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An Intelligent way to stay informed about the mortgage industry & more

Spring-cleaning your debt could save you thousands

Wouldn't spring-cleaning be so much more gratifying if – somewhere under dusty barbecue parts and outgrown hockey skates – you found an envelope with, say, \$5000 in cash? Wouldn't that make spring-cleaning worthwhile? Of course it would!

Well, you may not uncover a financial windfall when you're cleaning the garage this spring, but a little time and attention to the task of spring-cleaning your financial house can be very rewarding. This spring, dust away the cobwebs and take a hard look at your debt servicing costs.

Are you continuously carrying a large monthly balance on your credit card? Or are you making regular use of your overdraft protection at the bank? Worst of all, could it be that you're carrying a balance on a high interest department store card? Take some comfort in knowing that you're not alone. However, this particular kind of financial clutter – ongoing, unsecured consumer debt – is both confusing and costly. Guess what? It's time to spring-clean your debt!

Begin by making a quick list of any loans, credit cards or other unsecured debts. In addition, make a note of the interest rates charged on any outstanding balances. Finally, do a quick calculation of what you have paid in debt servicing costs this winter. Has the tax man sent you a bill? Don't forget to include that debt in your spring-cleaning project.

Next, take a look at the going mortgage rates, and make an appointment with a mortgage professional. By rolling your other debt into a mortgage-either new or existing-you can reduce

the number of payments you're making each month, you can save big on interest charges, and you can improve your cash flow.

How much difference will it really make? Well it can be as good – or better – than finding the \$5000 envelope of cash in your garage. Why? As an example, if you have a \$160,000 mortgage at 6%, high interest credit cards and other bans of say \$33,000; your total monthly payment could be \$2,014.

Now if you took that \$193,000 and added on an approximate \$3,000 penalty to refinance your mortgage, you may be able to potentially roll that \$196,000 into a 5.09% mortgage (OAC, rates subject to change) that could reduce your overall monthly payment to \$1,150. That's a monthly savings of \$864.

Your monthly payment has been reduced, you're saving on interest charges, and all of your high interest credit card debts are gone. Imagine if you funneled some of that cash flow back into your mortgage!

If you have equity in your home -- preferably more than 25% equity – you may want to consider taking advantage of attractive mortgage rates and rid yourself of your financial clutter. Regardless of where you are in the life of your mortgage, talk to a mortgage professional who can analyze your situation and outline your spring cleaning options.

So as you polish the windows, shake out the carpets and clear out the garage, don't forget the most rewarding task of all: spring-cleaning your debt. Your financial house will enjoy the fresh beginning, too!



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