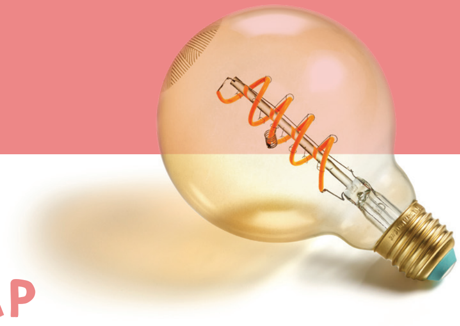
JUST.

HOUSE VIEW

SERIES



PLUGGING THE INTEREST ONLY GAP

The number of interest-only mortgages that are in existence has fallen steadily in recent years, halving since 2015 when there were more than two million such mortgages. However, a high proportion of these are due to mature every year until 2032. And, approximately 40,000 mortgages due to mature each year are held by borrowers who will be over 65 at the end of the term.

Many of these borrowers are expected to be financially vulnerable. For various reasons, including endowment shortfalls, it's expected that some may not have enough capital to repay their debt, leaving them at risk of losing the home they love.

Lenders may agree to extend the existing term of the mortgage, although an extension may only be granted for a relatively short period. This has the impact of delaying the inevitable as the capital balance remains outstanding and would still be due to be repaid in full at a later date.

Some lenders are happy to explore the option of converting the debt to a Capital and Interest repayment mortgage. While this may seem like the simplest solution, it's likely to be deemed unsuitable for a large number of borrowers. This is particularly the case for those who rely solely on their state pension for income and are assessed by the lender as unable to afford the higher monthly repayments.

So what next?

One option could be an interest serviced lifetime mortgage.

Increasing consumer demand has led to much innovation in the lifetime mortgage market over recent years. There are now several lifetime mortgage lenders who offer borrowers the opportunity to service the interest.

They're designed to help those who are used to making monthly repayments and who wish to continue to pay at least some of the accrued interest each month. However, due to strict affordability requirements, they wouldn't qualify for a residential mortgage.

Unlike an interest-only mortgage, there's no risk of repossession. If borrowers stop making their monthly payments, the interest is instead added to the amount they owe each month on a 'roll-up' basis and repaid when they (or last surviving customer if borrowing jointly) pass away or go into permanent long-term care.

And with most lifetime mortgages, the interest rate is fixed for the life of the mortgage. There's also a no negative equity guarantee, which means when the property is sold following death or entering long-term care, even if the amount left is not enough to repay the outstanding loan, neither the borrower nor their estate will be liable to pay any more.

With our Just For You Lifetime Mortgage, borrowers can choose to pay between £25 and 100% of the monthly interest for the duration of the lifetime mortgage.

They can borrow either a one-off maximum lump sum, or release a smaller sum initially, with the option of releasing further sums up to the amount of a pre-agreed cash facility at a later date when needed. They're able to make monthly interest payments on any further sums they choose to release.

Additional features include the option for borrowers to take a payment holiday of up to three consecutive months in any 12 month period. This feature is designed to allow them the added flexibility needed should they have a short term need for additional cash.

Outside the payment holiday, should the borrower miss six monthly payments, the mortgage will automatically convert to interest 'roll up'. Clients choosing to pay 25.01% or more of the monthly interest amount can benefit from a reduction to the roll-up interest rate and reduce the effects of compound interest.

Sarah Morris-Simpson

Director of Lending

FOR MORE INFORMATION

Call: **0345 302 2287**
Lines are open Monday to Friday, 8.30am to 5.30pm

Email: **support@wearejust.co.uk**

Or visit our website for further information: **justadviser.com**

Please note your call may be monitored and recorded and call charges may apply.

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