

# 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



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# 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

