



# Early Mortgage Repayment: When and How to Do It

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In this article, we'll talk about a topic that, sooner or later, affects many of us: the **mortgage**. Specifically, today we'll tackle a crucial theme: **early repayment**. You might be wondering: **what is it exactly?** And above all, **when is it really worth paying off your mortgage early?** If you're among those asking these questions, you're in the right place. I will guide you step-by-step in discovering this financial tool, analyzing its **advantages**, **disadvantages**, and **how it works**.

The goal is to provide you with all the necessary information to make an informed decision and, perhaps, **save** a good amount of money. Because let's be clear, a mortgage is a significant, often long-term commitment that has a major impact on our household budget. Having the option to **get rid of it ahead of time** can be an opportunity not to be underestimated. But be careful, **early repayment isn't always the best choice**. That's why it's essential to understand what it entails and carefully assess your financial situation.

Together, we will try to bring clarity, debunking myths and providing you with **practical advice** to best handle this decision. So, get ready for a journey into the world of mortgages, a journey that I hope will help you **simplify** your financial life. And remember, knowledge is the first step toward **financial freedom**. So, **keep reading** to discover all the secrets of early mortgage repayment!

# Early Mortgage Repayment: What It Is and How It Works

Let's get to the heart of the matter and understand **what** early mortgage repayment is exactly. In simple terms, it is the option to **repay the bank** the entire remaining balance of the mortgage **before the scheduled maturity date** in the contract. In practice, instead of continuing to make monthly payments for the entire term of the mortgage, you decide to **settle the debt in a single payment**, thus freeing yourself from the financial commitment.

This can be a **full** repayment, covering the entire remaining principal, or **partial**, where you decide to repay only a portion of the principal, thereby reducing the amount of future payments or the mortgage term. But **how does** early repayment actually work? Once you've made the decision, you must **notify the bank** of your intention, specifying whether you plan to proceed with a full or partial repayment. The bank will then provide the **exact calculation** of the remaining principal to be repaid, including interest accrued up to that point and, if applicable, any **penalties** for early repayment as stipulated in the contract.

It's important to note that for mortgages taken out **after February 2, 2007**, the law **prohibits** the application of penalties for early repayment to protect consumers. For mortgages taken out **before this date**, however, penalties may be present, but they are generally small and can be **negotiated** with the bank. Once the due amount is paid, the mortgage is considered **paid off**, and the lien on the property is **released**.

This process of releasing the mortgage lien generally takes a few days or weeks and involves **costs** for the borrower, such as notary fees and registration taxes. However, it is possible to **avoid** notary fees by opting for the **simplified lien release**, a faster and cheaper administrative procedure introduced by the Bersani decree. In summary, early mortgage repayment is an operation that allows you to **accelerate your freedom from debt**, but it requires **careful planning** and the evaluation of several factors, such as your financial situation, the costs of the operation, and the potential benefits.

## **Full vs. Partial Repayment: Which to Choose?**

When talking about early mortgage repayment, it's important to distinguish between **full repayment** and **partial repayment**. As we mentioned, **full repayment** involves paying back the entire remaining principal of the mortgage in a single payment, completely freeing you from the financial commitment.

This option is particularly suitable for those who have a **sufficient sum of money** to cover the entire remaining debt and wish to **permanently eliminate** the mortgage payment from their household budget. The **advantages** of full repayment are clear: **elimination of future interest**, **release from the mortgage lien**, **greater financial peace of mind**, and the **ability to reinvest** the saved money in other projects.

However, it's important to carefully assess whether you actually have the necessary liquidity without compromising your short- and medium-term **financial stability**. **Partial repayment**, on the other hand, involves repaying **only a portion** of the remaining principal. This option can be useful for those who do not have enough liquidity for a full repayment but still want to **reduce**

**the impact of the mortgage** on their budget.

Partial repayment can lead to a **reduction in the monthly payment amount** or a **shortening of the mortgage term**, depending on the choice made at the time of the request. The **advantages** of partial repayment include **greater flexibility**, the ability to **lighten the burden of payments**, and **savings on future interest**, although to a lesser extent than with full repayment.

However, it's important to consider that partial repayment **does not completely free you from the debt**, and you will continue to pay interest, albeit at a reduced rate. The **choice between full and partial repayment** therefore depends on your **needs** and **financial resources**. If you have a sufficient sum of money and want to be completely free of the mortgage, full repayment is the most suitable choice.

If, however, you prefer to maintain some liquidity and only want to lighten the burden of your payments, partial repayment can be a valid alternative. In either case, it is crucial to **carefully weigh the pros and cons** and **simulate the impact** of the operation on your household budget, perhaps with the help of a financial advisor.

