Interest only mortgages

What you need to know and things to think about

What you need to know

- With an interest only mortgage, you pay only the interest we've charged you for that month. Your monthly payments don't pay back any of the money you borrowed. When your mortgage term ends, you'll need to pay off the balance that's left.

Things to think about

- You'll need to have a plan to pay your balance at the end of your mortgage term. If you plan to use an investment to do this, remember its value can go up or down.
- You need to review your investment to make sure it's on track to repay your mortgage.
- Your mortgage balance won't reduce over time.
- If the property falls in value, there's a risk that it could be worth less than the amount outstanding on your mortgage. This is called 'negative equity'.
- You might want to pay off your final mortgage balance with an investment or endowment, savings, or another plan. In this case, you'll need to check often that you're on course to get the money you need. Otherwise, you might end up with a shortfall.
- These aren't the only things you'll need to think about. Look at all your options before you go ahead.
- Please remember, it's up to you to make sure you're able to repay your mortgage. If you're unsure of anything after reading this, or if you have any questions, please speak to us.

Put simply

- Your payments only cover the interest we've charged you for that month.
- The amount you owe will not reduce.
- If the property falls in value, there's a risk it could be worth less than the amount you owe on your mortgage. This is called 'negative equity'.
- You should review your plans often to make sure you're on track to pay off your mortgage.
- It's up to you to make sure you can pay off the mortgage in full at the end of your term.

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

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