

Everyone is familiar with monthly mortgage payments. But what if there was a way to shorten the years of your loan payments, would you be interested?

What are Biweekly payments?

A bi-weekly payment allows a person to make a one-half payment every week instead of a "full payment" made once per month. There are 13 payments per year instead of the usual 12.



Strengths

You can reduce your principal loan balance. You pay a certain amount of interest on an annual basis and that amount is covered in your first 12 payments. The 13th payment gets applied to your principal balance, or the amount that you still owe to the bank.

They can shorten your loan term. When you pay in bi-weekly increments there are 26 weeks, compared to 24 when you are paying monthly. The 26 week payments allow an extra monthly payment a year, allowing you to shorten your loan term.

Weakness

It may be mandatory. When you decide to make payments biweekly, remember that the deal you made with your lender is a contract. Once that contract starts, there is no turning back. You are signed onto those 13 payments a year.

There may be a fee. Before venturing down the biweekly road, ask whether your lender charges a small, monthly fee to partake in its 13-payments-per-year program. Steer clear of these banks, this will be money wasted and you are better off with the traditional 12 payments.

Avoid scams. There are con artists that will find any way to take advantage of people's finances. Be cautious of special programs that claim they can help convert your monthly payments into bi-weekly payments for you with a one-time charge – they have been known to take your money and run. No financial institution or entity should ask for large, upfront fees.

Which Payment is Right for You?

There are reasons to take advantage and avoid bi-weekly payment programs. Any person with a loan can benefit from making payments twice a month, rather than once. Deciding to take a bi-weekly route should depend on how you manage your finances.

Do you get your check stub weekly, every two weeks or monthly? Are you able to budget your money to compensate for those payments every two weeks? Do you budget your money monthly or from check to check? These are just a few of the questions you should ask yourself before deciding what is right for you.

Talk to a loan officer at your bank about which financial fit is right for you. But just remember, avoid banks that make you sign a contract, charge a monthly fee or ask for a large sum of money for the conversion.