Mortgage overpayment calculator

Overpaying your mortgage clears the balance faster, so you pay interest on a smaller amount for less time. On a £200,000 balance at 4.5% over 25 years, an extra £150 a month saves roughly £29,284 in interest and clears the mortgage almost 4 years and 11 months early; a £15,000 lump sum on a £150,000 balance at 4.75% over 20 years saves roughly £21,013 and over 3 years and 1 month. Check your overpayment allowance first to avoid an early repayment charge.

The formula

Your normal monthly payment on a repayment mortgage comes from the standard loan-amortisation formula:

$$\textbf{Monthly payment} = P \times r \times (1 + r)^n \div ((1 + r)^n - 1)$$

where P is the outstanding balance, r is the interest rate divided by 12, and n is the number of months left.

A monthly overpayment is added to that payment every month, paying the loan off in fewer months. A lump sum comes straight off the balance once, so the same monthly payment then clears the smaller balance sooner. Either way, the interest saved is the difference between the total interest at the original term and at the new, shorter one.

Three worked examples

A. Regular monthly overpayment

A £200,000 balance at 4.5% with 25 years left has a normal payment of about £1,112 a month. Adding £150 a month brings it to £1,262. That clears the balance in about 20 years and 1 month instead of 25 years, a saving of 4 years and 11 months. Total interest falls from about £133,499 to about £104,216, a saving of roughly **£29,284**.

B. One-off lump sum

A £150,000 balance at 4.75% with 20 years left has a normal payment of about £969 a month. Putting a £15,000 lump sum straight onto the balance, keeping the same monthly payment, clears the mortgage in about 16 years and 11 months instead of 20 years, a saving of 3 years and 1 month. Total interest falls from about £82,641 to about £61,628, a saving of roughly **£21,013**.

C. A larger balance and overpayment

A £350,000 balance at 4.25% with 30 years left has a normal payment of about £1,722 a month. Adding £400 a month brings it to £2,122. That clears the mortgage in about 20 years and 8 months instead of 30 years, a saving of 9 years and 4 months. Total interest falls from about £269,844 to about £176,689, a saving of roughly **£93,156**.

All three assume a repayment (not interest-only) mortgage, a rate fixed for the whole period, no fees, and no early repayment charge. They are illustrations of the method, not a quote for any specific mortgage.

Check these before you overpay

- **Your overpayment allowance.** Many UK mortgage deals let you overpay up to a set amount each year without penalty, commonly around 10% of the balance, though this varies by lender and deal and is set out in your mortgage offer.
- **Early repayment charges.** Overpay beyond your allowance during a fixed or discounted period and you may trigger an ERC, commonly in the region of 1% to 5% of the amount over the allowance. Always check your offer or ask your lender first.
- **Your safety net.** Keep accessible emergency savings first, because money overpaid is hard to get back.
- **Costlier debts.** Clearing high-interest credit cards or loans usually beats overpaying the mortgage.
