ECONOMIC REPORT

Why these homeowners say the 15-year mortgage is the most underrated offering in real estate right now

Is a 15-year mortgage or a 30-year mortgage better? A small group of borrowers says the 15-year loan is a 'no-brainer.'

By Aarthi Swaminathan Follow

Last Updated: July 17, 2025 at 6:25 p.m. ET
First Published: July 17, 2025 at 12:01 p.m. ET

The 30-year fixed mortgage rate averaged 6.75% as of July 17, according to a weekly report by Freddie Mac. The 15-year fixed mortgage rate averaged 5.92%.
PHOTO: GETTY IMAGES/ISTOCK

Referenced Symbols

↓ FMCC -2.40%

When pilot Steven Reddie bought his current house in Tucson, Ariz., two years ago, he went with a traditional 30-year mortgage. The payments were manageable at about $1,400, and Reddie occasionally even made some extra payments because he wanted to pay off the loan sooner.

Fast forward two years, and a cold call from a mortgage lender had him thinking about refinancing. Was there a way to pay off his mortgage — and build equity — even faster? Reddie reached out to his lender to ask about his options, and settled on a plan to refinance his current 30-year loan to a 15-year mortgage.

His mortgage rate went down from about 7% to about 5%, but his loan term was halved. Those two changes meant that his monthly mortgage payment went up by about $200. He was also building about $450 in equity each month, he told MarketWatch. “In the long run, I’m saving more money, and saving more money per year,” he added.

In an era of higher-than-normal inflation and 7% mortgage rates, a small group of homeowners like Reddie are finding relief in 15-year mortgages, which most often come with lower interest rates.

Their goal isn’t to lower mortgage payments. Instead, fans of the 15-year mortgage say it offers two key benefits: a quicker path to paying off their mortgage, as well as hundreds of thousands of dollars saved on interest payments.

It’s not a product for everyone.

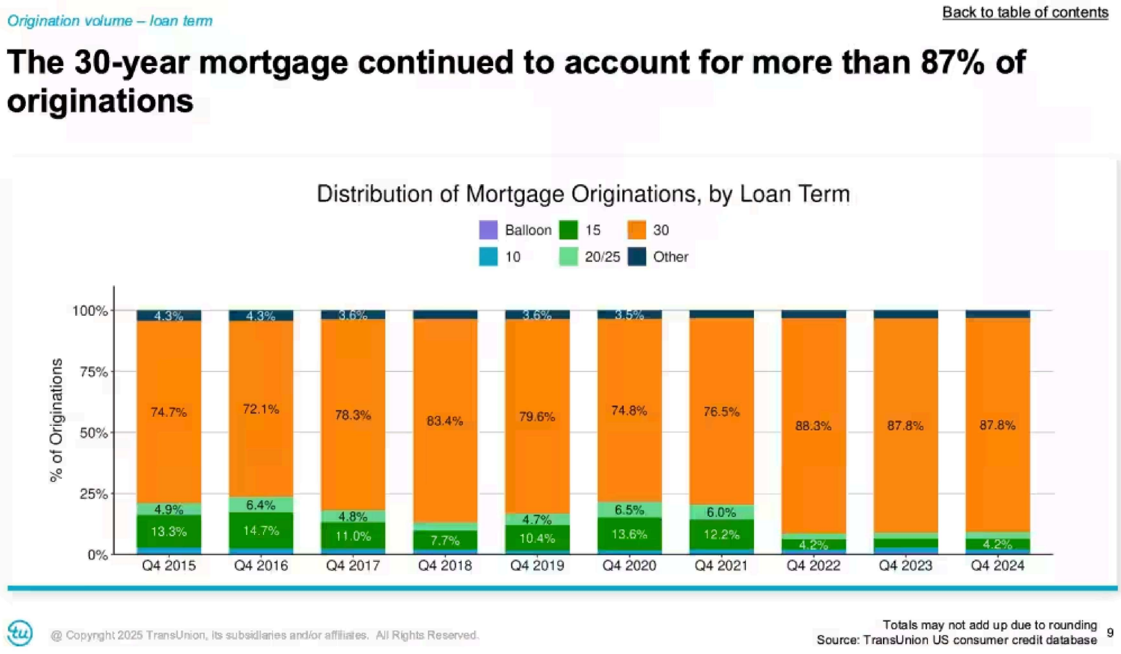
Skeptics of the 15-year mortgage argue that it is less affordable on a monthly basis, and puts people in a position of prioritizing the repayment of their mortgage over the other conveniences a lower monthly payment can bring. They also contend that a homeowner can pay off their mortgage sooner simply by making extra payments on a 30-year mortgage.

