

Repayment Mortgages

With a repayment mortgage you pay the interest charged on your loan plus an amount of capital towards the debt.

So each monthly payment includes part interest and part capital repayment.

The capital element is calculated in a way that makes sure by the end of the mortgage term the debt is fully repaid (if you keep up your repayments in full).

For example, if you borrow £100,000 over 10 years you will owe nothing at the end of the 10-year term. It should be noted that the way the loan repayments are structured means that in the early years most of your repayment goes towards the interest.

This means the debt will reduce less at the start of the mortgage but reduces more quickly as the term progresses.

A repayment mortgage will guarantee that the loan is paid off and is the recommended option for individuals who do not wish to risk being exposed to some debt at the end of their mortgage term.