## **When Is It Worth Paying Off Your Mortgage Early? Key Factors**

The crucial question is: **when is it** actually worth paying off your mortgage early? There is no one-size-fits-all answer, as the benefit of this operation depends on a series of **individual factors** and **market conditions**. However, we can identify some **key elements** to consider when evaluating whether early repayment is the right choice for you.

## Personal Financial Situation: Liquidity and Goals

The first factor to consider is your **personal financial situation**. Do you have a **sufficient sum of money** to pay off the mortgage without compromising your economic stability? Do you have other **financial priorities**, such as investments, retirement savings, or unexpected expenses, that might be more urgent or profitable? If you have **high liquidity** and no other priority financial goals, early repayment could be a **worthwhile** choice, especially if the mortgage has a **high interest rate**.

In this case, getting rid of the mortgage means **saving** a significant amount in future interest and **increasing your monthly disposable income**. Conversely, if your liquidity is **limited** or you have other financial priorities, it might be more **prudent** not to use all your savings to pay off the mortgage, but to allocate them to other purposes, perhaps more profitable in the long term. For example, in a context of **high inflation**, investing in assets that offer a return higher than the mortgage interest rate could be a more **advantageous** choice.

Furthermore, it's important to consider your **financial goals**. If the main goal is to **eliminate debt** and live with greater financial peace of mind, early repayment can be an **appropriate** choice. If, on the other hand, you prefer to **maximize the return** on your capital by investing in potentially more profitable assets, it might be better not to pay off the mortgage and continue making monthly payments.

## **Type of Interest Rate: Fixed or Variable?**

The **type of interest rate** on your mortgage is another crucial factor to consider. If you have a **variable-rate** mortgage, early repayment could be particularly **advantageous** in periods of **high interest rates** or in anticipation of their **increase**. In these scenarios, getting rid of the mortgage means **protecting yourself** from potential **payment increases** and **reducing the risk** of finding yourself paying ever-higher interest over time.

Conversely, if interest rates are **low** or expected to **decrease**, early repayment might be **less urgent**, and it could be more beneficial to **invest** the available liquidity in assets that offer a return higher than the mortgage rate. If, however, you have a **fixed-rate** mortgage, the situation is slightly different. In this case, the interest rate is **locked in** for the entire term of the mortgage, so you are not exposed to the risk of future increases. However, early repayment can still be **worthwhile** if the fixed rate on your mortgage is **higher** than the **returns** you could get by investing the same sum of money in other assets.

In general, **the higher the mortgage interest rate, the greater the benefit** of early repayment, for both variable-rate and fixed-rate mortgages. This is because, in both cases, getting rid of the mortgage means **saving** a significant amount in future interest.

## **Stage of the Mortgage Life Cycle: Beginning or End?**

The **stage of the mortgage life cycle** also affects the benefit of early repayment. In the **early years** of the mortgage, the **interest portion** of the monthly payment is **larger** than the principal portion. This means that by paying off the mortgage early in the first few years, you primarily **save** on **interest**, obtaining a greater benefit than if you were to pay it off in later

years. As time goes on, the **principal portion** of the monthly payment gradually **increases**, while the interest portion **decreases**.

Therefore, paying off the mortgage early in the **later years** results in **smaller interest savings**, as most of the interest has already been paid in previous years. Furthermore, it's important to consider the **time horizon** of the early repayment. If you plan to pay off the mortgage **within a few years** of its natural maturity, the **benefit** of the operation may be **limited**, as the interest savings would be small. In these cases, it might be more **advantageous** not to pay off the mortgage and use the available liquidity for other purposes, perhaps more profitable in the short term.

Conversely, if you plan to pay off the mortgage **many years before** its natural maturity, the **interest savings** could be **significant**, and the operation could be **very advantageous**, especially if the mortgage interest rate is high.

### **Alternatives to Early Repayment: Evaluating Your Options**

Before deciding to pay off your mortgage early, it's also important to evaluate the available **alternatives**. In some cases, it might be more **advantageous** to opt for other solutions, such as mortgage **renegotiation** or **refinancing**. **Renegotiation** involves **modifying the terms** of the existing mortgage while staying with the same lending institution. For example, you can renegotiate the interest rate, the mortgage term, or the rate type (from variable to fixed or vice versa).

Renegotiation can be useful for **reducing monthly payments** or for **obtaining more favorable terms** than the original ones, without having to pay off the mortgage early. **Refinancing**, on the other hand, involves **transferring the mortgage** from one bank to another, while keeping the

same contractual conditions (remaining principal, remaining term, rate type). Refinancing is **free of charge** by law and can be used to **obtain a lower interest rate** or **better terms** than the original mortgage, taking advantage of competition among lending institutions.

Both renegotiation and refinancing can be **valid alternatives** to early repayment, especially if you don't have enough liquidity to pay off the mortgage or if you prefer to maintain some financial flexibility. The **choice between early repayment, renegotiation, and refinancing** therefore depends on your **specific situation** and the **goals** you want to achieve. It is advisable to **carefully evaluate all available options** and **compare the costs and benefits** of each, perhaps with the help of a financial advisor, before making a final decision.

