

Your interest only clients - what are their options?

Coming to the end of your mortgage should be a time for celebration; however those interest only clients who have a shortfall in their repayment strategy or no repayment strategy in place could see that celebration replaced with uncertainty and concern around how to repay the remaining capital on their mortgage.

There are 1.7 million outstanding residential mortgages on interest only making up 21% of all outstanding mortgages as of December 2016, making it almost as big as the buy to let market¹. Interest only can be an appropriate mortgage for homeowners, however it's important to regularly review circumstances to ensure that the repayment continues to suit their needs and situation. Our research suggests that many borrowers have a suitable repayment strategy in place, and that the interest only back book is shrinking ahead of schedule². However, with almost 700,000 outstanding interest only loans on a lender's standard variable rate (SVR)³ a number of borrowers may find they benefit from reviewing their current position, ensuring their repayment strategy is performing in line with their expectations, and considering a number of refinancing options including remortgaging, to ensure they benefit from a competitive rate of interest. Below are some options which may be suitable:

Clients with a satisfactory repayment method

Those clients who are comfortable that they have the means in place to repay the capital could benefit from remortgaging to a fixed interest only product. At Leeds Building Society we have a range of products up to 60% LTV. No minimum income is required although affordability will still be assessed. [Click here](#) to view the full range.

Clients with a repayment shortfall

Research by the Financial Conduct Authority (FCA) shows that the average shortfall will be around £22,100, although they believe around half of these shortfalls are expected to be over £50,000. Those clients who fall into this category could remortgage to an interest only and part capital and interest product. This will help them manage their end of term position and may ensure they are in a better position to repay the capital amount. We have a range of part and part products available up to 75% LTV, no minimum income is required although affordability will still be assessed. To see the full part and part range [click here](#).

Clients who wish to downsize to repay their interest only loan

At Leeds Building Society we accept the sale of the mortgaged property as a repayment strategy*. The available equity for downsizing is based on the position the client will be in at the end of their term i.e. the amount remaining after any capital is repaid. When looking at the equity we require an amount bespoke to the client's region. We've created a tool on our website where you can see the minimum equity for each region [click here](#).

To view our interest only criteria visit our [website](#), alternatively you can contact your dedicated BDM, you can find their details [here](#).



This information is for use by FCA authorised intermediaries only and must not be distributed to potential borrowers.



Leeds Building Society for Intermediaries



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* Subject to bespoke assessment of the clients' circumstances including confirming that there is sufficient equity in the property to repay the mortgage and downsize to a smaller property at the end of the term.

¹ <https://www.cml.org.uk/industry-data/industry-data-tables/> (ML6) ² Research by the Centre for Economics and Business Research for Leeds Building Society, 2016

³ <https://www.cml.org.uk/industry-data/industry-data-tables/> (MM17)