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[15-Year Fixed Rate Mortgage or 30-Year Fixed Rate Mortgage?](#)

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A growing number of borrowers looking to refinance are turning to 15-year fixed rate mortgages instead of the traditional 30-year fixed rate mortgages. However, borrowers should carefully weigh the pros and cons before committing to the 15-year mortgages.

In fact, rates for 15-year fixed rate mortgages have been lower than 30-year fixed rate mortgages recently and that has caused relatively more borrowers to opt for 15-year fixed rate mortgages. According to Mortgage Bankers Association, 15-year fixed rate loans accounted for nearly one in 5 refinance applications, in October.

15-Year Fixed Rate Mortgage Disadvantages

- The monthly payments are higher. The reason is the amount of loan needs to be paid off in 15 years rather than 30 years.
- Borrowers are locked into higher payments for the life of the mortgage.

15-Year Fixed Rate Mortgage Advantages for *Some* Borrowers

- If you took out your first loan several years ago, you might want to shorten the term of your mortgage. The reason is since such borrowers have already paid down some principal, the increase in payment from 30-year fixed to 15-year fixed is not as substantial as it would be if they had borrowed off the bat 15-year fixed rate mortgages.
- Some borrowers may think of the increase in payment as an investment. If your payment goes up by a few hundred dollars per month, you might say how much return you would get if you invested such amount in other activities. You could say a bank would pay you 1% on \$300 or so and you could lose such amount in stock market.

One caveat is think seriously only about 15-year fixed rate mortgages, if you are refinancing after several years. This seems to be the most prudent approach.

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