Take action with your interest-only mortgage now

Money Helper

If you have an interest-only mortgage, it's vital to have a plan to pay off the amount you borrowed.

If you don't, you might have to sell your home to repay the mortgage when the term ends. So, it's important you act now. Speaking to your lender, mortgage broker or financial adviser as early as possible will help you understand what options are available to you and give you the added peace of mind that your mortgage will be paid off at the end of the term.

If you don't have a plan...

It's important to act now. Even if repayment isn't due for a while, it's your responsibility to make sure your chosen repayment plan will cover your mortgage.

Follow these steps:

- **Contact your lender**
  If you're worried you won't be able to repay your mortgage, speak to your lender now. You might be able to make changes even if your mortgage is fixed. Ask your lender about the following options, if you're eligible and any fees involved.
  - **Switch to a capital and interest mortgage** to start repaying the original loan.
  - **Change to a part repayment and part interest-only** mortgage temporarily.
  - **Extend the mortgage term** so you have more time to pay (but you'll pay more interest over time with this option).
  - **Start making overpayments**, as most lenders let you overpay a mortgage by 10% each year without fees.
- **Start a budget**
  See what spare cash you could have to put towards repayments with our **Budget planner** at **moneyhelper.org.uk/budget-planner**
- **If you're aged 55 or over**
  Explore retirement interest-only mortgages or equity release schemes, though this isn't the right option for everyone. Find out more at **moneyhelper.org.uk/equity-release**
- **Consider downsizing or selling**
  If moving is an option, get a valuation to check if the equity in your home is enough to repay the loan.
- **Speak to a specialist financial adviser**
  Financial advisers can help you put together an investment plan to cover the mortgage by the end of the term. But a return is not guaranteed, and they will also advise you of the risk involved. It will help if they're experienced with interest-only mortgage repayment plans. For help choosing, visit **moneyhelper.org.uk/choosing-a-financial-adviser**

Have a plan already?

That's great news! But it's important to check regularly that it's still on track to cover your mortgage.

Follow these steps:

- **Contact your lender**
  If you put off speaking to your lender it could reduce the options available and affect your ability to make increased payments in the future.
- **Check your mortgage term**
  You can request a mortgage statement from your lender to see how many months and years are left on your mortgage.
- **Ask about overpayments**
  If you're able to make extra repayments, ask if this is an option for you. Always check about any fees or early repayment charges.
- **Review your investments**
  Contact your investment provider, fund manager or financial adviser to see if your investments are on track to repay your mortgage. If they're not, ask how much extra you might need to invest to have enough to repay your mortgage when it's due to end.
- **Check the value of your home**
  If your plan is to sell your property and buy a smaller home, check there's enough equity in your home to do this.
- **Assess your budget**
  Work out what you can afford each month, either to top up your investments or to make overpayments on your mortgage – use our **Budget planner** at **moneyhelper.org.uk/budget-planner**

If your repayment plan is underperforming, the sooner you act, the easier it will be to make up the difference.

Even if increasing payments is not possible, ask your lender, investment provider or financial adviser to help you choose the best course of action.

HM Government

Turn over for *Frequently Asked Questions*

Frequently Asked Questions

How does an interest-only mortgage differ from a capital and interest mortgage?
With an interest-only mortgage, the payments you make only cover the interest and you don't repay the original loan amount until the final date. With a capital and interest mortgage, part of your monthly payments go towards the loan, and the balance is repaid in full at the end of the term.

Why have I received a letter from my lender regarding my interest-only mortgage when I am keeping up with my payments?
Your lender knows your home is important to you and they're trying to understand what repayment plan you have in place. So it's worth giving them a call sooner rather than later to discuss your options.

I'm worried that I won't be able to pay off my mortgage - what should I do?
Talk to your lender first – they'll be keen to discuss your situation with you and help you work out what options are available if you suspect you'll be unable to pay off your mortgage at the agreed date.

Where else can I get advice on what to do about my interest-only mortgage?
If you can't work out a solution with your lender, you can get advice. Find out more at **moneyhelper.org.uk/choosing-a-financial-adviser**

Will my home be repossessed if I can't repay my mortgage when I am supposed to?
Repossession is only ever a last resort – lenders will always do their best to work with you to find a better solution. However, you might have to sell your home to repay your mortgage if you don't have an alternative repayment plan.

Take control of your interest-only mortgage today, or find out more at **moneyhelper.org.uk/interest-only-mortgages**

Useful tools

Budget planner

moneyhelper.org.uk/budget-planner

Mortgage calculators

moneyhelper.org.uk/mortgage-calculator

MoneyHelper

MoneyHelper is independent and backed by government to help you make the most of your money. We give free, impartial money and pensions guidance to everyone across the UK – online and over the phone.

Visit us at **moneyhelper.org.uk**

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Money and pensions guidance
UK: **0800 011 3797**
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Online

moneyhelper.org.uk/contact

Online communities

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From

This publication is available in Welsh.

Cymraeg

Calls from the UK are free. To help us maintain and improve our service, we may record or monitor calls.

Accessible formats
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