

INTEREST ONLY – SALE OF MORTGAGED PROPERTY

CUSTOMER DECLARATION

Where any part of an FCA regulated mortgage will be on an Interest Only basis and sale of the mortgaged property will be the repayment vehicle, each applicant must read this document and sign the declaration.

Note for Intermediary; where the method of repayment is Interest Only – sale of the mortgaged property, you must ensure this completed and signed form is provided to the Society with the mortgage application form.

Important Information

If you take any part of your mortgage on an Interest Only basis you need to be aware of some important implications and considerations.

Implications

- An Interest Only mortgage means your mortgage balance will not reduce. Your monthly payment will only cover the interest that has to be paid on your mortgage and the amount you borrow (the capital) remains outstanding;
- At the end of your mortgage term, it is your responsibility to repay the outstanding mortgage balance.

Considerations

- As you plan to repay your mortgage by selling your home, please consider that the value of your home can go down as well as up and therefore could affect your plans – for example the type, location and cost of a home you might want to downsize to.
- If your property is leasehold, its value could also fall as the term remaining on your lease reduces.
- If the value of your home falls, there is a risk you may not receive enough money from its sale to repay your outstanding mortgage balance in full. This could place you in “negative equity”.

Applicant 1 name

.....

Applicant 2 name

.....

Application Reference Number

--	--	--	--

Declaration

I understand the following implications and considerations of taking an Interest Only mortgage where the sale of the mortgaged property will be used to repay the capital at the end of the term:

- An Interest Only mortgage means my/our mortgage balance will not reduce. My/our monthly payment will only cover the interest that has to be paid on the mortgage and the amount I/we borrow (the capital) remains outstanding.

AND

- At the end of my/our mortgage term, I am/we are responsible for repaying the outstanding mortgage balance. If I/we do not repay the balance from other sources, I/we would have to sell my/our home and use the sale proceeds to repay the mortgage.

AND

- If I/we plan to repay my/our mortgage from the sale of my/our home, I/we understand that the value of our home can go down as well as up and therefore could affect my/our plans including the type, location and cost of any home I/we might want to downsize to.

FOR YOUR OWN BENEFIT AND PROTECTION YOU SHOULD READ THESE IMPLICATIONS AND CONSIDERATIONS CAREFULLY BEFORE SIGNING THE DECLARATION. IF YOU DO NOT UNDERSTAND ANY POINT PLEASE ASK YOUR INTERMEDIARY/MORTGAGE ADVISOR FOR FURTHER INFORMATION.

Applicant 1 signature

.....

Applicant 2 signature

.....

Date

.....

Date

.....