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# Mortgage overpayment

# Introduction

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- New, flexible mortgages have increased the popularity of overpayment
- Overpayment helps to reduce your mortgage capital more quickly
- Interest payments fall as capital outstanding is reduced

## THE RESULT:

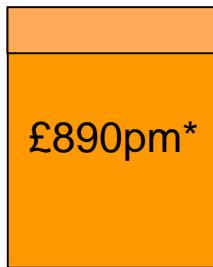
- Can take years off your mortgage term
- **AND** save you thousands of pounds

How does it work?

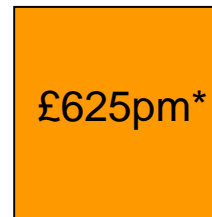
# Your mortgage payments

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- Repayment mortgage: payments = capital + interest
  - Interest makes up the majority of the payment in the early years
- Interest only mortgage: payment = interest accumulated only
  - No reduction in capital throughout the term
- Example repayments on £150,000 mortgage @ 5% pa over 25 yrs



Capital & interest



Interest only

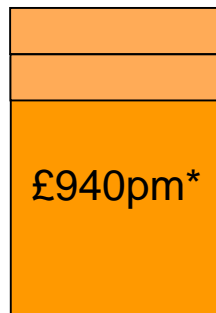
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\*Source: Marketing Hub, payments are approximate and are for indication purposes only. For an accurate calculation, based on current interest rates and your circumstances, contact your financial adviser.

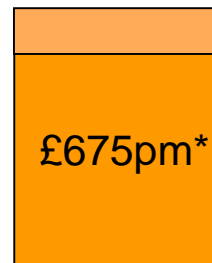
# Overpayments

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- Repayments on £150,000 mortgage @ 5% pa over 25 yrs
- overpaying by £50 pmth



Capital & interest



Interest only

- Reduces term of mortgage by 2.5 years
- Reduces amount payable in interest by **over £13,000**

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# The power of overpayments

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Examples based on £150,000 mortgage at 5% over 25 years

Overpayment	Years saved	Interest saved
£10	0.5	£2,500
£50	2.5	£13,000
£100	4.5	£23,000
£250	8.5	£43,000
£500	12.5	£62,000
£1,000	16.5	£80,000

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# Things to watch for

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- When is interest calculated?
  - For daily re-calculation, overpayments have effect immediately
  - For annual re-calculation, overpayments should be planned for maximum effect
- Is there a maximum limit on overpayments?
  - Keep within this to save paying unnecessary fees
- Are there any restrictions in the early years?
- Could a re-mortgage save you more money?
  - A discounted rate could offer savings for use as overpayment
  - With a net effect on your costs of zero..!