# Three ways to pay down your mortgage faster

Most of us would like to be mortgage-free sooner, rather than later. Regardless of how much you owe, the interest rate, or when your mortgage is due for renewal— there are effective ways to start cutting mortgage costs now.

Many lenders today offer the flexibility to pay down the principal and interest faster than scheduled. Your realtor will be able to explain the many financial options available before you buy. Be sure to shop around and compare what different lenders (banks, trust companies and other financial institutions) have to offer. Compare interest rates, the different types of payment and prepayment options offered, and the frequency with which you may apply these options.

Here are some easy and effective ways to cut your mortgage costs:

**Pay more often**

Reduce the amount you owe, or principal, by increasing the frequency of your payments. This reduces both the interest costs on the money borrowed as well as the amount of time it will take you to pay off the full amount.

In addition to the standard monthly mortgage payment option, many lenders now offer weekly and bi-weekly payment options. If you are paying monthly, consider paying every two weeks.

**Increase your payment**

Some lenders allow you to make additional payments against your mortgage balance (up to the equivalent of a full monthly payment) occasionally, or even every payment date. Others allow you to increase your regular payments by as much as 15 per cent and to switch back at any time without a penalty. If you can't afford that much of an increase, some will allow you to top up your payments to an even $600, for example, from $550.

In most cases, the extra money is directly applied to your mortgage principal to reduce the total balance. Making the equivalent of just two additional monthly payments a year can cut years off your mortgage.

**Pay a lump sum**

Most lenders allow you to make an annual payment of between 10-15 per cent of your mortgage. Unless their mortgage is small, most homeowners would be hard-pressed to come up with the full value of this provision.

But since most lump-sum payments are applied directly against the principal, or money you borrowed, even $1,000 a year until your mortgage is paid off will save significant amounts in interest. Not only that, you'll be mortgage-free sooner.

These payments are in addition to any lump sum you make when the term of your mortgage is up. The mortgage "term" is the amount of time the lender loans you money for, usually six months to five years. Since the remaining principal amount is payable in full at this time unless you renew the existing mortgage or arrange new financing, most lenders will allow you to make any size payment.

*— Ontario Real Estate Association*