The Criteria Corner

Top tips from the Paradigm Mortgage Helpdesk

Diane Jones

Katrina Ostrowski

Gio Chanda

The Criteria Corner is our mini newsletter designed to give you a brief insight into the topics we see frequently on the Mortgage Helpdesk. We aim to provide you with some great hints and tips which will help you with future cases. If you think we may be able to assist with your next case, please don't hesitate to get in touch!

Interest-only mortgages continue to serve a niche but important segment of the market—particularly for high-net-worth clients, older borrowers, and those with complex income structures. However, in the interest of protecting potentially vulnerable customers, they remain under heightened scrutiny from both lenders and regulators. In this month's Criteria Corner, we'll explore the key criteria every adviser should keep front of mind when recommending or placing interest-only mortgages.

Key Considerations of Interest Only Criteria

Repayment Vehicle: A credible repayment strategy is the primary concern of any interest-only mortgage. Lenders will not proceed without one. Common strategies include the sale of the mortgaged property, investments, pensions, or other background assets. The most common strategy on our helpdesk is sale and downsize. For this, lenders typically impose minimum equity thresholds to ensure the borrower can afford a suitable property post-sale.

Loan-to-Value (LTV): Interest-only LTV caps are generally more conservative, often ranging from 50% to 75%. Some lenders may allow higher LTVs when part of the loan is on a capital repayment basis. When downsizing is the repayment strategy, expect stricter LTV limits to ensure sufficient equity remains for a feasible move.

Income Requirements: There's a common misconception that all lenders require high incomes—typically £40,000 to £100,000—and assess affordability on a capital repayment basis. While this holds true for many mainstream lenders, several regional building societies offer more flexibility, with lower or even no minimum income thresholds, and affordability assessed on an interest-only basis.

Age Limits: Many mainstream lenders cap the term to age 70–75. For older clients, regional building societies and later-life lending specialists may offer more accommodating criteria, making them essential considerations.

Chorley Building Society

TRUSTED SINCE 1859

Intermediary

Giving you the right tools for retirement lending

At Chorley, we won't throw a spanner in the works. Our straightforward and flexible approach to lending means we can support your clients into their retirement.

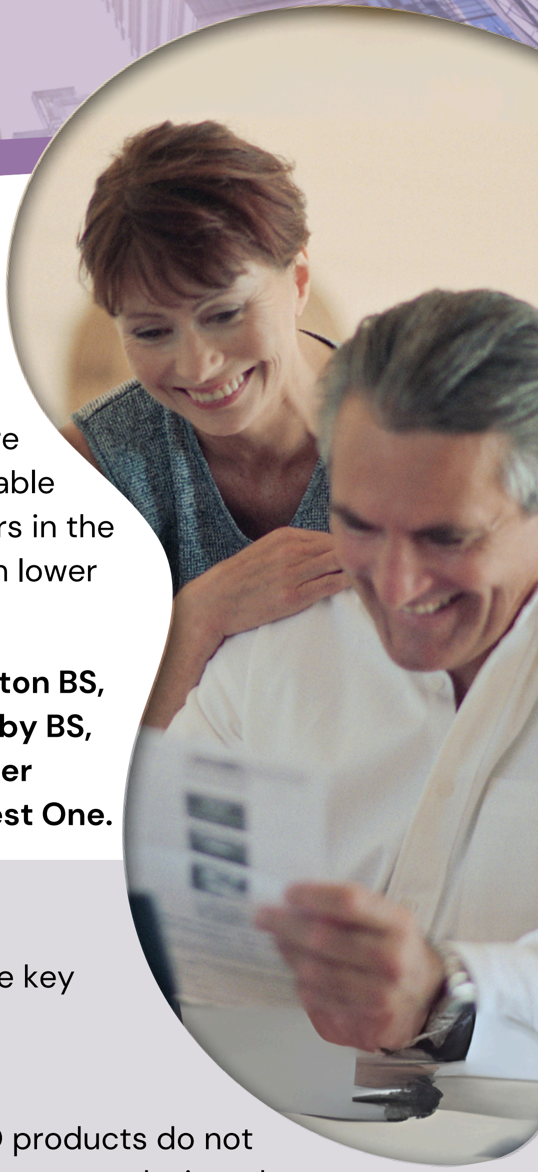
Retirement Lending

- Interest only up to 70% LTV for downsizing, up to 80% LTV with other repayment vehicle
- Repayment mortgages to age 90 and I/O to 85
- Mortgage can be used with Joint Borrower Sole Proprietor (JBSP)
- Min Equity for I/O £175K (£300k London & S/E)

Contact our BDM team today:

brokerenquiries@chorleybs.co.uk

01257 235001



Equity Requirements

As previously mentioned, many lenders impose minimum equity requirements—often in excess of £200,000—particularly when the repayment strategy involves sale and downsize. These thresholds are designed to ensure borrowers retain enough equity to secure a suitable property at the end of the mortgage term. However, there are lenders in the market who offer more flexibility and may consider applications with lower equity levels depending on the local area. These include:

Beverley BS, Buckinghamshire BS, Chorley BS, Dudley BS, Earl Shilton BS, Family BS, Foundation Homeloans, Harpenden BS, Hinckley & Rugby BS, Kensington, Leeds BS, LiveMore, Marsden BS, Newcastle BS, Pepper Money, Perenna, Precise, Principality BS, Vida Homeloans and West One.

Interest-Only vs Retirement Interest-Only (RIO)

While interest-only and RIO mortgages may appear similar, there are key distinctions advisers must understand:

Repayment Strategy
Unlike standard interest-only mortgages, RIO products do not require a defined repayment vehicle. These loans are designed to run until a life event; typically the borrower's death, moving into long-term care, or voluntary sale of the property.

Affordability on Joint Applications
For joint borrowers, lenders will assess affordability based on the lower of the two incomes to ensure the surviving borrower can maintain payments. This makes it essential to establish your clients' long-term intentions for the property early in the advice process.

Maximum retirement ages

Many Lenders will usually limit the maximum age they can consider using earned income for to age 70-75 (subject to feasibility), however, we've found a small selection of lenders that can consider using earned income to the age of 80.
These lenders were **Metro Bank, Hodge, LiveMore, Melton BS and Earl Shilton BS.**

Top Tip! We've found that if your client is paying into a pension and is more than 10 years from their retirement, Chorley BS may even consider using their earned income up to age 90!

As always, we must advise that criteria does regularly change and therefore it is always prudent to double check with a Lender prior to submitting an application. Lenders provided are based on findings at the time of research, and may not include every option available.

Do you have a suggestion for a topic? **Email** us!