

# Mortgage Perspectives: Pay It Down Faster

Even though the Bank of Canada cut interest rates multiple times in 2024, mortgage rates remain higher than the low rates of 2020 and 2021.

If you are facing higher mortgage interest rates, consider the opportunity to pay down the mortgage more quickly to reduce total interest costs. Here are a few ideas to help; always check your mortgage terms to ensure that penalties don't apply.

**1. Always buy within your means** — Before making any purchase, it's important to consider whether you can comfortably afford the mortgage. This includes planning for contingencies, such as potential changes to income due to unforeseen job loss. Mortgage payments should also be manageable alongside other living expenses. Higher inflation has increased the cost of many household expenditures, such as food and gas. Future potential costs, like those associated with having children, including childcare or post-secondary education, should also be planned for.

**2. Make regular payments** — This may seem obvious, but some skip payments. Making regular payments is especially important at the beginning of the mortgage when the principal amount is high and the mortgage's interest is a large component. Missed payments can result in additional fees and interest charges, and can negatively impact your credit score.

**3. Set up "accelerated" weekly/bi-weekly payments** — Accelerated payments allow for extra payments to be made against the principal as part of the regular payment stream — equivalent to an extra monthly payment per year. This will not only save on interest costs but also reduce the mortgage's amortization period — the time it takes to pay down the mortgage.

## Example: \$330,000 Five-Year, Fixed-Rate Mortgage at 5.2%

Payment Type	Amount	Amortization	Interest Cost
Monthly	\$1,957.04	25 years	\$257,112.05
Bi-Weekly	\$902.74	24.8 years	\$256,779.79
Accelerated Bi-Weekly	\$978.52	21.2 years	\$214,258.10

<https://itools-ioutils.fcac-acfc.gc.ca/MC-CH/MCCalc-CHCalc-eng.aspx>

**4. Overpay payments** — Consider rounding up payments if you get a raise at work or have extra spending money on hand. It may be surprising how additional dollars added to weekly payments can impact a mortgage over the long run.

**5. Don't forget about the annual lump sum option** — Many mortgages allow for paying an additional annual lump sum. Extra funds, such as a work bonus, inheritance or a tax refund from a Registered Retirement Savings Plan (RRSP) contribution can be used to make a one-off payment.

### Looking to Renew or Secure a New Mortgage?

These may help support a better rate...

**Start early.** Plan ahead to shop around for competitive rates. Remember not all brokers can access all rates.

**Credit score.** A strong credit score — usually 700 or higher — may give rise to better rates.

**Size of mortgage.** Lenders often favour larger mortgages which can improve the chance of better rates.

**Closing date.** Having a sooner closing date can help to support a better rate negotiation.



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