



Interest Payment Case Study

This is not a consumer advertisement.
It is intended for professional advisers only.

Customer scenario

Karen is a 60 year old divorcee. She lives with her 28 year old daughter Grace in their home in Cheshire which is worth £500,000.

Karen is concerned she may have to consider selling her home because her Interest Only Mortgage expires in six months and she has no way of repaying the original £50,000 loan. She'd love to stay living where she is, in the home that she loves, but is unsure what to do, as she doesn't really want to take out another residential mortgage at her age.

She intends to carry on working for the next few years and would like to continue making interest payments in the short-term to protect the equity in her home but she doesn't think she'll ever have the money to repay the loan in full.

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Customer recommendation

On receiving financial advice Karen decides to take out an £80,000 Interest Payment Lifetime Mortgage with OneFamily on a variable interest rate of 5.50%* achieving everything she wanted and more:

- The lifetime mortgage is approved under a month, enabling her to pay off her outstanding interest only loan and stay in the home she loves
- The extra £30,000 she takes out is passed on to her daughter to help her get on the property ladder
- The ability to make flexible monthly interest payments whilst she's still working enables her to protect £39,636.00 of equity over the first 10 years of the mortgage – see figures below
- OneFamily's Fixed ERCs for the first 10 years, no ERCs after 10 years, and Downsizing Protection after 5 years - made the decision a lot easier for her to make knowing she's got the flexibility for the years to come.



Example payment plan

By paying back 100% of the interest over the first 10 years she makes sure the loan remains at £80,000¹. Had she made no interest payments over this period the loan would have increased to £119,636.

	Loan amount	Annual interest payable at 5.50% ²	Amount repaid each month	Total Loan outstanding
Years 0 – 9	£80,000	£4,404	£376	£80,000

After 10 years Karen finally retires and decides to stop making regular interest payments.

	Loan amount	Annual interest payable at 5.50% ²	Amount repaid each month	Total Loan outstanding
Year 10	£80,000	£4,513	£0	£84,513
Year 11	£84,513	£4,767	£0	£89,280
Year 12	£89,280	£5,036	£0	£94,316
Year 13	£94,316	£5,317	£0	£99,633
Year 14	£99,633	£5,621	£0	£105,254

Please note, the table above shows years 10-14 as an example only and the loan amount outstanding will increase until the loan ends.

¹ The initial loan amount may vary depending on the month and day of completion due to the variance in the number of days in a month when calculating the daily interest.

² Variable MER interest rate on the Lite LTV as at December 2017. Interest rate assumed to remain at 5.50%.

The character of Karen is a fictional example and the photo is posed by an actor.