ECFH Financially Speaking
East Caribbean Financial Holding Company Limited

This week we will shift our focus to mortgages so we will look at a term that is fundamental to the mortgage process. This week's term is: **Amortization**

Amortization is the paying off of a debt or loan in regular installments over a period of time. A loan payment to a bank consists of two portions: the principal which is the actual amount borrowed and the interest which is applied to that amount. An **amortization schedule** shows the schedule of payments of both the principal and interest amounts that have to be met so that the loan can be paid off by the end of its term. Early in the schedule, the majority of each payment goes toward the interest but as the loan matures, the majority of the payment is allocated to the principal.

What does this mean for you?
It is important to understand that when you make a loan payment on your mortgage, the amount that you deposit goes toward the principal as well as to the interest on that amount. It does not all go towards reducing the amount that you have borrowed. If you would like to repay the loan at a faster rate than the **amortization schedule** dictates, you may discuss various payment options with your bank or financial institution that could facilitate this.