

Case Study

Terry is 38 years old and is returning to full-time education in September 2005 for three years. He currently has a mortgage on a

property purchased three years ago and pays £445 a month. The house was bought for £85k and is now valued at £130k. Terry is concerned about continuing to

pay his mortgage while he studies. Any student loan taken out would cover his mortgage but not his living expenses. What are the options available for Terry?

“Firstly it is not clear as to what basis Terry’s current mortgage is on. If he is on a repayment basis then he may wish to consider contacting his lender to see if he can switch to an interest-only option to reduce his monthly outgoings so that the remainder of his student loan can be used for living expenses. However, most students these days have to supplement their income through part-time work at weekends and/or during the holidays so the likelihood is that Terry will also have to consider this at some point. It may also be worth Terry contacting his local Social Security Department as he may be entitled to claim some form of benefit which would help assist his living expenses.

Another option available to Terry (if his property is big enough) is the possibility of taking in a lodger so that he has additional funds to help him manage throughout the month. Obviously if Terry was considering this option then he would need to get in touch with his mortgage lender to notify them of this decision as there may be

certain conditions that he would need to comply with.

Another possible alternative for Terry is to defer his course for a year or more so that he can make provisions to build up a reserve fund which he can utilise when he is out of full-time work. The easiest way would be to contact his existing lender to see if it would be able to assist Terry with a flexible or offset mortgage. Flexible mortgages and offset loans allow borrowers to make overpayments at any time for any amount, whether they are one-off payments or regular lump sums. On a truly flexible product interest would be calculated daily ensuring that any overpayments have an immediate effect on the overall loan balance. Because most lenders usually offer guaranteed access to previous overpayments, Terry could either opt to take a payment holiday from his mortgage payments or make reduced monthly payments for a period of time. Lenders that currently offer such flexibility are The Abbey, The Woolwich, Intelligent Finance and Standard Life.”



RAMONA LEAVERS
IS MARKETING AND
PR EXECUTIVE AT
ALL TYPES OF
MORTGAGES
(AToM)