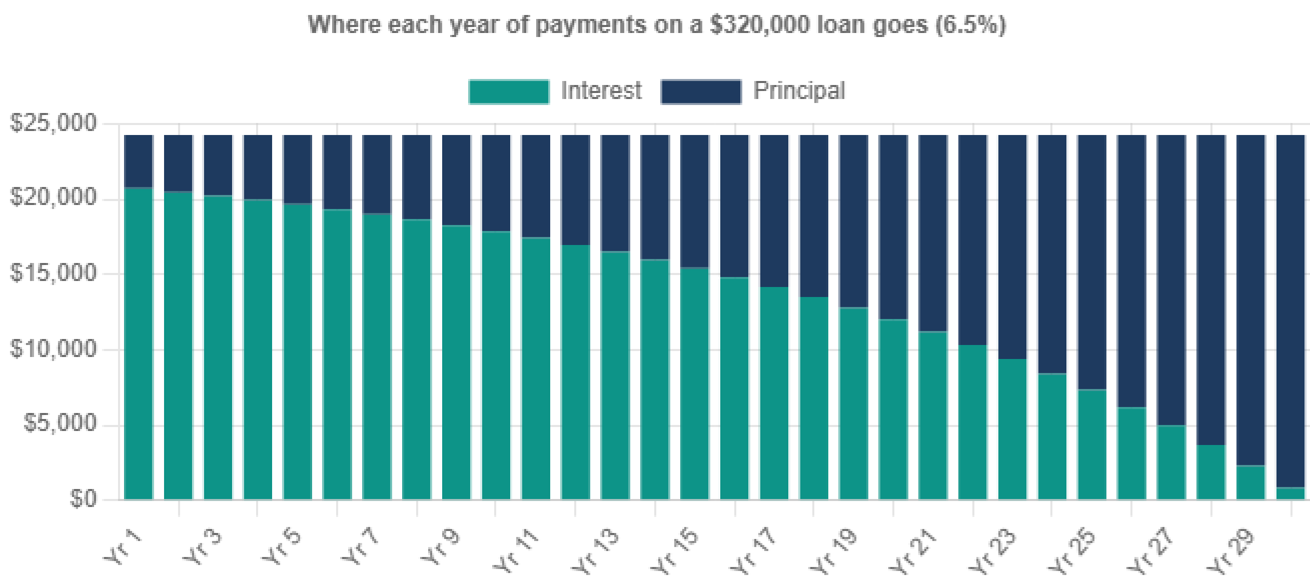
AssetBaseline

VISUAL

Where Your Mortgage Payment Goes

> Your mortgage payment is the same every month, but where it goes is not. For years it is mostly interest, and this chart shows exactly when that flips.

A mortgage payment feels like one flat number, but every month it is quietly split between interest and principal in a ratio that shifts. This chart shows that split across all 30 years, and the early years are a surprise.



Year	Interest	Principal	Balance end of year
1	$20,695	$3,577	$316,423
5	$19,636	$4,636	$299,555
10	$17,861	$6,410	$271,284
15	$15,407	$8,864	$232,189
20	$12,014	$12,257	$178,129
25	$7,322	$16,949	$103,373
30	$833	$23,438	$0

Reading the chart

Each bar is one year of payments on a 320,000 dollar loan at 6.5 percent. In year one, about 20,695 dollars goes to interest and only 3,577 dollars to principal. Roughly 85 percent of your first year pays the bank, not the balance.

The interest slice shrinks and the principal slice grows every year as the balance falls. By year 30 almost all of the payment is principal. The payment never changed, only its composition did. Over the full loan you pay about 408,000 dollars in interest on top of the 320,000 borrowed.

Why it matters

Because the early years are so interest-heavy, extra principal paid early removes far more future interest than the same dollar paid late. That is the whole reason a small extra payment in the first years, or biweekly payments, saves so much.

Raise the rate on the control and watch the interest bars swell. A higher rate does not just raise the payment, it tilts even more of your early money toward interest.

> **Key takeaway.** For the first several years, a mortgage is mostly an interest bill. That is exactly why extra principal early, not late, is where the savings live.

Assumptions

- A 320,000 dollar loan on a fixed rate over 30 years, with no extra payments. Change the rate below.
- Each bar is one year, split into the interest and principal paid that year. Taxes, insurance, and PMI are not shown.

Sources

- Consumer Financial Protection Bureau, understanding mortgages