

# “WE CLEARED OUR MORTGAGE EARLY AND SAVED THOUSANDS OF POUNDS”

## – HERE’S HOW YOU CAN TOO



Fancy being mortgage-free sooner rather than later? Two homeowners who managed to pay off their mortgage early explain how they did it. Plus, experts offer their smart tips so you can take the first step towards ditching that home loan

**BY RUTH JACKSON**

**B**eing mortgage-free can feel like a way-off dream – especially as mortgage terms continue to grow. But there are ways to clear the mortgage early, giving you a few hundred extra pounds in your bank account every month and a huge saving on interest payments.

So how can you do it? We hear from two homeowners who have successfully paid theirs off early and experts on their tips on ridding yourself of a mortgage.

For most of us our mortgage is a huge debt that we carry with us for most of our adult lives. But not everyone is a slave to a monthly repayment. Some people strive to clear their mortgage early in order to save money and have more freedom.

One such person is Suzanne Elsworth, 45, a freelance communications consultant. Suzanne and her husband David, 55, cleared the mortgage on their home in Cockermouth



in Cumbria four years early. By doing so, they saved over £10,000 in interest.

“We were four years away from paying off the mortgage and knew we had enough savings to do that early, while still keeping some money in reserve,” says Suzanne. “It seemed crazy to continue paying interest to the building society.”

At the time they still owed £25,000, but years of saving meant they could afford to clear the debt.

“We’re good at saving, despite our house being a renovation project, and loving luxuries such as eating out and holidays,” says Suzanne. “I don’t think we do anything particularly fancy in order to save, but I am quite disciplined. When clients pay me, I immediately put 20% of every payment aside to pay my tax so

I will never get caught out. I then stash anything above what I’m likely to need day to day into a savings account so it’s not as easily spendable as being in my current account.”

Suzanne also credits her frugality with helping them get to the point where they could clear their mortgage early.

“I always shop around to switch energy deals, insurance and so on, and most of our supermarket shop is done in Aldi. I try to



**Above: Suzanne Elsworth, 45, who works as a communications consultant, and her husband David, 55, cleared their mortgage four years early**

focus on energy efficiency so go around switching lights out and I won't heat the whole house when I'm working from home."

The savings pot also got a boost nine years ago when Suzanne took voluntary redundancy from her job in corporate communications.

They intended to use the payout as a safety net while Suzanne found her feet as a freelancer.

"I've worked hard and been lucky enough to find some great clients who keep on coming back, and that meant we never needed to touch that money."

Having looked at their finances, and how much they were parting with in interest on their mortgage, Suzanne and David decided to take the plunge and use their nest egg to pay off their mortgage four years early.

It may seem like only trimming a small amount off a mortgage debt that usually lasts for quarter of a century. In fact, they saved themselves over £10,000 in interest by clearing the debt early.

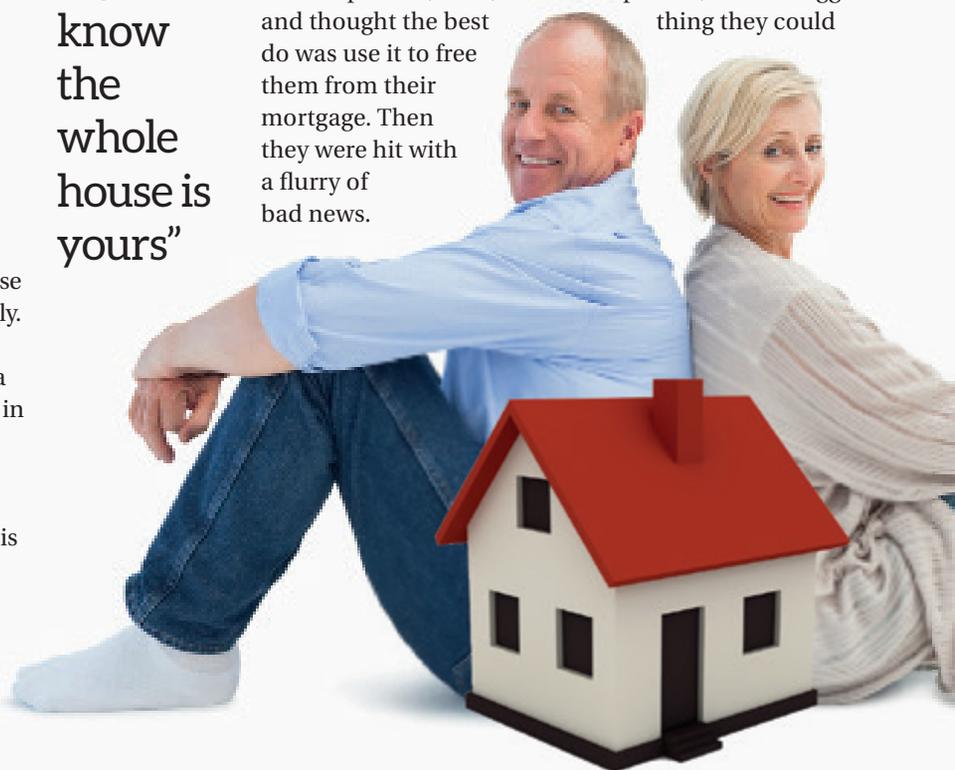
"The best thing about being free of a mortgage is the feeling of relief," says Suzanne. "You know that the whole house is yours for keeps and your money is now your own."

