



# President's Column Central Hill Country Board of REALTORS®



by Sarah Wanek, 2024 President



## WHAT'S THE POINT OF MORTGAGE POINTS?

If you're financing a property purchase, you've probably come across the term points or discount points. Although there are other meanings, most often these terms refer to prepaid interest, with one point equal to 1% of your mortgage loan.

Lenders offer borrowers the opportunity to purchase points on their mortgage, which means you're paying up front to lower the interest rate of your loan. Here are some questions to ask when deciding whether you should buy points.

### HOW LONG WILL YOU LIVE IN THE HOUSE?

You usually benefit more from points the longer you stay in the property. That's because the savings you realize on each monthly payment will accumulate and eventually offset—hopefully exceed— your points payment.

### CAN YOU AFFORD POINTS?

You need to provide a downpayment and cover the closing costs to secure a mortgage. Do you also want to pay for points?

### HOW MUCH WILL THE RATE COME DOWN?

Each point costs 1% of the loan amount, but the interest-rate reduction you receive varies from lender to lender.

*~courtesy Texas REALTORS®~*

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