



dgs
mortgage solutions ltd.

FACTSHEETS: Interest Only Mortgages

Important Reminder for Customers with or considering an Interest Only Mortgage

If you pay all or part of your mortgage on an interest only basis then the monthly payments you make to your lender are only in respect of the interest on that loan.

Your monthly mortgage payment does not include any payment to any other plan or policy designed to repay your mortgage at the end of the mortgage term (an endowment policy, investment linked policy or ISA for instance). These policies are known as repayment vehicles for your interest only mortgage.

This factsheet is designed to remind you that it is your responsibility to make sure you are still on track to repay your mortgage.

You currently have a repayment vehicle for your interest only mortgage.

If you do then you will be in receipt of the following documents:-

- Policy document
- Statements for the plan
- Confirmation of your monthly payment (and this will obviously be deducted from your bank account monthly)

If you do have an appropriate policy to repay the mortgage at the end of the term, you should regularly check that it is still sufficient for its original purpose as you may have increased your borrowing or your circumstances may have changed since you originally took out your mortgage. In addition do you have sufficient life cover in relation to your mortgage – this should be something that is checked also.

If you have endowment policies then life cover is usually built into the plan and this is known as the sum assured which is payable on death. This amount needs to be at least equal to your mortgage for your mortgage to be covered.

If your mortgage is what is known as ‘part and part’ or split, ie part of your mortgage is on a capital and interest repayment basis and part is on an interest only basis then you must ensure that any policy is on course to repay the interest only element of your mortgage.



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d g s mortgage solutions ltd is Authorised and Regulated by the Financial Services Authority.
Our details can be found in the FSA register and our FSA number is 462072, for more info please go to www.fsa.gov.uk/register.
Registered Office: 187 Petts Wood Road, Petts Wood, Orpington, Kent, BR5 1JZ. Registered in England & Wales No. 5969935

The Financial Services Authority (FSA) requires that all providers send out a letter to you which tells you if your policy is on track to repay the target amount and it will also show the options available to you to meet any shortfall. The FSA is an independent watchdog set up by the government to regulate financial services and protect your rights.

Our scope of service as Independent Mortgage Advisers does not include providing advice in relation to investments, but we can discuss general issue with you and if you require we can refer you to an Independent Financial Adviser (IFA).

You do not have a repayment vehicle for your interest only mortgage.

Different lenders have varying criteria in relation to interest only mortgages. There are instances whereby some lenders will allow you to take out interest only mortgages without the requirement of a repayment vehicle.

It could be that your mortgage is a buy to let mortgage or you are borrowing a very low loan compared to the value of the property.

It is also true to be said that there are instances whereby an interest only mortgage will suit somebody's circumstances.

The lender will usually ask you how you intend to repay your mortgage based on the fact that as you are paying interest only the capital balance on your mortgage is not reducing. It could be that you will eventually sell the property and therefore pay off the capital balance owing or you are due inheritance which can be used.

The main thing to always remember is that if you have an interest only mortgage, you are paying the interest only and your original mortgage balance will therefore not reduce.

If you have an interest only mortgage without a repayment vehicle and you want to seek advice in relation to setting one up, if you require we can refer you to an IFA for advice.

Still in Doubt?

If you are unsure regarding your mortgage repayment options then please contact us on 0845 3626206 or at enquiry@dgsmortgages.co.uk or contact your adviser here directly (direct contact details will be on your advisers business card which would have been provided to you).



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