## Longer Amortization and Shorter Amortization

Amortization period means the number of years you will need to pay off your mortgage.

The maximum amortization period the Bank offers you for residential mortgage loans is 30 years.(with down payment not less than 20%) The decision on the time frame is important because it can affect how much interest you pay over the life of your mortgage.

A longer amortization provides you lower monthly payments. However, it does mean that more interest will be paid over the longer amortization period and you will build the equity in your home at a slower pace.

On the other hand, if you choose shorter amortization period, it will saves you money as you will pay less in interest costs over the life of your mortgage. However, your regular mortgage payment amount would be higher than if you had selected a longer amortization but the good thing is that you build the equity in your home faster and become mortgage free sooner.

**Example: Mortgage with a constant annual interest rate of 4.0%**

The chart below shows the impact of different amortization periods on the monthly mortgage payment and total interest costs (over the full amortization). It is important to be aware that the total interest costs increase as the amortization period is extended.

| Mortgage Amount | Amortization Period | Monthly Payment | Total Interest Paid |
|---|---|---|---|
| $200,000 | 15 Years | $1,479 | $66,287 |
| | 20 Years | $1,212 | $90,870 |
| | 25 Years | $1,056 | $116,703 |
| | 30 Years | $955 | $143,739 |

Choosing the longer 30 years amortization period would reduce your monthly mortgage payment by $257 comparing to 20 years’, however, you would also pay an additional $52,869 in total interest costs over the full amortization than you would with a shorter 20 years amortization period.