

### **What are interest payment plans?**

Interest payment plans will allow your clients to service the monthly interest costs to reduce the impact of the roll-up in the future.

### **Who is it suitable for?**

Clients who:

- See avoiding the impact of interest roll-up as a top priority
- Are looking for the discipline of a regular monthly payment.
- Are looking for an interest-only loan for a house purchase
- Are looking to help their child with a deposit for a house purchase where the child would like to help make contributions to the interest being charged on the loan

### **The following providers allow interest payments to be made:**

#### **Just (Monthly Payment Option)**

Customers can choose to pay some or all of the monthly interest amount by Direct Debit. The minimum they can pay is £25, up to 100% of the monthly interest amount. A reduction to the roll-up interest rate will apply for customers who decide to pay some or all of the monthly interest amount, this will be detailed in the customer's offer documentation. The level of reduction will depend on the amount of interest the customer chooses to pay. The higher the percentage of interest paid, the bigger the reduction. If they need to take a temporary break from the monthly payments, providing they give Just 1 month's notice, they can take a payment holiday of up to 3 consecutive months in any 12 month period following the completion of the loan. If they wish to stop making monthly payments altogether, they can do so at any time, at which point the lifetime mortgage will switch to a full interest roll-up basis and the interest rate applicable to the loan will increase. Once payments have ceased they cannot be restarted. The loan will convert to a full interest roll-up basis once 6 monthly payments have been missed and the interest rate applicable will increase. Clients can set up a Direct Debit for regular payments. Clients can set up a Standing Order or use a faster payment transfer for ad hoc payments.

#### **L&G Home Finance (Optional Payments Plans)**

After completion of the loan, clients can pay from £25 per month up to 100% of the interest charged each month. Your client selects the amount of the payment at onset, which cannot be varied during the repayment term. Payments can be made for any duration. If your client misses six payments (not sequential) they will be switched to an alternative plan with L&G where monthly payments do not have to be made. The interest rate usually stays the same and on the new plan, clients can pay up to 10% of the initial borrowed per year without incurring an early repayment charge. The interest should be paid by a monthly Direct Debit.

#### **OneFamily (Interest Payment plans)**

After completion of the loan, clients can pay from £25 per month up to 100% of the interest charged each month. Your client selects the amount of the payment at onset, which cannot be varied during the repayment term. Payments can be made from one year up to the lifetime of the loan. If a client misses four payments (not sequential) they will be switched to the Lump Sum Interest Roll-up lifetime mortgage or the Voluntary Payments lifetime mortgage. The interest rate at switching will be the rate applying to the Lump Sum Interest Roll-up lifetime mortgage or the Voluntary payments lifetime mortgage at the time the original advance was made. Clients can set up a monthly Direct Debit or make a faster payment transfer, bank transfer or make a card payment over the phone.

## Scenario

Looking at the following scenario for a lump sum of £30,000 at a rate of 4.50% AER (compounded annually). With this scenario, clients could pay up to £1,350 per year (£112.50 per month). The tables below show the effect the payments would make on the roll-up of interest each year.

	Year Start	Interest	Year End
Year 1	£30,000	£1,708.01	£31,708.01
Year 2	£31,708	£1,805.26	£33,513.27
Year 3	£33,513	£1,908.04	£35,421.31
Year 4	£35,421	£2,016.67	£37,437.98
Year 5	£37,438	£2,131.49	£39,569.46
Year 6	£39,569	£2,252.84	£41,822.30
Year 7	£41,822	£2,381.10	£44,203.40
Year 8	£44,203	£2,516.67	£46,720.07
Year 9	£46,720	£2,659.95	£49,380.02
Year 10	£49,380	£2,811.39	£52,191.41
Year 11	£52,191	£2,971.45	£55,162.86
Year 12	£55,163	£3,140.63	£58,303.49
Year 13	£58,303	£3,319.44	£61,622.93
Year 14	£61,623	£3,508.43	£65,131.36
Year 15	£65,131	£3,708.17	£68,839.53
Year 16	£68,840	£3,919.29	£72,758.82
Year 17	£72,759	£4,142.43	£76,901.26
Year 18	£76,901	£4,378.28	£81,279.54
Year 19	£81,280	£4,627.55	£85,907.09
Year 20	£85,907	£4,891.01	£90,798.10
Year 21	£90,798	£5,169.48	£95,967.58
Year 22	£95,968	£5,463.80	£101,431.38
Year 23	£101,431	£5,774.87	£107,206.25
Year 24	£107,206	£6,103.66	£113,309.91
Year 25	£113,310	£6,451.16	£119,761.07

	Year Start	Interest	Interest Payments	Year End
Year 1	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 2	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 3	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 4	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 5	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 6	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 7	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 8	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 9	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 10	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 11	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 12	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 13	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 14	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 15	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 16	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 17	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 18	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 19	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 20	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 21	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 22	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 23	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 24	£30,000	£1,350.00	£1,350.00	£30,000.00
Year 25	£30,000	£1,350.00	£1,350.00	£30,000.00

The above scenario shows if a client pays £112.50 each month over 25 years they could save £26,386.03.