

Repayment & Interest Only

There are many different types of mortgage and sifting through the various options may seem like a minefield. It's important to choose what's right for you and we're here to help at Mortgage Bureau. We'll speak in plain English to ensure you understand your options and so you can make your choice from an informed position. We'll go through the costs and options with you and help you choose what's right for you. The following provides an overview of what's available.

Repayment Mortgage

This is also known as 'capital and interest', and this is the only way of guaranteeing that your mortgage is completely paid off at the end of its term. This is because the monthly payment pays off part of the mortgage debt each month, in much the same way as a car loan would run. So, as long as you make all the payments on time to the lender, your mortgage is guaranteed to be paid off at the end when it finishes, unlike the interest-only option below.

If you sell your house part way through the mortgage you will benefit from having some the original mortgage amount paid off, although the amount will depend on how far through the term you are. In the early years the bulk of the monthly payment will consist of interest, and it will be well in to the term of the mortgage when the bulk of the monthly mortgage payment consists of actual debt repayment.

Because the monthly payment is made of part debt payback and part interest, the cost is higher than an 'interest only mortgage', see below, but most new mortgages are set up on a repayment basis these days and this is certainly suitable for anyone that wants the guarantee of having the mortgage paid off without any doubt.

Interest Only Mortgage

These are very rare these days as lenders' criteria for this type of mortgage have made it more difficult for borrowers to meet. As the name implies, this type of mortgage requires a monthly payment that only services the interest on the mortgage. No debt is repaid and so the mortgage balance stays constant throughout the mortgage term. This means that you have to make separate arrangements to repay the mortgage debt before the end of the mortgage term, so a savings plan such as an ISA could be used to do this. Some lenders will also look at other ways of providing the funds to clear the mortgage such as other property ownership, pension fund, etc. We will discuss these with you as necessary so all options can be considered.

Although the monthly cost to the lender is lower than that on a repayment mortgage, the fact that other 'savings plans' may be necessary does push the cost up. This type of mortgage is a far riskier way of repaying the mortgage since it relies on investment returns and does not guarantee to repay the debt.

You can be sure that we at Mortgage Bureau will run through your options with you, discussing costs, risks, and everything else that is relevant to help you make an informed choice.

Your home may be repossessed if you do not keep up repayments on your mortgage.

If you arrange a mortgage on a property from one of our associated new homes developers, we will waive our fee, otherwise there will be a fee for mortgage advice. The actual amount you pay will depend upon your circumstances. The fee is up to 1% but a typical fee is 0.3% of the amount borrowed.