

7 ways to pay off your mortgage faster



In just a few weeks, I will be closing on my very first home in the Vancouver area. Now that I have achieved my goal of home ownership, have RRSPs, and some savings in the bank, my next goal is to find ways to pay down my mortgage as fast as possible. It is a major accomplishment to become a homeowner. But it is even more of an accomplishment if you can pay off your mortgage quickly.

A CMHC survey last years found that 68 per cent of recent homebuyers feel there is a strong chance that they will be able to pay off their mortgage sooner than their current amortization schedule. And, since taking out a mortgage, 27 per cent of recent homebuyers have either made lump sum payments to their mortgage, or increased their regular payment amounts.

Here are a few easy ways I plan to tackle my mortgage:

Accelerated payments

This is the most popular way to pay off a mortgage faster. Instead of paying your mortgage 12 times per year (monthly), you will pay your mortgage every two weeks (bi-weekly), for a total of 26 payments each year. Paying your mortgage on a bi-weekly basis (instead of monthly) will save you tens of thousands of dollars over the life of your mortgage.

Round up the payments

Every dollar counts when it comes to chipping away at your mortgage. The more you can pay, the quicker you will pay off your loan – and the more you will save on interest. For

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example, if your bi-weekly mortgage payment is \$567, consider rounding up to \$600. The extra \$33 won't break your budget, but it will help you considerably in the long run.

Put 'found' money towards the mortgage

Unexpected sources of money are 'found' money, and can easily be applied to the mortgage amount without any impact to your budget, because it wasn't planned money. This can be anything from a bonus, to birthday money.

Contribute to your RRSPs

By contributing regularly to your RRSPs, not only are you able to save for your future, but you can also take the tax refund you receive and put it directly towards your mortgage. The best of both worlds!

Make a lump sum anniversary payment

Most mortgages allow you to make extra payments each year, which is applied directly to the principal. Take advantage of this by making a lump sum payment each year on your mortgage anniversary date. Even if the amount is as small as \$100 – every little bit counts.

Raise your payment as your salary increases

If you receive a raise, instead of increasing the cost of your lifestyle in the short term, consider throwing the extra amount you make onto your mortgage instead.

Stay informed

Once you have a mortgage, it is so easy just to forget about it because it's on automation. But by being an informed homeowner and keeping up-to-date on interest rates and new mortgage options, you could potentially save a ton of money.

Paying off your mortgage early isn't for everyone. But for me, owning my own home and living a mortgage-free life will be worth all of the hard work and sacrifice. **How are you paying down your mortgage faster?**

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