

# Payment Term Lifetime Mortgage case study

How our product can help your single earning households



**Maria is 60 years old and works as a hairdresser. She lives near the salon, and her family and friends are all in the same neighbourhood.**

**Her goal:** To stay in her home, pay off her current mortgage and redecorate her kitchen.

## Meet Maria

Maria has lived in her house since she got divorced 20 years ago. She took out a residential interest-only mortgage when she bought it, and planned to downsize when the mortgage term ended. But as time's gone on, she's settled into her home and enjoys her local lifestyle so doesn't want to move. Now she's looking for a way to pay off the outstanding **£126,000** on her mortgage so she can stay where she is.

## Maria's finances at a glance



**Current house value**

**£285,000**



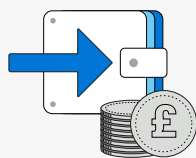
**Outstanding mortgage**

**£126,000**



**Annual income**

**£34,000**



**Future pension income**

**£19,500**

## What she wants

Maria's facing a predicament – she's conscious that her interest only mortgage is coming to an end soon but she doesn't want to sell her home and move elsewhere to pay it off. Her lifestyle suits her – work is conveniently close (just a 10-minute walk away), and all her friends and family are in the same neighbourhood. As a single woman, it's important to her that there are people she knows nearby, especially once she retires. So she's looking for a solution that'll let her both pay off her mortgage and redecorate her kitchen – something she's wanted to do for years. Crucially, she's happy to make payments whilst she's working.

## How our Payment Term Lifetime Mortgage can help

Maria passed the RIO affordability assessment, but only for **£54,791**. That's because her income will reduce from **£34,000** to **£19,500** when she retires. She knows she can afford her monthly mortgage payments while she's working, but her pension won't cover mortgage payments and help her maintain a good standard of living.

With a RIO, Maria must make monthly interest payments indefinitely. But with our Payment Term Lifetime Mortgage (PTLM), she can choose a payment

term that ends before she retires. She can stop making monthly interest payments after the term ends and add the interest to the amount she owes.

Due to performing an affordability assessment based on her pre-retirement income only, Maria's salary qualified her for a loan of **£128,820** if she made monthly interest payments for **13 years**. The loan to value is a much higher than what she could borrow on a RIO. That's enough to pay off her existing mortgage and leave her some money to update her kitchen.

## Maria's borrowing options compared

	PTLM affordability	RIO affordability
Property value	£285,000	
Loan requested	£126,000	
Self-employed income	£34,000	
Retirement income	N/A	£19,500
Commitments	£139 Council Tax + ONS deductions	
Maximum affordable loan	£128,820	£54,791
Payment term needed to achieve desired loan	13 years	N/A

## 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.

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