

## Your Guide To Interest Serviced Lifetime Mortgages



If you're reading this guide, it's likely that your financial adviser has recommended an interest serviced lifetime mortgage. In this document, we'll look at how this type of product works, and the things to consider when it comes to making regular monthly payments.



### What is an interest serviced lifetime mortgage?

An interest serviced lifetime mortgage offers an interest rate discount if you choose to make monthly payments.

If your financial adviser recommends the interest servicing option, an interest rate discount will apply if you make monthly payments of at least 25% of the monthly interest. After your lifetime mortgage has been set up, the amount of your monthly payment cannot be changed, but you can choose to stop making the monthly payments at any time.



### What happens if I stop making regular monthly repayments?

You can stop making regular monthly payments at any time, but it's important to note that once you have missed more than three payments in any 12-month period from your completion date they cannot be restarted. The interest rate will also increase as the discount will no longer apply for the rest of the mortgage term, and any unpaid monthly interest will be added to the loan each month and rolled up.

If you stop making monthly payments and the interest rate discount no longer applies, you will instead be able to make partial payments of up to 10% each year of the amount you borrowed without paying any early repayment charges.



## Can I take a payment holiday?

There may be circumstances where you are unable to make the monthly payment – if you find yourself in this position, you can take up to three monthly payment holidays in every 12-month period from your completion date.

Please note that if you miss more than three monthly payments in any 12-month period from your completion date, then the interest rate will increase because the discount will no longer apply for the remaining mortgage term.



## What happens if I take out a cash release or further borrowing?

If you have taken an initial interest serviced lifetime mortgage and you apply for additional borrowing (whether that's as a cash release or a further advance), you will have the option to service interest on your additional borrowing too, and receive an interest rate discount if you make monthly payments of at least 25% of the monthly interest. As with your initial advance, once your further borrowing has been set up, the amount of your monthly payment cannot be changed, but you can choose to stop making the monthly payments at any time.

As with our other lifetime mortgages, interest on your additional borrowing will be charged at the prevailing interest rate at that time, which may not be the same as your initial loan.



## Will I need to undergo affordability testing?

Pure Retirement will not assess your ability to afford the monthly payments as they can be stopped at any time. Your financial adviser will assess your affordability to ensure that an interest serviced lifetime mortgage is suitable for you, and it's important to bear in mind that the interest rate will increase if monthly payments are stopped.

Lifetime mortgages may not be suitable for everyone and may affect your entitlement to means-tested benefits, so it's important you seek financial advice. As interest is charged on both the original loan and the interest that has accrued, the amount you owe will increase over time and reduce the value of any inheritance. We encourage you to discuss your plans with your family and beneficiaries and invite them to any meetings with your adviser to enable them to join in the discussion and ask questions where appropriate.



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