



Interest-only Mortgage

Have you a plan to repay your interest-only mortgage?

If you have an interest-only mortgage it's important to have a plan to repay the original amount borrowed

Having an interest only mortgage (also known as an endowment mortgage) means you only pay the interest during the mortgage term. This means when the mortgage ends the full loan amount borrowed (the capital) will need to be repaid.

Even if this is a few years away, the sooner you start working on a repayment plan, the easier it will be and the more options you will have.

Follow our simple steps below to make sure you have an adequate repayment plan in place.

If you don't have a plan...

Don't worry we're here to help. There may be a number of options available to suit your personal circumstances;

- Switch to a capital and interest (repayment) mortgage - this allows you to start making monthly payments to reduce the original amount borrowed.
- Use your savings to reduce the overall amount - if you have savings you may consider using these now to reduce the amount you have to repay at the end of the mortgage term.
- Make overpayments – you can increase your monthly repayments to pay more than the interest amount and therefore reduce the capital balance. This means you will have less to pay at the end of the mortgage term.
- We can also consider extending the term of your mortgage along with as switching to capital and interest repayments (depending on your circumstances).
- You can use the Money Advice Service online Budget planner at www.moneyadviceservice.org.uk/en/tools/budget-planner to help you see how much you could afford to repay each month and for how long. As a rule of thumb, increasing your monthly repayment should reduce the total amount of interest you will repay over the life of your mortgage.

If you don't have a plan in place, please see below for an example of how we might be able to help

On a mortgage of £140,000 at an interest rate of 4% with 5 years remaining (assuming rates remain the same)

1. An **additional** £2,111.64 per month would be required to clear the mortgage balance within 5 years.
2. By **extending the term** of the mortgage by 5 years, an additional payment of £950.76 would be required to clear the mortgage balance.
3. If you had **savings** of £20,000.00 and you used these to reduce the mortgage balance, an additional £748.27 per month would be required to clear the mortgage balance.
4. **Sell the property:**
We don't recommend relying on selling the property as a way of clearing your mortgage balance. You need to consider where you will live if you sell your property and that the value of the property may have fallen. If the value of the property is less than the mortgage balance outstanding at the maturity date, you will still need to repay the difference. For example, if your property sells for £115,000 you will still have to repay £25,000 on maturity of the mortgage. An additional payment of £460.41 per month over 5 years would be required to repay the £25,000 shortfall.



If you have a plan...

If you already have a plan in place it's important to check that it's still on track to cover the full amount at the end of the mortgage;

- Check how many years are left on your mortgage – you can contact us to find out if you are unsure.
- If you have investments or an endowment policy you should contact the policy provider or check your annual statements to see if it is enough to cover the amount owing.
- If your investments or policy are insufficient you should ask for an estimate of how much extra you need to invest in order to have enough to pay your mortgage when the term ends or talk to us about making overpayments to meet the shortfall.



If you have any concerns about how you are going to repay the original amount borrowed at the end of the mortgage term, the best thing to do is contact us at 028 9047 9121. Alternatively you can contact your Financial Adviser or one of the free advice services such as Citizens Advice or Money Advice Service.

YOU COULD LOSE YOUR HOME IF YOU ARE UNABLE TO REPAY THE MORTGAGE BALANCE ON MATURITY

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