

# Payment Term Lifetime Mortgage case study



How our mortgage product can help **lifestyle maintainers**



**Jean and Graham, who are 50 and 54 years old, have built a great life in their three-bed semi-detached home in Kent, which is worth £440,000.**

**Their goal:** to stay in their home of 20 years once their interest-only mortgage term matures in nine months.

## Meet Jean and Graham

After putting their children through university, they want to start living a more comfortable life whilst continuing to work as teachers. But with their interest-only mortgage due to mature in nine months, they're worried about the outstanding £95,000 capital because they don't have a capital repayment plan in place. Their bank's offered them a term extension, but this doesn't suit their needs for longer-term stability into retirement. They also want to avoid taking out a lump-sum from their healthy teachers' pensions so they can still have the retirement they have planned.

This is not a consumer advertisement. It is intended for professional advisers only.  
This case study is for illustration purposes only.  
Not a real customer example and created June 2023

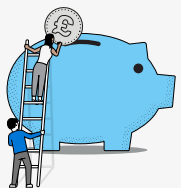
## Jean and Graham's finances at a glance



**House value**  
**£440,000**



**Outstanding mortgage**  
**£95,000**



**Savings**  
**£12,000**



**Jean's annual income after tax**  
**£27,000**



**Graham's annual income after tax**  
**£23,000**



**Current living expenses**  
**£1,750 per month**

## What they want

Jean and Graham originally listed their means of mortgage repayment as 'sale of the property'. But now they want to stay in their family home. They're looking for ways to raise enough funds to pay off their interest-only mortgage in full.

They know the value of their home has increased and they have the option to move out, downsize. They'd rather stay in their home without committing to making mortgage payments for the rest of their lives. They also like the certainty a long-term fixed rate could give them.

## How our Payment Term Lifetime Mortgage (PTLM) can help

PTLM is a lifetime mortgage, customers make contractual monthly interest only payments for an agreed fixed payment term. Payments will end no later than retirement age. At the end of this payment term, customers will stop making payments and instead, the interest will be rolled up and added to the amount they owe.

While Jean and Graham can afford to pay the interest on their mortgage, they can't afford the outstanding debt. Jean's younger age means she's not eligible for most lifetime mortgage products. But with the PTLM, she's eligible at 50 years old.

### By choosing PTLM they can:



#### Pay off their existing mortgage

The couple pay monthly interest payments for 10 years which allows them to borrow the amount they need to repay their existing mortgage - and stay in their family home.



#### Have more certainty

The fixed interest rate for the payment term means Jean and Graham know what to expect for the duration - and have the reassurance of nothing to pay beyond this point.



#### Pass the affordability test

We will assess their affordability for the duration of the payment term. Once the payment term ends, affordability is no longer relevant because they are not required to make further mortgage payments.



#### Have flexibility for the future

After 10 years their interest payments will stop but they can choose to make optional partial repayments to service the interest.



#### Be free of ongoing mortgage payments

This will probably be the last mortgage Jean and Graham will ever need. Once the payment term ends, so does the need to make further payments.

## Risks



### As a last resort, your client's home may be repossessed if they don't keep up with their payments

- A lifetime mortgage is a loan secured against your client's home
- There may be cheaper ways to borrow money
- A lifetime mortgage could impact entitlement to means-tested state benefits
- There may be an Early Repayment Charge if they choose to repay some or all of the loan early.
- The No Negative Equity Guarantee will not apply to any missed monthly interest payments and the interest charged on them..
- They may need to repay part of the Payment Term Lifetime Mortgage if they move
- A lifetime mortgage will reduce how much can be left as an inheritance
- At the end of the payment term the interest will be rolled up and added to the loan amount plus any interest already added

**To find out more or speak  
to your dedicated account  
manager**

**Call: 03330 048 444**

Lines are open Monday to Friday, 8.30am to 5.30pm.

**Email: [adviser.support@  
landghomefinance.com](mailto:adviser.support@landghomefinance.com)**

**Visit: [legalandgeneral.com/  
adviser/get-in-touch](https://legalandgeneral.com/adviser/get-in-touch)**

Call charges will vary. Calls may be recorded and monitored. If you're contacting us by email, please remember not to send any personal, financial or banking information, because email is not a secure method of communication.

#### **Legal & General Home Finance Limited**

is a wholly owned subsidiary of  
Legal & General Group plc. Registered in  
England and Wales number 04896447.  
Registered office: One Coleman Street,  
London EC2R 5AA. **Legal & General  
Home Finance Limited** is authorised  
and regulated by the Financial Conduct  
Authority. DA1779 / 06/23

