

Customer case study

The easiest way to illustrate when a second mortgage may be used is to look at a case and present you with the information.

Mr & Mrs D are a married couple with 3 children who wanted to restructure their finances.

Mr D worked earning £51,000 per year, which equated to £3,060 per month take home salary. Mrs D did not work.

Their property was worth £298,000. Their first mortgage had an outstanding balance of £136,000 at 2.5% rate with a monthly payment of £1,094.

The customers stated that they had recently struggled to make the payment on one of these loans but although they paid it were concerned about servicing this level of debt.

Mr & Mrs D's monthly outgoings

	BALANCE	MONTHLY PAYMENT
Loan 1	£9,345	£371
Loan 2	£7,543	£225
Credit Card 1	£6,715	£201
Credit Card 2	£7,457	£223
Total	£31,060	£1,020

Option 1

The customers approached their first mortgage lender, a high street bank, who did not want to provide a Further Advance.

Option 2

The customer was 2 years 3 months into a 5-year fixed mortgage with a large ERC and they didn't want to change this due to the competitive rate and the cost.

Option 3

They opted for a second mortgage and reduced their monthly outgoings from **£1,020** to **£352.51** per month. The product was set up over a 10 year term at 5.29% annual rate.

We **STRONGLY ADVISED** these customers to stop borrowing money. We also advised them that the product allowed them to pay extra money off the second mortgage at no penalty.

This would

- Reduce the interest they pay.
- Reduce the total amount they pay
- Reduce the term of their second mortgage

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