Boring Facts: Episode 0001: The 50 Year Mortgage

Welcome to the first episode of boring facts. This podcast is dedicated to taking what you hear or read in the news and making it boring. We take out the drama, the partisanship and the arguments and just present the facts. That's it. No punditry, no arguments, just plain old boring facts.

In this episode we cover the fifty-year mortgage how it compares to the standard thirty-year mortgage and the less common fifteen-year mortgage.

In the fourth quarter of 2024, according to Market Watch[1], over 87% of borrowers chose a thirty-year mortgage so this is by far the most common mortgage taken out by homebuyers.

Here are the baseline facts and assumptions we are starting with in our comparison.

We assume a home with a purchase price of 400,000 dollars, a 5.98 percent interest rate, a 20% downpayment, and a combined escrow deposit of $375 a month to cover insurance and taxes. This is also assuming there are not any additional principal payments being made, instead only paying the minimum required amount each month.

All calculations were run through the same online mortgage calculator[2].

Let's start by comparing month costs. Including the escrow payment of $375 per month.

The fifteen-year mortgage will have a monthly payment of $3,071.89. The thirty-year mortgage will be $2,289.45. And finally, the fifty-year mortgage will have a monthly payment of $2,054.77. This is roughly $1000 a month less than the fifteen-year mortgage and a little over $200 less than the thirty-year mortgage.

Month-to-month payments are not the only factor to consider. Let's look at total cost of the loan itself.

To calculate this number, we take the total payments and subtract the costs of insurance and taxes over the period of the loan to ensure we are comparing the loans fairly.

Again the initial mortgage amount was $320,000.00.

With a 15-year mortgage total cost of that loan is $485,439.37.

With a 30-year mortgage total cost increases to $689,201.62.

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[1] https://www.marketwatch.com/story/why-these-homeowners-say-the-15-year-mortgage-is-the-most-underrated-offering-in-real-estate-right-now-91deafd1?gaa_at=eafs&gaa_n=AWEtsqfjcWK30B3k-4NuSwkTGzgMbwgbIxxTggVKJz5lL1n_eMzDmGvuIvHP9h8FLQ%3D%3D&gaa_ts=6918a93e&gaa_sig=siJSXqCrtCJ98KeWMYHfZVCapDhboevqDJBV4mOnAKQpRNF3ZkToCSEd_2tyOgBQfsSMpg1GgYp9_0jf0IFPfg%3D%3D

[2] https://www.mortgagecalculator.org/

And finally, the 50-year mortgage comes in with total cost for the loan of $1,007,860.46.

These are the boring facts. The 15-year mortgage, while more expensive month to month, pays off a $320,000 loan for under $500,000. The common 30-year mortgage pays off the same loan for a total of under $700,000. The 50-year mortgage pays off the same $320,000 loan for a little over 1 million dollars.

There are two additional aspects of the mortgage we will explore. The first is at what point the monthly payments are contributing more toward the principal than the interest. In the fifteen-year mortgage this occurs in year four. For the thirty-year mortgage it is year nineteen. Finally, in the fifty-year mortgage it is in year thirty-nine. Until you reach this point most of your payment covers the interest on the loan and is not building equity in the home.

Secondly, let's consider how quickly you gain equity in your home, or how much of the home you own. By default, the twenty percent down payment means that on day one you own 20 percent of the home. But to keep things simple let's find out how long it takes to pay off 25 and 50 percent of the principal on a 320,000 dollar mortgage.

These numbers are approximate and for comparison purposes only.

A fifteen-year mortgage will have paid off twenty-five percent of the principal early in year six and fifty percent early in year nine.

A thirty-year mortgage will have paid off twenty-five percent of the principal in year fourteen and fifty percent early in year twenty.

A fifty-year mortgage will have paid off twenty-five percent of the principal early in year thirty and fifty percent early in year thirty-eight.

This is something to consider depending on when you expect to sell your home.

The facts are meant to give you a basic understanding of the short-term and long-term implications of each mortgage. There is no one correct answer for everyone, but everyone is entitled to the facts.

Thank you for listening to Boring Facts. A link to the transcript with references and supplementary materials is in the show notes. For the time being if you have a suggestion for a topic you would like us to make boring, please click on the link in the show notes.

Boring Facts for reference.

Mortgage Term	Mortgage Amount	Monthly Cost	Monthly Escrow	Total Payments	Total Taxes and Insurance	Total Cost of mortgage
15 Years	$ 320,000.00	$ 3,071.89	$ 375.00	$ 552,939.37	$ 67,500.00	$ 485,439.37
30 Years	$ 320,000.00	$ 2,289.45	$ 375.00	$ 824,201.62	$ 135,000.00	$ 689,201.62
50 years	$ 320,000.00	$ 2,054.77	$ 375.00	$ 1,232,860.46	$ 225,000.00	$ 1,007,860.46