Case Studies

These case studies are for illustrative purposes only. They are not based on real borrowers but do draw on the collective characteristics of borrowers identified as potentially being able to switch to a new lender in the data analysis used for the Mortgage Prisoner Report for HMT.

These illustrative examples are designed to demonstrate some potential options that may be available to borrowers with these types of characteristics, but are not recommendations for borrowers to pursue a particular option. Having similar characteristics to those set out in the case studies is not a guarantee that a lender will lend, and borrowers will need to consider their own personal circumstances and take advice where necessary.

The products quoted were available as at 22 November 2021 but products and pricing change frequently.

Case study 1 – 'Switch, extend and reduce monthly costs'
Mr and Mrs Brown are 45 years old and have a mortgage with a closed book lender taken out in 2008. They are paying a rate of 4.25%.

They have:

- a repayment mortgage with 10 years left to go
- an outstanding mortgage of £80,000 and their house is valued at £120,000 (LTV 67%)
- a joint income of £50,000
- unsecured debts of £7,500

They have **never missed a mortgage payment** but Mr Brown had a short period of unemployment several years ago and missed a few payments on his credit card. They hadn't tried to remortgage because they had assumed they would be turned down. A friend with similar circumstances recently remortgaged to a high street lender and suggested that they should check their credit score and contact a broker. They are concerned about rising living costs and also want to start paying off their credit card balance.

Outcome
The Browns have remortgaged to a high street lender. They did not need to use the modified affordability assessment – they passed the lender's standard affordability checks.

They have:

- fixed their payments for 5 years on a rate of 1.47% with a product fee of £995 (added to the loan)
- extended the term of the loan by 5 years so it will be repaid in full by the time they are 60

This will free up cash and help them to start paying off their credit card bill.

By switching their mortgage and extending the term they have reduced their monthly payments by £333 per month (was 4.25% = 829.00 – now at 1.47% = £496).

Extending the term will increase the total amount payable on the mortgage – for a £80,000 repayment mortgage over 15 years this is £96,510.80.

There were no upfront costs involved in this remortgage – The mortgage product chosen offered free legal fees and a free valuation and the broker received a fee from the lender for placing the case.

Case Study 2 – 'Switch from interest only to a repayment mortgage'

Ms Brookes is 48 and has an interest-only mortgage taken out in 2007 and is currently paying a rate of 4.5% (£375 per month)

She has:

- 10 years left to go
- an outstanding mortgage of £100,000 on a house valued at £180,000 (LTV 56%)
- an income of £40,000
- an outstanding credit card bill of £3,300
- a clear credit history

She has never been in arrears on her interest-only mortgage but is worried because she has no plan to repay her mortgage at the end of the term. She's not tried to remortgage in the past because she's heard that lenders do not offer mortgages when there's no repayment plan in place.

Her broker suggests options. She decides to remortgage and switch to a repayment mortgage so she can repay her mortgage in full at the end of the term. To make the payments more affordable, she extends the term by 7 years (17 years) so she will repay it at her planned retirement date. She did not need to use the modified affordability assessment and passed the lender's standard affordability checks.

Outcome

Ms Brookes opts for 5 year fixed rate of 1.37% with a £995.00 (added to the loan) product fee.

Switching her mortgage and extending the term **increases her monthly payment by £173 per month** to £548 per month **but she has reduced the risk and worry** about having to sell her home to repay the mortgage.

Extending the term will increase the total amount payable on the mortgage – for an £100,000 repayment mortgage over 17 years this is £123,689.54.

There were no upfront costs involved in this remortgage – The mortgage product chosen offered free legal fees and a free valuation and the broker received a fee from the lender for placing the case.