## Comparison Table: Early Repayment vs. Alternatives

Operation	Advantages	Disadvantages	When It's Most Suitable
Early Repayment	Eliminates future interest, debt-free, financial peace of mind.	Use of liquidity, mortgage release costs (if not simplified).	High liquidity available, high mortgage rate, early years of mortgage, goal is to eliminate debt.
Renegotiation	Reduced monthly payments, more favorable terms, no cash outlay.	Does not eliminate debt, interest payments continue.	Difficulty making payments, uncompetitive mortgage rate, goal is to reduce payments.
Refinancing	Lower interest rate, better terms, free of charge.	Does not eliminate debt, interest payments continue, paperwork.	Uncompetitive mortgage rate, goal is to get better terms, without cash outlay.

## How to Request Early Mortgage Repayment: A Step-by-Step Guide

If you've decided to proceed with early mortgage repayment, it's important to know **how to do it** in practice. The procedure is generally **simple** and **quick**, but it requires a few fundamental steps.

1. **Review the mortgage agreement:** The first step is to **consult your mortgage agreement** to check if there are any **penalties** for early

repayment and what the specified **procedures** are. As we've said, for mortgages taken out after February 2, 2007, penalties are prohibited, but it's always best to **check** to be sure. Additionally, the contract may contain **useful information** on the procedure to follow and the documents to submit.

2. **Request a payoff statement:** The second step is to **contact the bank** and request a **payoff statement**. This is a document that indicates the **exact amount** to be repaid to pay off the mortgage early, including the remaining principal, interest accrued up to that point, and, if applicable, any penalties (for older mortgages). The request for a payoff statement can be made **by phone, via email, or directly at a branch**. It is advisable to request the payoff statement a **few days in advance** of the planned payment date, so you have enough time to arrange the bank transfer or cashier's check.
3. **Payment methods:** Once you have the payoff statement, you need to make the **payment** of the amount due. The generally accepted payment methods are **bank transfer** and **cashier's check**. It's important to **check with the bank** about their preferred methods and the **banking details** to use for the transfer. If paying with a cashier's check, you need to go to a branch and hand the check to the teller.
4. **Mortgage lien release:** Once the payment is made, the mortgage is considered **paid off**. The bank will then proceed with the **release of the mortgage lien** on the property. As we mentioned, you can opt for the **simplified release**, a faster and cheaper administrative procedure that **does not require a notary**. In this case, the bank will handle all the necessary paperwork directly, communicating the lien release to the

Property Registry. Alternatively, you can opt for a **notarized release**, which requires a notary and involves **higher costs**. The choice between a simplified and notarized release depends on your needs and preferences. The simplified release is generally **cheaper** and **faster**, but it may not be available in all cases. It is advisable to **inquire with your bank** about the available options and their respective costs and timelines.

## **Costs of Early Repayment: What to Know**

It's important to be aware of the **costs** that may be associated with early mortgage repayment. As we've seen, for mortgages taken out after February 2, 2007, early repayment **penalties** are **prohibited**. However, there may be other **costs**, such as **fees for the mortgage lien release**.

### **Early Repayment Penalties: When Do They Apply?**

As mentioned several times, **early repayment penalties** have been **abolished** for mortgages taken out **after February 2, 2007**. This means that if your mortgage was originated after this date, you **will not have to pay any penalty** to pay it off early. For mortgages taken out **before February 2, 2007**, however, penalties may be **present**, but they are generally **small** and can be **negotiated** with the bank.

The amount of the penalties, if any, is usually expressed as a **percentage** of the remaining principal to be repaid and varies depending on the mortgage contract and the timing of the early repayment. In any case, it is always **advisable to carefully check** the mortgage contract to see if penalties are included and, if so, what their amount is.

If penalties are present and high, it might be **less worthwhile** to pay off the mortgage early, unless the savings on future interest still outweigh the cost of the penalties.

## **Mortgage Lien Release Fees: Simplified vs. Notarized Release**

The **fees for releasing the mortgage lien** are a cost to consider when paying off a mortgage early. As we've seen, you can opt for two release procedures: the **simplified release** and the **notarized release**. The **simplified release** is **cheaper** and **faster**, as it **does not require a notary**. The fees for a simplified release are generally **low** and are limited to **registration taxes** and the bank's **administrative fees**.

The amount of these fees varies depending on the lending institution and the complexity of the case, but it generally ranges from **\$100 to \$200**. The **notarized release**, on the other hand, is **more expensive** and **slower**, as it **requires a notary**. The fees for a notarized release include the **notary's fee**, **registration taxes**, and the bank's **administrative fees**. The amount of these fees can vary depending on the notary and the value of the property, but it generally ranges from **\$500 to \$1,000** or even more. The **choice between a simplified and notarized release** therefore depends on the **cost** and **speed** of the two procedures, as well as the **availability** of the simplified release in your specific case.

