

Benefits of Making Partial Early Mortgage Payments

I have a house mortgage of 1.03 million CNY, which I took out from the Agricultural Bank of China around July 2022.

Although I don't have the cash to pay off some of the mortgage in advance, I chose to get a consumer loan from other banks to pay off part of the mortgage. The interest rate for the consumer loan is around 6%, while the mortgage interest rate is around 3.6%.

One advantage is that it gives you the feeling that your house mortgage is being paid off quickly. You gain a good feeling, even though it's not true because the total amount of your loans remains the same.

I applied around September 2024 to pay off some of the mortgage, amounting to 20k CNY.

Today, I asked Gemini whether I should do so. It gave moderate answers. I decided to do it anyway. So, I applied again to pay off another 30k CNY of the mortgage. I noticed that the first time, it took them 2 weeks to approve. But the second time, the system approved it quickly. Today is December 10, 2024, so the date the bank will charge for the amount is January 9, 2025.

Gemini couldn't tell you this because it is the process of the Agricultural Bank of China.

In my experience, paying off 20k CNY of the mortgage won't make much of a change to my personal financial status. I had a job during those months and had some revenue. However, in the latest month, for some reason, I am actively looking for job opportunities without income.

For the 30k CNY, the difference in interest rates between 6% and 3.6% is 720 CNY a year. It buys you some good feeling. And maybe I can find a good job and then actually pay off the 30k consumer loan quickly.

Another advantage of using a consumer loan is that it is more flexible. You can pay it off whenever and in whatever amount.

This approach can easily attract criticism from parents. The decision to do it again is about innovation and independent thinking in every aspect of life.

If I had this independent thinking, I wouldn't have bought this house in 2022, which has cost our family 1 million CNY as of today. I wrote an article about it, The End of the Housing Dream.

By not following the majority in every way of life, you gain independent thinking. Using a consumer loan to pay off some of the mortgage in advance for a small amount is a small deal; independent thinking is a big deal.