

## Could lockdown unlock you from your mortgage?

- **Reduced expenditure on travel and leisure helped many Brits save more**
  - **UK Savings increased £200bn during lockdown**
- **Diverting lockdown savings could cut 3 years and £16,000 off a £200k mortgage**
  - **Overpayments cut mortgage interest by more than savings earn**

A boost in the UK's savings during lockdown could be the key to cutting thousands in interest and months from the terms of mortgages, says the UK's largest lender. Using this extra lockdown cash to make mortgage overpayments could be a once in a lifetime financial opportunity.

Most mortgages allow some level over overpayment on a regular or ad-hoc basis without penalty, yet it is estimated that fewer than half of people take advantage of this. The UK has round 10 million mortgages outstanding, worth £1,500bn, (source: FCA Mortgage lending statistics, June 2021), meaning potentially millions of homeowners could take pounds and months off their mortgage by diverting some of their savings to their mortgage.

### The benefit of overpayments

With around 45% of the population working at least some of the time from home and others' spending restricted by lack of holiday and leisure opportunities, the Bank of England suggests Britons saved an extra £200bn during lockdown. This makes the average monthly savings around £450 per person, and the median, a more realistic measure, is £180, according to the Office of National Statistics (see Editors' Notes).

Paying £90 extra (50% of median monthly savings) towards a £200,000 mortgage, from the first payment onwards, would reduce the loan's total cost by more than £16,800 and the term by over 3 years. Overpayments don't need to start early in the mortgage to make a noticeable impact on the total repaid and term, either. Paying an extra £90 extra each month from the mortgage's 10<sup>th</sup> anniversary could still save £5,300 in interest and cut 18 months off the term.

Savings in interest and term £90 monthly overpayment, £200,000 mortgage	
From 1 <sup>st</sup> anniversary	From 10 <sup>th</sup> anniversary
<b>£16,847</b>	<b>£5,367</b>
<b>37 months</b>	<b>18 months</b>

By contrast, in a low rate environment, regular savings are likely to attract lower interest rates than. Saving £90 per month, at a typical 1%, each year in a regular savings account and then putting the capital and interest earned in the best fixed rate account available (currently 1.55%) for 15 years would earn just £2,261. Overpaying a £100,000 mortgage by the same amount would save over £4,800 of interest and see the loan repaid nearly 3 years early.

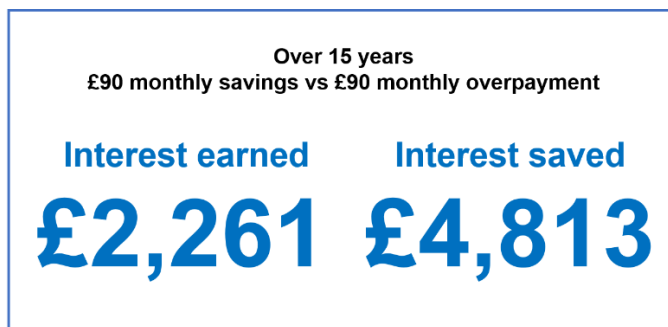
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For those fortunate enough to have squirrelled away any extra cash during lockdown, using some or all that lump sum to pay down a mortgage can make a big difference. Even sums paid well into the mortgage term will save more interest than they would earn in a savings account. For example, a £5,000 lump sum paid off a £100,000 loan with 15 years remaining could save the homeowners £3,866 in interest and cut their mortgage term by 13 months (see Editors Notes). Saving the same £5,000 would earn just £1,298 at current rates.

**Table: £5,000 overpayment on 10<sup>th</sup> anniversary of mortgage vs 15yr savings interest**

Initial Mortgage	Interest Saved	Reduction of term
£100,000	£ 3,866	16
£200,000	£ 3,989	8
£300,000	£ 4,034	5
£400,000	£ 4,054	4

Lump Sum	Interest earned (1.55%)
£5000	£1,298

66

**Russell Galley, Managing Director, Halifax, said:** “The last year has been difficult, but there are all sorts of people for whom lockdown has brought financial benefits they may not have fully realised yet. Whether it’s a lump sum or a bit extra paid each month, overpayments could cut the cost of buying your home by tens of thousands of pounds and see you mortgage-free months, if not years, early.

“Not being able to take a holiday, not having the same travel expenses, or just not going out could mean some people have saved a sizable amount. Some will want to splash out with a return to the shops or on that holiday, but for others lockdown may provide a once in a lifetime opportunity to significantly reduce their mortgage.”

- ENDS -

**Editors' Notes:**

Median Monthly Savings is the level at which 50% of people save more, 50% save less.

The mortgage repayment calculations provided are for illustration only. Mortgage holders should consult their lender for details about overpayments and how it might affect their loan.

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## Mortgage calculation assumptions:

- Examples are based on 25-year terms,
- 4% interest rate, UK's average SVR 4.41%, source: Moneyfacts May 2021
- Capital and interest repayments,
- Interest calculated daily and added monthly,
- Any regular monthly overpayments remain the same over the term of the mortgage
- All months and years are of equal length
- Estimate of total interest saved is rounded to the nearest pound
- There is no change in interest rate which would recalculate the monthly payment
- There will not be any changes to the mortgage which would result in a recalculation of the monthly payment e.g., changes to mortgage product, term, type or change of owners

This information is intended for the sole use of journalists and media professionals.

