
To assist you we have provided the different Repayment options available to you. From this information, you will then be able to make an informed decision as to what you feel is the most appropriate way forward.

Endowment Mortgages

An endowment savings plan includes life cover which will repay the mortgage should you die within the term. A Low Cost Endowment is “low cost” because the initial sum assured is actually less than the amount of the mortgage and therefore premiums are lower than with a full endowment plan. The endowment sum assured is calculated so that at maturity the endowment sum assured (which is guaranteed to be paid) plus 80% of the “assumed” bonuses are equal to the amount of the mortgage. Bonuses added throughout the term should increase the size of your fund enough to pay off the mortgage, but there is no guarantee.

With any endowment policy, it is very important to continue making contributions until the end of its term. By keeping the policy until maturity, you may benefit from final bonuses which will maximise the return on your investment. An endowment mortgage is not appropriate for short term cover and charges related to early surrender may be substantial.

Your endowment plan is usually portable from mortgage to mortgage.

Pension Mortgages

A pension mortgage runs to your retirement date (no earlier than age 50 from 2010 the minimum age will increase to 55) and is best suited to self-employed or people who are not in a company pension scheme.

Under current legislation, a pension mortgage can be very tax efficient, as pension contributions qualify for tax relief at your highest marginal rate within the Inland Revenue limits. Furthermore, the fund in which your pension contributions are invested is broadly free of UK taxes.

The mortgage is paid off when you receive a cash lump sum from your pension fund at retirement. The cash sum can be up to 25% of the fund. The amount of the fund, and therefore the amount of cash, is largely dependent on the fund investment return. If the return exceeds expectations, there may be a cash surplus after repaying the mortgage or conversely if investment returns are lower than expected, there may be insufficient funds to repay the mortgage. If the investment returns are lower than expected, it may be necessary to increase contributions to make up any shortfall.

Your pension plan is normally portable from mortgage to mortgage. Eligibility for a pension mortgage may be affected if you change your employment status; it is important to consult your mortgage adviser if any change occurs.

You will require life cover protection for your pension mortgage.

Repayment Options/ Continued

ISA Mortgages

An ISA mortgage is more flexible than an endowment or pension mortgage. Your contributions are invested in a MAXI Individual Savings Account (ISA) which grows broadly free of UK income taxes, making it a very tax efficient way of repaying your mortgage. You can increase your monthly contributions and/or make lump sum payments at any time. If your investment performs well, you may be able to repay all or part of your mortgage early.

If you every have difficulty making contributions you do not have to cash in an ISA mortgage. Instead, you may be able to suspend your payments. You will need your lender's agreement and you will still have to pay the monthly mortgage interest and life assurance premiums.

Your ISA plan is normally portable from mortgage to mortgage.

There are risks associated with an ISA mortgage that invests in the equity based component of an ISA. The value of your Units can fall as well as rise and there is no guarantee that the proceeds will repay the mortgage at the end of its term. Only consider an ISA mortgage if you are prepared to accept a higher level of risk for the possibility of greater returns. You should also note that past performance is not necessarily a guide to the future performance.

You will require life level term cover protection for the ISA mortgage.