adequate safeguards such as emergency savings and disability income insurance to protect your family.

- **Setback to savings.** Your home is not a savings account, so don't sacrifice your retirement security for a faster mortgage payoff.

Plan and Prepare A representative at Thrivent Financial Bank can help assess your financial situation so you can choose a term that meets your goals. Call **866-596-1501** or visit Thriventbank.com/10yearloan to review your mortgage refinance options.