**Table 1: Interest saving of overpayments at 50% & 100% of median monthly savings**

	£90				£180			
	Month 1	Year 5	Year 10	Year 15	Month 1	Year 5	Year 10	Year 15
£100k	£ 14,378	£ 8,910	£ 4,813	£ 2,059	£ 22,942	£ 14,509	£ 7,991	£ 3,479
£200k	£ 16,847	£ 10,067	£ 5,367	£ 2,266	£ 28,756	£ 17,820	£ 9,626	£ 4,118
£300k	£ 17,338	£ 10,522	£ 5,577	£ 2,348	£ 31,428	£ 19,296	£ 10,334	£ 4,386
£400k	£ 17,799	£ 10,770	£ 5,697	£ 2,385	£ 32,974	£ 20,124	£ 10,734	£ 4,532
£500k	£ 18,090	£ 10,927	£ 5,760	£ 2,418	£ 33,969	£ 20,673	£ 10,982	£ 4,625

**Table 2: Table 2: Interest saving of overpayments at 50% & 100% of average monthly savings**

	£225				£450			
	Month 1	Year 5	Year 10	Year 15	Month 1	Year 5	Year 10	Year 15
£100k	£ 26,059	£ 16,598	£ 9,209	£ 4,036	£ 35,862	£ 23,354	£ 13,256	£ 5,943
£200k	£ 33,791	£ 21,071	£ 11,449	£ 4,917	£ 52,118	£ 33,197	£ 18,418	£ 8,071
£300k	£ 37,535	£ 23,162	£ 12,460	£ 5,310	£ 61,483	£ 38,659	£ 21,177	£ 9,167
£400k	£ 39,754	£ 24,374	£ 13,036	£ 5,522	£ 67,583	£ 42,141	£ 22,898	£ 9,834
£500k	£ 41,217	£ 25,167	£ 13,417	£ 5,664	£ 71,889	£ 44,550	£ 24,066	£ 10,294

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**Table 3: Reduction in mortgage term of overpayments at 50% & 100% of median monthly savings**

	£90				£180			
	Month 1	Year 5	Year 10	Year 15	Month 1	Year 5	Year 10	Year 15
£100k	66	49	34	20	108	81	57	35
£200k	37	27	18	11	66	49	34	20
£300k	26	19	13	7	48	35	24	14
£400k	20	14	9	6	37	27	18	11
£500k	16	11	8	4	31	22	15	9

**Table 4: Reduction in mortgage term of overpayments at 50% & 100% of average monthly savings**

	£225				£450			
	Month 1	Year 5	Year 10	Year 15	Month 1	Year 5	Year 10	Year 15
£100k	124	94	66	41	174	134	96	61
£200k	79	58	40	25	124	94	66	41
£300k	58	42	29	17	96	72	50	31
£400k	45	33	23	14	79	58	40	25
£500k	37	27	18	11	66	49	34	20

**Table 5. Reduction in mortgage interest from lump sum over payments at anniversaries**

	£5,000.00				£10,000.00				£20,000.00			
	Yr. 1	5	10	15	Yr. 1	5	10	15	Yr. 1	5	10	15
£100k	£ 7,551	£ 5,759	£ 3,866	£ 2,297	£ 14,180	£ 10,833	£ 7,260	£ 4,271	£ 25,155	£ 19,245	£ 12,824	£ 7,365
£200k	£ 7,798	£ 5,941	£ 3,989	£ 2,384	£ 15,102	£ 11,517	£ 7,731	£ 4,595	£ 28,360	£ 21,667	£ 14,521	£ 8,543
£300k	£ 7,884	£ 6,008	£ 4,034	£ 2,414	£ 15,427	£ 11,761	£ 7,894	£ 4,705	£ 29,565	£ 22,568	£ 15,137	£ 5,968
£400k	£ 7,927	£ 6,036	£ 4,054	£ 2,426	£ 15,596	£ 11,883	£ 7,979	£ 4,767	£ 30,203	£ 23,035	£ 15,462	£ 9,190
£500k	£ 7,961	£ 6,055	£ 4,067	£ 2,438	£ 15,703	£ 11,958	£ 8,034	£ 4,799	£ 30,530	£ 23,323	£ 15,657	£ 9,318

**Table 6. Reduction in mortgage term (months) from lump sum overpayments at anniversaries**

	£5,000.00				£10,000.00				£20,000.00			
	Yr. 1	5	10	15	Yr. 1	5	10	15	Yr. 1	5	10	15
£100k	23	20	16	13	45	39	32	27	85	74	62	51
£200k	12	10	8	6	23	20	16	13	45	39	32	27
£300k	8	6	5	4	16	13	11	9	31	26	22	18
£400k	6	5	4	3	12	10	8	6	23	20	16	13
£500k	4	4	3	2	9	8	6	5	19	16	13	11

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