



# RETIREMENT INTEREST-ONLY MORTGAGE

## What is it?

A retirement interest-only mortgage is a loan secured against your home, which has no fixed term.

The loan is 'secured' against the value of your home and the lender is not entitled to seek full repayment of the loan until one of the following incurs:

- Your death
- You sell the property
- You leave the property to live elsewhere, for example, move into residential care
- You acquire another property to use as your main residence
- The lender exercises its legal right to take possession of the property under the terms of the contract

The money you borrow is called the capital and the lender then charges you interest on it until it is repaid. You are only required to repay the interest on a retirement interest-only mortgage. You need to be able to afford the monthly interest payments out of your pension or other income.

## Repayment method

During the term of the mortgage, you will make monthly payments to cover the interest due. The outstanding capital is usually only repaid on your death, sell the property or if you move into a care home.

## Interest rate

The mortgage usually has an interest rate fixed for between two and five years, so you pay a set amount each month for the duration of the fixed period. At the end of each period the rate can be fixed for another term or revert to the standard variable rate. Some products also offer the option for the lender to convert the mortgage to an Equity Release product at age 80 allowing the borrower to use interest roll-up.

## Eligibility

This will depend on a number of factors, such as how much your property is worth, your outstanding mortgage and your age. Whilst there is no minimum age requirement, these mortgages are typically aimed at older borrowers, for example, people over 55 and pensioners who would otherwise find it difficult to qualify for a typical interest only mortgage.

Most lenders regard affordability as the most important factor in determining whether an applicant is eligible for a mortgage, and consequently how much can be borrowed.

You will need to prove your income, and provide the lender evidence of any outgoings, including debts, household bills and other living costs such as clothing and travel costs.

## Risk considerations

There are a number of risk considerations that need to be taken into account. It is important that you are aware of these.

- The payments shown within the relevant product disclosure document(s) provided could be considerably different, and higher, if interest rates change.
- In the event that your income falls, you will still have to make your mortgage payments.
- If still working, you will still have to pay your mortgage if you lose your job or illness prevents you from working. Think about whether you could do this.
- Your home may be repossessed if you do not keep up payments on your mortgage.
- Your mortgage may have early repayment charges which may result in a penalty if you do not want the mortgage anymore.
- The affordability assessment we have undertaken at this time is based on current interest rates, which may rise in the future, and on your current circumstances, which might change in future.
- If all relevant information has not been disclosed accurately and honestly, this may result in any mortgage contract offered, becoming invalid.
- The value of the property may go down, leaving you with potential 'negative equity'.
- Once a mortgage has completed, it cannot be cancelled.
- If the value of the property drops below the amount borrowed, the amount borrowed will still need to be paid.