It is advisable to **inquire with your bank** about the costs and procedures for both options and carefully evaluate which is the most convenient for your needs.

## Practical Example: Calculating the Benefit of Early Repayment

To better understand the benefit of early repayment, let's look at a **practical example**. Suppose you have a mortgage with the following characteristics:

- **Initial principal:** \$150,000
- **Term:** 20 years
- **Fixed interest rate:** 3%
- **Monthly payment:** approximately \$832
- **Years passed:** 5 years
- **Remaining principal:** approximately \$120,000

If you decided to pay off the mortgage early at this point, you would have to repay the bank about \$120,000. But **how much would you save** in future interest? To calculate this, we need to consider the interest you would have paid if you had continued to make monthly payments until the natural maturity of the mortgage. In this case, the remaining term of the mortgage is 15 years (20 total years - 5 years passed). By calculating the interest you would have paid over the next 15 years at a 3% rate, we get an amount of about **\$28,000**.

So, by paying off the mortgage early, you would **save about \$28,000** in future interest. From this saving, we must subtract any **costs** for the early repayment, such as the fees for the mortgage lien release. Let's assume you opt for the simplified release, with a cost of about \$150. In this case, the **net savings** from the early repayment would be about **\$27,850** (\$28,000 - \$150).

This example shows how early repayment can lead to **significant interest savings**, especially if done in the early years of the mortgage and with a high interest rate. Of course, this is just a **simplified example**. To calculate the benefit of early repayment in your specific case, it is advisable to **request a payoff statement** from the bank and **simulate the impact** of the operation on your household budget, perhaps with the help of a financial advisor.

## Conclusions

Early mortgage repayment represents a **valid opportunity** to free yourself from a major financial commitment ahead of schedule and **save** a significant amount in future interest. However, **it is not a decision to be taken lightly**. It is crucial to **carefully evaluate** your financial situation, the terms of your mortgage, available alternatives, and the costs of the operation before proceeding with early repayment.

As we have seen, the **benefit** of this operation depends on a number of factors, including **available liquidity**, the **interest rate** of the mortgage, the **stage of the mortgage life cycle**, and personal **financial goals**. In general, early repayment is **more advantageous** when you have **high liquidity**, the mortgage **interest rate** is **high**, you are in the **early years** of the mortgage, and the main goal is to **eliminate debt** and live with greater financial peace of mind. Conversely, early repayment might be **less advantageous** if liquidity is **limited**, the mortgage **interest rate** is **low**, you are in the **later years** of the mortgage, or you prefer to **invest** your available liquidity in potentially more profitable assets.

In any case, it is always **advisable to get information** from your bank, **request a payoff statement**, and **simulate the impact** of the operation on your household budget, perhaps with the help of a financial advisor. Only in this way will it be possible to make an **informed decision** and **optimize** your financial situation. Remember, **financial planning** is essential to achieving your goals and living with greater serenity. Early mortgage repayment is a tool to be known and used with **intelligence** and **awareness**, to improve your financial quality of life and achieve your future projects.

So do not hesitate to delve deeper into the subject, to **seek advice** from experts in the field, and to **carefully evaluate** all available options before making a final decision. **Financial freedom** is an achievable goal, but it requires **commitment**, **knowledge**, and **planning**. Early mortgage repayment can be an important step toward this goal, but it is crucial to do it the right way, **aware of the pros and cons** and **adapting the choice to your specific situation**. I hope this article has been useful in clarifying the topic and helping you make more informed and conscious decisions about your mortgage.

## Frequently Asked Questions

### What is early mortgage repayment?

It is the early repayment of the remaining mortgage principal before the scheduled due date.

### When is it a good idea to pay off a mortgage early?

It's a good idea if you have available liquidity, the interest rate is high, and you are in the early stages of the mortgage.

**Are there penalties for early repayment?**

No, for mortgages taken out after February 2, 2007, penalties are prohibited.

**What are the costs of early repayment?**

The main costs are the fees for the mortgage lien release.

**How do you request early mortgage repayment?**

You request a payoff statement from the bank and make the payment for the indicated amount.

**What are mortgage renegotiation and refinancing?**

They are alternatives to early repayment for improving the terms of your mortgage.

**Is full or partial repayment better?**

It depends on your available liquidity and financial goals.

**How can I calculate if early repayment is worthwhile?**

By requesting a payoff statement and simulating the interest savings.

**Is the mortgage lien released automatically?**

No, it must be requested and involves costs, which vary depending on the procedure (simplified or notarized).

**Who should I ask for advice on early repayment?**

It is advisable to contact your bank or a financial advisor.