

GETTING THE MORTGAGE MONKEY OFF YOUR BACK

Owning a home is one of the most common ways to build equity and wealth. Typically, this process comes with something a little less glamorous – the mortgage. While the length of this loan might seem intimidating, it's possible to pay it off early, depending on your circumstances...



Before you begin ask your lender if you will face a penalty by paying off your mortgage early. Each loan has specific prepayment privileges. Many plans limit the amount you can put toward a prepayment.

Is prepaying your mortgage a priority? If so, you may want to consider a more flexible type of mortgage. Here are two main types of mortgages:

OPEN MORTGAGE

Higher interest rates

More prepayment flexibility

Ability to renegotiate at end of your term

Freedom to change lenders before end of term

CLOSED MORTGAGE

Lower interest rates

Strict prepayment privileges

More likely to face prepayment penalty

Limitations vary per lender



Michelle McFarland

SALES REP | GETTING YOU READY, SET & SOLD!

Exit Realty Group
Sales Rep.
100 Bell Blvd
Suit 200
Belleville, ON K8P4Y7
613-885-4361

Michelle McFarland



4 STRATEGIES TO PAY OFF YOUR MORTGAGE EARLY

1. Bi-weekly payment plan

Paying on an accelerated bi-weekly payment plan saves you interest over time.

2. Increase your payment amounts

This can save thousands in interest and shave a few years off your mortgage. Example below:

Monthly Payment	\$1,841	\$1,941
Principal	\$350,000	\$350,000
Interest	\$202,321	\$183,182
Total you pay for home	\$552,231	\$533,182
Savings on interest owed to lender	\$0	\$19,139
Years required to pay off mortgage	25 Years	23 Years

3. Pay a lump-sum

Your contract may limit how much you can pay and at what time.

4. Keep the same monthly payments when you renew

Even if your new rate is lower, pay the same monthly amount if you can afford it.

If you're ready to pay off your mortgage early, but want to avoid a prepayment penalty, consider these options:

- Port your mortgage – if you're moving, take your existing rate, terms and conditions with you to your new home.
- Shop around at the end of your term for a more flexible lender.

Make sure you talk to your bank or lender and tell them your plans before you get started. If you want to learn more about these best practices, talk to a mortgage professional – call me for a great referral!



Source: Financial Consumer Agency of Canada, Canadian Bankers Association, Mortgage Professionals Canada