

Second home, Interest Only mortgage

Case Study

APPLICANT: **Mr and Mrs Henderson**

AGE: **(Mr) 58, (Mrs) 56**

AGE WHEN MORTGAGE SETTLED: **(Mr) 68, (Mrs) 66**

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- **Mr and Mrs Henderson are landlords who are both planning to retire at 70 and applied to purchase a second home in the South West of England**
 - **Mr Henderson owns 51% shareholding in their business and is the sole Director, whilst Mrs Henderson is a 49% shareholder. The company has been trading for 28 years**
 - **They wanted a 10-year term, Interest Only mortgage, with the repayment strategy being the sale of the security**



What is the case?

The Henderson's intend to take an income from their business as their retirement plan, rather than rely on their pension, as they have a good portfolio of investment properties to support this.

They required £390,000 on a purchase price of £700,000 (56% LTV) with the loan amount being just under 4 x Loan to Income (LTI) based on joint income.

Why would we accept this case?



Whilst the Henderson's had declared themselves as retiring at 70, we would still determine this case as 'Lending into Retirement' as Mr Henderson will be past the state pension age at the end of the mortgage term. However, due to the nature of their income (both are shareholders in their limited company and Mr Henderson is the sole Director), it is feasible that both could take an income from their long-standing business that would sustain them into retirement.

Although their family are not involved in the business, they employed staff who understand it and could continue running the business if the Henderson's were unable to do so. The nature of their business also meant that they could remain in a consultancy capacity and still receive an income.

They had decided to purchase a second home, within an hour and a half commute from their main residence and business, for their own use at weekends and holidays. The nature of their business meant that this was feasible without impacting on the company's operation.

The repayment vehicle for the Interest Only mortgage was the sale of the security. Our minimum equity level was met with £310,000 of equity. In addition, as this was a second home, the Henderson's would not need to find an onward purchase after the mortgage term ends. They also had the option of selling their buy-to-let property portfolio as an alternative, should they change their mind at the end of the term.

All credit had been conducted well and they both had a good track record in maintaining their commitments. Affordability was strong, which was evidenced by bank statements and savings.


 *It is feasible that both could take an income from their long standing business that would sustain them into retirement.* 

What we offer

Specialist residential mortgages for landlords who:

- ✓ Are self-employed
- ✓ Have complex income arrangements
- ✓ Are looking for lending into their retirement
- ✓ Would like an Interest Only mortgage

If this case sounds familiar, or you have a customer that you think we may be able to assist you with, contact us today and we'll be happy to help.

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707-2 (03/2019)