History of the 15-year mortgage

The 30-year mortgage is by far the most popular loan among home buyers in the U.S. In the fourth quarter of 2024, about 88% of mortgages originated were 30-year loans, while only 4.2% were 15-year loans, according to a report by TransUnion.

Alongside the 30-year loan’s dominance over the last decade, the popularity of the 15-year has notably waned. About 13.3% of outstanding loans at the end of 2015 were 15-year mortgages, compared with just over 4% today.

As home prices and interest rates surged over the course of 2022, home buyers sought refuge in the more affordable 30-year loan product, which came with lower monthly payments.



But when comparing the two, the 30-year winds up being a worse deal due to the amount of interest people end up paying, Michael Read, the Morristown, N.J.-based principal at Bridgeway Mortgage and Real Estate Services, told MarketWatch.

The 30-year fixed mortgage rate averaged 6.75% as of July 17, according to a weekly report by Freddie Mac ↓ **FMCC -2.40%**. The 15-year fixed mortgage rate averaged

5.92%.

Consider a home buyer looking at the 30-year mortgage and the 15-year mortgage for a $450,000 home, Read said. After putting 20% down, the buyer has to take on a mortgage for about $360,000.

The home buyer's initial monthly payment looks shockingly different depending on the loan term: If they were to take out a 30-year mortgage, their principal and interest payments would be about $2,300 a month. If they were to take a 15-year mortgage, that payment would be nearly $3,000. For many home buyers, a difference of $700 per month is huge — it's about how much people pay monthly for a new car, according to data from LendingTree.

For a $1 million home, the monthly payments for a 15-year and a 30-year mortgage are vastly different, at about $8,300 and $6,300, respectively, Read said. With a 15-year mortgage, the total interest that a homeowner pays over the course of that loan is about $538,000, Read said; for a 30-year, it's about $819,000.

"If you ever pull back the curtain on the 30-year … it's an ugly-looking loan," he added.

Paying off the home quicker with lower amounts of interest

But most people cannot afford to take on a 15-year mortgage from the outset. Even though the loan seems like a better deal in theory, most homeowners may balk at the high monthly payments.

Like Reddie, the Arizona pilot, Michael Molter bought his first home last year with a 30-year mortgage.

It was a no-brainer at the time, since his mortgage rate was 7.4% and the monthly payments were within his budget, so he bought a house in Long Valley, N.J. He had a kid on the way and didn't want to wait any longer.

A few months later, mortgage rates dropped significantly. His broker and colleague, Read, called him up and asked him if he wanted to refinance. Read suggested refinancing from a 30-year mortgage to a 15-year one. It would just be a few hundred dollars extra, and he'd be paying the mortgage off much faster. The 15-year mortgage rate at the time was about 5.6%.

That was another no-brainer, said Molter, who works in the logistics industry, "since I was already overpaying my mortgage for my 30-year."

"It made sense for me," he added. "I'm building equity quicker, and honestly, certain months when I can do it, I still pay a little bit over now." He would rather pay off his mortgage and be debt-free sooner than to stick that money into a money-market savings account or into the stock market, he said. Besides, he already has money allocated toward investments.

