

Mortgage Guides

by Key Mortgage Advice

RIO Mortgages

Talk to the experts

RIO stands for "Retirement Interest Only" and these types of mortgages were recently introduced to bridge the gap between regular capital repayment mortgages and equity release or lifetime mortgages.

In essence, a RIO mortgage is one that is a permanent interest only mortgage, with no end date. This means that the client pays a smaller interest only payment to the lender each month, which does not reduce the balance on the mortgage, but allows it to remain static. The mortgage is cleared once the clients sells the property or pays it off by other means, but there is no contractual end date allowing the clients to continue with this mortgage until they choose.

With no end date or mortgage "term" a client can hold this mortgage indefinitely and therefore there is no upper age limit for application.

RIO mortgages are popular in situations such as:

- When clients are intending to downsize in a few years but don't want the cost of a repayment mortgage.
- Where clients have had an interest only mortgage in the past which has come to an end but they are not ready to sell the property or their planned investments have not materialised.
- Where clients don't see the point in repaying the capital, but they don't want or qualify for a lifetime mortgage.

Getting mortgage ready

- ✓ No upper age limit
- ✓ The youngest client must be 55 years of age
- ✓ Affordability for the mortgage is based on the anticipated pension and retirement income
- ✓ For joint applicants, affordability is calculated using the youngest applicants income alone
- ✓ Clients can borrow up to 70% of the property value
- ✓ Fixed rates and variable rates are available including products with no fees
- ✓ Sale of property on death is an acceptable repayment vehicle

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