With mortgage repayments no longer draining their monthly income, Suzanne is now focusing on boosting her pension.

**"The best bit is you know the whole house is yours"**

The average repayments on a mortgage add up to £8,039 a year, according to Halifax. Clear your mortgage and the average homeowner will effectively have £650 a month extra in their bank account.

The idea of having a bit more cash in the bank each month motivated Pádraig Floyd, 47, to focus on saving up the money to clear his mortgage. He and his partner, Fran, had built up a £30,000 nest egg and thought the best thing they could do was use it to free them from their mortgage. Then they were hit with a flurry of bad news.





## How offset mortgages work

The danger of repaying your mortgage is you could end up with all your savings locked away in your property, leaving you high and dry if there is an emergency.

One way to pay off your mortgage faster without locking your savings away is an offset mortgage.

"You place your money into a savings account which is linked to your mortgage, and your savings are 'offset' against your mortgage debt," says Mr Mitchell. "This means you'll reduce the amount of debt you have to pay interest on."

Let's say you have £30,000 in savings and a £100,000 mortgage. With an offset mortgage, you'd put your savings in a linked

account and only pay interest on £70,000 of your mortgage.

This could shave over £5,000 off the interest you paid on your mortgage over 10 years, assuming you have the best rate offset mortgage at 1.95% compared to a traditional mortgage with the same interest rate. Plus, you could repay your mortgage early thanks to less interest mounting up.

The drawback? No interest paid on your savings. But, says Daniel Hegarty of online mortgage broker Habito: "You can pay off your mortgage faster and still access the cash for a rainy day."

The lowest rate offered on an offset mortgage is currently Chelsea Building Society's two-year fixed stepped offset. It has a rate of 1.92% on up to 65% LTV.

"We'd been saving hard to pay off the mortgage and had more or less decided to pull the trigger when my other half was diagnosed with breast cancer, just after I was made redundant," says Pádraig, a journalist from London.

They were facing a very lean, distressing time with the combination of unemployment and long-term sick leave. Then they finally got some good news. Their mortgage insurance policy had a clause in it that meant it paid out in the event of critical illness.

"It cleared the mortgage plus a small bonus," says Pádraig. It meant they could invest their savings to provide them with an income and not have to worry about mortgage repayments.

"I could go freelance, so I could be there throughout Fran's treatment without worrying about how we would meet the mortgage repayments."

Fran has now been clear of cancer for seven years and being mortgage-free has made a huge difference to their lives.

"Being mortgage-free has given us greater control over our finances," says Pádraig. "This also gives us a lot of flexibility should we suffer illness or redundancy before we expect to retire."

Pádraig's case shows that being mortgage-free

**"You'll have a lot more money in your account every month"**

removed a major burden at a time when he needed to be able to focus on more important things than money.

"Government figures show that the average mortgage-holder paid just over £8,000 last year in mortgage repayments," says Angela Kerr from consumer group the HomeOwners Alliance. "Clearing your mortgage will mean you have a lot more money in your account every month."

The good news is paying off your mortgage isn't an impossible task. There are numerous ways you can start moving towards a mortgage-free life.

"Becoming mortgage-free is a dream for millions of homeowners across the UK," says Daniel Hegarty, chief executive of online mortgage broker Habito.

"While it might seem an impossibly long way off for most, there are several ways you can pay your mortgage off faster."

One option is to use your savings to clear your mortgage. But there are a number of things you need to consider before you take this option.

Firstly, will you still have enough money in savings to cope with the unexpected? Once you've paid off your mortgage your money is locked up in your house and is therefore very difficult to access if you suddenly need some cash.

Secondly, read the small print on your mortgage agreement for rules on overpayments.

"Most lenders allow you to pay back 10% extra a year without incurring an early repayment charge," says Mr Hegarty. Make sure you won't be clobbered with a hefty charge before you make any big repayments.

If you do make a big overpayment, then make sure your lender doesn't reduce your monthly payments as a result. If they adjust your monthly repayments to reflect the lump sum you've cleared, you won't end up clearing your mortgage any faster.

If you don't have a large nest egg, you can still take steps to speed up your path to mortgage freedom. Make sure you remortgage regularly to keep your interest rates as low as possible.

"If your home has increased in value, you'll have a lower loan-to-value (LTV) ratio, which gives you greater access to lower interest rates meaning lower monthly payments," says Mr Hegarty. "But, rather than cashing in the monthly savings, you can keep your payments the same and instead opt to reduce your mortgage term – getting it paid off faster."

If you get a pay rise, you could also consider increasing your monthly mortgage repayments. Just make sure you don't accidentally end up overpaying too much and incurring an early repayment charge.

"Even small regular overpayments can significantly cut down the time it takes to pay off your mortgage, and potentially save you tens of thousands of pounds," says Sam Mitchell, chief executive of online estate agent Housesimple.com. **mw**

**RUTH JACKSON** is a freelance journalist who writes for a wide range of outlets including *The Times*, *LoveMONEY.com* and *The Week*, and has appeared on Radio 2 and Share Radio