

BMM

Your interest-only
mortgage

BM BIRMINGHAM
MIDSHIRES

Interest-only mortgages

With an interest-only mortgage, the monthly payments you make only cover the interest on the loan. With this type of mortgage you do not pay back any of the money you have borrowed, which is called the 'capital'.

As long as you've made all your monthly interest payments, the amount you owe at the end of the mortgage term will be the same as the amount you borrowed. To repay the capital, you need a lump sum at the end of this term. It is your responsibility to make sure you have a vehicle in place to repay this amount.

An interest-only mortgage is a higher risk than a repayment mortgage. In most cases, there is no guarantee that the repayment vehicle you choose to use will fully repay the capital amount you owe at the end of the term.

Other ways to repay your mortgage

Repayment mortgages

When you have a repayment mortgage, the monthly payment you make gradually pays off the amount you borrowed (the capital) as well as the interest on the loan. As long as you make all your monthly payments when they're due, the loan is guaranteed to be fully repaid at the end of the term.

Part Interest-Only

You might choose to split your mortgage between repayment and interest-only (this will be shown clearly on your mortgage offer and annual mortgage statement).

This means that at the end of the term, the amount of the mortgage outstanding on an interest-only basis will need to be repaid by a lump sum – so you need to make sure you have a vehicle in place to repay this amount.

How can I repay my interest only mortgage?

If you want any element of your mortgage on an interest only basis, we'll ask you to provide information about the repayment vehicle you intend to use to repay the capital.

You should review your vehicle(s) regularly during the term of your mortgage to make sure it is on track to repay the outstanding balance. Periodically, we will ask you to provide evidence of your repayment vehicle(s). If you are unable to satisfy us that your repayment vehicle(s) remain(s) on track to repay the outstanding balance on your mortgage, we may ask you to transfer some or all of your mortgage onto a capital and interest basis. Please remember it is your responsibility to ensure you have sufficient funds to repay your outstanding balance at the end of the mortgage term. If you are unable to do so, your home may be repossessed to repay the outstanding balance.

When you request an interest only mortgage, we make an assessment of whether the repayment vehicle meets our requirements. This includes checking to see whether it has a reasonable prospect of repaying the amount you borrow on an interest only basis. We have set out in the table the vehicles we accept and the method we use to help us make this assessment.

Important Note - Since the value of most investments can go up or down and we don't provide advice on repayment vehicle(s) WE CANNOT GIVE ANY GUARANTEE that the repayment vehicle will be sufficient to repay the outstanding balance (capital) at the end of your mortgage term. So even though we may accept a repayment vehicle and be prepared to lend you an amount on interest only based on our assessment of it, that does not guarantee that the plan will produce enough money to repay the interest only part of your mortgage. As with any investment, there is a risk and we strongly recommend you take independent financial advice.

Repayment Vehicle	Information required	Assessment method
Endowment policies (UK)	Copy of latest projection statement dated within last 12 months	Endowment companies will present three growth rates to a customer with the middle one (for example 6%) being the most likely projected outcome. We allow up to 100% of projected amount using the middle % figure.
Stocks & Shares ISA (UK)	Copy of latest statement dated within last 12 months	80% of current value (current value to be > £50,000)
Unit trusts/Open Ended Investment Companies (UK)	Copy of latest statement dated within last 12 months	80% of current value (current value to be > £50,000)
Investment Bonds (UK)	Copy of latest statement dated within last 12 months	80% of current value (current value to be > £50,000)
Stocks & Shares (UK)	Copy of share certificates, nominee account statement or confirmation from a recognised stock broker containing evidence of share holdings together with their valuation	80% of current value (current value to be > £50,000)
Pensions (UK)	Copy of latest projection statement dated within last 12 months	25% current fund value (current fund value to be > £1,000,000)
Sale of Second Home (UK)	Property details, confirmation of ownership, evidence of amount of any mortgage debt	We will check the ownership of the second property and assess its value. We will compare the equity available in the property with the amount of Interest Only lending required and will use 80% of the current equity. (current equity to be > £50,000). Please note there is a minimum £50,000 equity requirement for each individual property being used to support Interest Only. Any outstanding mortgage will be deducted from the value. In some circumstances, you may need to pay for your own valuation.

Note: Repayment vehicles CANNOT be accepted if they include the name of anyone NOT named on the mortgage.

What will happen if my vehicle(s) doesn't cover the capital?

As already mentioned, we may from time to time ask you to show us that your vehicles are on track to repay the capital amount that you'll owe at the end of your mortgage term.

If we're not satisfied that your vehicles are on track, or you do not give us the correct information, we will contact you to discuss your options, which may include changing some (or all) of the mortgage onto a repayment basis.

We're here to help

If you'd like to find out more about your mortgage options:

- Visit us at www.bmmortgages.co.uk
- Call us on **0845 300 2627**

Lines open Monday to Friday 8am - 6:30pm.

Telephone calls may be monitored and recorded.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

Birmingham Midshires is a division of Bank of Scotland plc. Registered in Scotland No. SC327000.
Registered Office: The Mound, Edinburgh EH1 1YZ.



BM BIRMINGHAM
MIDSHIRES