A SMART PAYOFF STRATEGY · ILLUSTRATIVE EXAMPLE ($1M)

How a $6,781.69 Extra Payment Eliminates $36,318.51 in Interest

The same principal-prepayment strategy applied to a $1,000,000 mortgage. Any loan amount can benefit — the idea scales up or down.

$1,000,000	$6,781.69	$36,318.51
Original loan amount	One-time extra payment	Interest eliminated

The Idea in One Sentence

Every mortgage payment is split into interest (money the bank keeps) and principal (money that reduces what is owed). One extra payment that goes 100% to principal does not just pay down the loan — it skips the interest that would have been charged on those months. That interest is gone forever.

The Loan

This illustration uses a $1,000,000, 30-year mortgage at 6.25% and applies the method starting with the very first month of the loan. Here are the terms:

Loan amount	$1,000,000
Interest rate	6.25%
Term	30 years (360 months)
Regular monthly payment	$6,157.17
First payment date	March 1, 2026

The Method — Step by Step

1	**Make the regular first payment on time.** On March 1, 2026, the borrower pays the normal scheduled amount of $6,157.17 — the ordinary first monthly payment on the loan.
2	**Look ahead on the amortization schedule.** The borrower looks at the principal column for the next 7 months on the schedule (April 2026 through October 2026, highlighted in green in the table below) and adds those amounts together: $953.78 + $958.75 + $963.74 + $968.76 + $973.81 + $978.88 + $983.98 = $6,781.69.
3	**Send one additional principal-only payment.** Right after the March payment, the borrower sends the bank a single additional payment of $6,781.69. This is the total principal that would have been paid across the next 7 months of the loan.
4	**Label the payment clearly.** On the payment memo, write: “Apply to principal only.” This tells the bank the money must reduce the loan balance directly — it is not a prepayment of a future monthly bill.
5	**The bank skips ahead 7 months on the schedule.** Because the principal for months 2 through 8 is now fully paid, the interest that would have been charged during those 7 months never gets charged. The next interest calculation begins from the new, lower balance — and the loan finishes 7 months earlier.

The Payment Schedule — What to Look At

Below are the first months of the loan. The Principal column (highlighted in green) is what to add up to build the one-time extra payment. The Interest column (highlighted in amber) is what disappears when that principal is prepaid.

Month	Payment	Interest	Principal	Loan Balance
Mar 2026	$6,157.17	$5,208.33	$948.84	$1,000,000
Apr 2026	$6,157.17	$5,203.39	$953.78	$999,051
May 2026	$6,157.17	$5,198.42	$958.75	$998,097
Jun 2026	$6,157.17	$5,193.43	$963.74	$997,139
Jul 2026	$6,157.17	$5,188.41	$968.76	$996,175
Aug 2026	$6,157.17	$5,183.37	$973.81	$995,206
Sep 2026	$6,157.17	$5,178.29	$978.88	$994,232
Oct 2026	$6,157.17	$5,173.20	$983.98	$993,253
Nov 2026	$6,157.17	$5,168.07	$989.10	$992,269
Totals for the 7 highlighted months		$36,318.51	$6,781.69	

Sample amortization schedule for a $1M, 30-year loan at 6.25%. Full 360-month schedule available on request. Loan balances rounded to the nearest dollar for display.

Result: one $6,781.69 payment eliminated $36,318.51 of future interest.

By prepaying the principal for months 2 through 8 (April through October 2026), those seven months of interest charges were never applied to the loan. The bank shifts the schedule forward, and the loan will finish 7 months earlier than the original 30-year term.

The Strategy Scales to Any Loan

Whether the mortgage is $200,000, $500,000, $1,000,000, or more, the math works the same way. Interest is charged on the outstanding balance every month, and in the early years of a loan, almost every dollar of the regular payment goes to interest — only a small amount goes to principal.

When an extra payment is sent labeled “principal only,” it skips past those small-principal months in one shot. On a $1M loan, one $6,781.69 payment eliminates $36,318.51 of interest. On a $1.7M loan, one $11,258.48 payment eliminates $62,982.04. Same idea, different scale.

How To Apply This Strategy to Your Own Loan

1. **Get your full amortization schedule.**
It lists every month of the loan and how each payment splits between interest and principal. Mortgage Vault generates this automatically the moment loan details are entered.

2. **Decide how many months of principal to prepay.**
It can be 3 months, 5 months, 7 months, or 12 months — whatever fits the budget. Add the principal amounts for those months together. That total is the one-time extra payment.

3. **Send the extra payment as a separate transaction.**
Do not combine it with the regular monthly payment. Send it as its own payment so the bank does not mistake it for next month's bill.

4. **Label it clearly.**
In the memo or online-payment note, write: “Apply to principal only.” After it posts, check the next statement to confirm the balance dropped by the full amount.

5. **Repeat whenever possible.**
This can be done once, once a year, or every month. Every extra dollar directed to principal early in the loan removes many dollars of future interest.

Before doing this — three things to confirm with the lender.

1) The loan has no prepayment penalty (most U.S. residential mortgages don't, but always check). 2) The lender accepts principal-only payments and has a clear way to designate them (online, by check memo, or by phone). 3) A healthy emergency fund stays in place. Once money goes to principal, it is not easily taken back — the bank cannot be called and asked to return it as cash.

How Mortgage Vault Helps

Mortgage Vault builds the full amortization schedule, shows exactly which months to target, and calculates the interest eliminated with each principal-only payment. Whether the loan is $100,000 or $10,000,000, the tool does the math and keeps the records. Every dollar saved is a dollar the bank doesn't get.

This document is an illustrative example. The loan terms, dollar amounts, and outcomes shown are sample calculations, not results from a specific person's loan. Actual savings depend on your loan terms, interest rate, and lender policies. This document is educational and does not constitute financial, tax, or legal advice. Please review your loan agreement or consult a licensed professional before changing your payment strategy.