

Woolwich makes interest-only changes

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From Monday any Woolwich mortgage over 75% LTV must now be taken out on a repayment basis.



The Barclays owned lender has withdrawn the ability to have part repayment and part interest-only on loans above 75% LTV and it will carry out random sample checks to evident a valid repayment vehicle is in place.

It has also made a number of other changes:

- The affordability calculation will be done on capital and interest for all interest-only applications over an assumed term of 25 years or until age 70 or retirement age of the principal applicant, whichever is sooner. This will be calculated at our current affordability rate.
- The maximum term of an interest only mortgage will be 25 years.
- There are changes to the acceptable repayment vehicles. The new acceptable repayment vehicles are existing endowment policy, existing stock/share ISA, existing Unit Trust, existing Investment Plan/Bond and sale of mortgaged property, max LTV 66% and at least £150,000 equity.

The lender says it firmly believes that interest-only mortgages have a place in the mortgage market.

However, the current economic conditions of low interest rates, coupled with uncertain trends in terms of future house prices have meant it may not be suitable for some clients to take out interest-only mortgages.

It says as a responsible lender, it wants to work with brokers to ensure that customers are sold the most appropriate mortgage for their circumstances.

Aaron Strutt, communications manager at Trinity Financial Group, says: "More lenders have made changes to their lending criteria and the Woolwich are putting themselves more in line with their competitors. Interest-only is really starting to get the chop now. Many lenders are now not keen to lend above 75% LTV in general and changes like this just make it harder for many to get on the property ladder.

“Even if you are at 10% LTV and you have £100,000 equity, you still won’t qualify for interest-only if you do not have an acceptable repayment vehicle in place. Woolwich have gone further than other lenders that have made changes to the interest only policy.”