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How To Significantly Pay Down Your Mortgage in 12 Months

Nicole Spector
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Every month the bills roll in, and there's one that, for many, is particularly brutal: the mortgage. The average monthly mortgage payment in the U.S. is $1,030, according to the U.S. Census Bureau — a hefty hit for the typical American who is living paycheck to paycheck. Though the goal, of course, is to pay off the mortgage completely so that that payment disappears, it can take an exceptionally long time. According to recent research from LendingTree, around 10 million Americans over the age of 65 are still burdened with mortgage payments.

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If you want to avoid owing money on your home in your golden years, your best bet is to commit to paying down your mortgage ASAP. It may sound daunting, but wiping out your mortgage debt sooner than later is totally doable. In fact, you can make impressive headway in just one year.

Here's what the experts recommend to significantly pay down your mortgage in 12 months.

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Get in the Right Mental State

"The first step is getting a prepared mental state," said Nathan Mueller, a financial coach. "You are about to run a marathon with your finances. The month before you start the endeavor like it up a bit. Go out to eat, go out to a concert or sports event, go get a nice massage. You aren't dying, so don't go too big, but a lot of these business will need to be put on hold as you attack your savings money towards the mortgage for a year."

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Reorganize Monthly Finances

You'll want to reassess your monthly spending so as to make more room to pay down your mortgage.

"Paying down your mortgage more quickly is made possible via better management of your money," said Imani Francies, a real estate expert with EspeIntroducesReviews.com. "Additionally, you may be able to discover previously unnoticed issue areas, such as a forgotten brokerage account or an old bank account that never closed."

Francies recommends reorganizing your finances with the 50-20-30 method.

"Using the 50-20-30 method, you split your income into three sections 50% for necessities, 20% for savings, and 30% for discretionary spending," Francies said. "Necessities include rent and other housing bills, food, petrol and so on."

Read: Craziest Things That Kill Your Homer's Value

Work More (Sorry)

"Working additional hours at your main job for overtime is the easiest way to earn extra money," said Steffa Mamlola, certified financial education instructor and the CEO/founder of Money Tamer. "But if they don't allow overtime, taking on freelance jobs, doing odd jobs on the weekend, or adding a second job to your life are great ways of earning more money."

Throw Every Spare Dollar at Your Mortgage

"To avoid shelling out tens, or even thousands of dollars in interest over the life of the mortgage, there's a radical mortgage pay-down strategy," said Scott Stanley, a certified financial planner at Pilaros Wealth Management. "This strategy means throwing every extra dollar you have at your mortgage every month. By paying a few hundred or a few thousand more in each monthly payment, you could drastically reduce the length of time that you have to pay the mortgage."

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Make Bi-Weekly Payments Instead of Paying Monthly

"The number one piece of advice I give to people who want to pay down a mortgage quickly is to pay bi-weekly payments rather than paying monthly," said Thomas Mercadio, CEO of the Wheeler Companies, a collection of firms that writes private mortgages and invests in real estate. "Dividing a monthly mortgage payment in half and paying that amount bi-weekly reduces the monthly interest charges every month. Additionally over the course of the year you make two extra principal payments. The net effect of this depends on the interest rate of the loan but typically the net result is a 30 year mortgage is paid off in only 25 years by paying bi-weekly."

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Put Your Tax Return Toward Your Mortgage

"We always over-withhold on our taxes," said Sam Zielinka, a millennial supervisor and the founder of Government Watcher 1, a personal finance site for government employees. "A tax return is a nice lump sum that comes once a year and can easily help to reduce a significant chunk of mortgage."

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Make a Lump-Sum Payment

"When you can afford it, try to make a lump-sum payment," said Francis Lockrear, founder of The Cost Guys. "If you've recently come into a lot of money, it may be ideal to put that towards your mortgage. Doing so will let you become free from your mortgage sooner."

Lockrear noted that making a lump-sum payment is more ideal if your loan is a 5/6 loan or an FHA loan, adding: "You may need to specify that the lump sum is put towards your principal. Otherwise, it may end up getting split between your principal and interest."

Refinance to a Lower Rate

"As part of a longer-term strategy to reduce mortgage debt, homeowners can refinance to the lowest mortgage rate available — even if it means paying a few discount points to get there," said Dan Green, CEO of Homebuyer.com. "Each discount point costs a cost equal to 1% of your mortgage amount and lowers your interest rate approximately 0.25 percentage points. At today's mortgage rates, homeowners recoup the cost of discount points in exactly 4 years. After another 4 years, those savings double."

Mind you, this strategy is only effective for homeowners who plan to stay put for a while, and it's not recommended for those who want to sell anytime soon.

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When Making Decisions, Keep Inflation in Mind

"One thing to keep in mind when determining your expectations is inflation," said Rebecca Awram, mortgage advisor at Seniors Lending Centre. "If you are signed on for a 30-year fixed mortgage, your mortgage will be essentially less by the end of your term since the value of our money will have gone down, but your mortgage payment will still be the same. So, paying extra each month will make you lose money in inflationary interest savings over time. Remember that this is situational for each person, so be sure to calculate your financial status and decide your comfort in risk levels before deciding whether you would make extra mortgage payments or invest. Every big financial decision like this comes with multiple factors to consider."

If You Want To Do Anything Differently, Call Your Lender ASAP

"No matter what, contacting your servicer before you make a larger than scheduled payment is imperative," said Matt Hackett, operations manager at Equity Now. "This will allow you to discuss your options, let the servicer know the service of your intent and help them apply the payment in the manner you wish."

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