Some home buyers can afford the 15-year mortgage from the jump. In Tennessee, repeat buyer Lincoln Scott knew he would be buying a home with a 15-year mortgage even before he started looking at homes.

“My goal is to pay this house off in three or four years,” the 30-year-old consultant, who purchased a three-bedroom home in January in Knoxville, told MarketWatch.

He paid $289,000 for his home and secured a 15-year mortgage rate of 5.79%, as opposed to 6.6% for a 30-year. If he had chosen a 30-year, Scott said, his monthly mortgage payment would be about $2,100 a month, but the total interest he would have paid over 30 years would be $756,000. On the other hand, for a 15-year mortgage with a $2,500 monthly payment, he would pay $456,000 in interest over 15 years.

A middle ground with a 20-year mortgage

As the co-founder and chief executive officer of One Real Mortgage, Samir Dedhia doesn’t fully agree with Read’s negative assessment of the 30-year mortgage.

“At the end of the day, it’s based on your fixed monthly payment” and what the buyer is comfortable with, he said. “Yes, at the end of the day, with a 15-year, you’re going to pay less interest, but your payment on the other side is significantly higher.”

Dedhia suggested buyers look into a happy medium: a 20-year mortgage. Most mortgage lenders have a 20-year fixed-rate conventional loan product, and it’s got a slightly lower interest rate than a 30-year loan, he said. So if a 30-year mortgage is 7%, a 20-year mortgage rate would be about 6.6% or 6.7%.

The benefit is that the monthly payment is about the same as that for a 30-year mortgage, but a bigger portion of your monthly payment goes toward the principal, he added.

When a traditional 30-year mortgage is ideal

On the flip side, paying less each month on a 30-year mortgage can free up funds for other investments that can yield higher returns, or even provide a better quality of life.

Why stretch yourself to pay off a mortgage at the cost of comfort? asked Robert Andrew Flores, a certified financial planner with Equitable Advisors. Plus, having a bit more money in one’s checking or savings account can help pay for unexpected costs that may pop up, such as repairs or sudden increases in homeowners-insurance rates or property taxes.

Instead of dealing with a high monthly payment on a 15-year mortgage, homeowners could make extra payments on a 30-year, Flores suggested. For instance, if the monthly mortgage payment was $2,000 a month, paying $1,000 every two weeks would put a homeowner on track to pay off the loan seven years sooner, he said.

“When you compound interest on a large amount for 30 years, [making payments] every two weeks over the next 20 years makes a difference,” Flores added.

Dedhia agreed that making biweekly payments is a smart idea. Instead of making 12 monthly mortgage payments, making two monthly payments each month is equal to 13 full monthly payments over the same period. If a homeowner gets a bonus or a raise at work, they can throw that toward the mortgage, he suggested.

Alternatively, instead of trying to pay off their mortgage in 15 years, a homeowner can always use any extra money they have after paying their 30-year mortgage to invest in the stock market. Dedhia suggested putting that money into a 401(k) or IRA account. “Proceed with caution, but ultimately, leverage your mortgage to grow your money,” he added.

When it comes to weighing the 15-year mortgage against a 30-year mortgage, the bottom line is that one should consider which loan term makes the most sense for a number of financial goals, not just the desire to be debt-free.

Instead of paying a house off and having one’s assets stuck in an illiquid asset like a house — as it’s not easy to convert that into cash without some loss in value — it might be a better idea to keep that money more easily accessible, Flores said. An unexpected medical expense or home repairs might require the homeowner to dip into their home equity by taking out a second mortgage, or a home-equity line of credit, if they are unable to dip into their savings.

“You don’t want to rob Peter to pay Paul,” he added.

About the Author

Aarthi Swaminathan Follow

Aarthi Swaminathan is a MarketWatch personal finance reporter covering residential real estate. She is the winner of a silver award for Best Collection of Work by an Individual Covering Residential Real Estate from the National Association of Real Estate Editors.