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6 easy ways to pay off your mortgage early

This can be done smoothly if you plan correctly

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There are a number of ways to settle the mortgage early, but one must understand the possible pitfalls before taking further steps

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Even though banks offer a maximum tenure of 25 years for a home mortgage, most homebuyers would want to clear the loan beforehand and gain complete ownership of the house. It is not an easy task and will require quite a lot of money, but if planned correctly, this can be done smoothly. Here are some easy ways to pay off your mortgage early.

Savings

This is one of the most advised methods to clear a home mortgage. Let us assume the property value is Dh1 million, with a 25 per cent down payment and interest rate of 3.2 per cent.

The monthly instalment would be around Dh3,635 for 25 years. If you save 10 per cent of the monthly instalment in a savings account every month and pay the accumulated savings at the end of the 12th month as an additional instalment, your mortgage tenure will get reduced by three years and three months.

Investments

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Investments provide high returns when compared to savings accounts. Even though investments come with some risks, there are risk-free investments that can be considered.

Additional down payment

The minimum down payment for a mortgage loan in the UAE is 15-20 per cent, but there is no maximum cap. Homebuyers can put some extra down payment; this will not only reduce the repayment period but the interest rates can also be lowered by the bank.

Refinance to a lower tenure

Financial institutions consider refinancing a new loan, so you can choose the loan's tenure. But there are certain things to note like interest rates. Just ensure that you get an interest rate that you can afford and opt for a lower tenure so that you can clear your mortgage early.

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Other income sources

Consider other income sources like part-time jobs, freelancing, etc. If you have any unused rooms in your house, you can rent it out through popular renting platforms.

Postponing additional expenses

Additional expenses may include purchasing a second car, going on vacations, etc. You can postpone these expenses and save that money to clear your mortgage.

One important thing to remember is the early settlement fee, which is around 1-3 per cent of the loan amount. Even on partial settlement of a loan, there are some fees levied.

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