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Tailored Interest Reward

Tailor-made payments to help cut your clients' borrowing costs

Tailored Interest Reward is an innovative lifetime mortgage designed to give your clients more control over their borrowing costs. Whether lump sum or drawdown, it allows customers to tailor their monthly payment to their circumstances; with interest rate discounts up to 0.65%, no fixed term and only a part-interest payment required to secure the maximum discount.

How does it work?

As a reward for paying more than 25% of the monthly interest, customers secure their plan's maximum discount, which ranges from 0.3% MER on Tailored C3 to 0.65% MER on Tailored C8.

Tailored plan	Maximum LTV	Maximum discount
C3	38%	0.30%
C4	43%	0.40%
C5	45%	0.45%
C6	55.4%	0.55%
C7	55.9%	0.60%
C8	58.4%	0.65%



How is it different to other Interest Reward plans?

Unlike some other Interest Reward plans, Tailored Interest Reward comes with no fixed term. The customer is rewarded with an interest rate discount for as long as they make payments. For example, if your client wanted to pay more than 25% of their plan's monthly interest for 10 years, they'd receive the maximum discount available for 10 years. When the payments stop, the interest rate reverts to the non-discounted rate.

Payment holidays

Your client can take one payment holiday of up to three consecutive months every 12 months after completion, provided they give us one month's notice.

What if my client misses payments?

In this instance, a missed payment is classed as any payment shortfall that isn't repaid within 30 days of the original payment date. If the customer repays any shortfall within 30 days, it's not classed as a missed payment.

Your client can miss two payments every 12-month period after completion without losing their interest rate discount. For any missed payment, the customer can choose to repay the outstanding amount or not, and providing they don't breach the missed payment rules, they'll retain their discount.

Please note: any interest not paid will be added to the value of the loan, which will increase borrowing costs.

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What if my client stops making payments?

With Tailored Interest Reward, there's no defined payment term; so, your client can stop making payments at any time. When they do, the interest rate discount will be removed. However, as Tailored Interest Reward is a lifetime mortgage that meets Equity Release Council standards, your client will still have guarantee of tenure if they stop making payments.

Is there a drawdown option, and is it on Interest Reward?

Yes, Tailored Interest Reward comes with a drawdown option to help your client take further control of their borrowing. When your client takes their drawdown, they can choose whether or not to include the Interest Reward feature on that portion.

If they do wish to include the Interest Reward feature on the drawdown, their rate and maximum discount will be subject to the prevailing rate and discount at the time. If they don't choose to, interest will roll up on that portion as on a standard Tailored Lifetime drawdown; however, they can make voluntary payments in line with Tailored's criteria.

Please note: If a customer loses their discount on any portion of their loan, the loan's full discount will be removed across all advances.

Is Tailored Interest Reward affordability tested?

You're expected to conduct an affordability assessment before recommending Tailored Interest Reward to ensure it's affordable. That includes assessing the affordability of payments against the full facility at the point of initial advance in the case of a drawdown. However, we won't assess your client's credit score, and their home won't be repossessed if they have to stop making payments.

Nevertheless, the consequences of not maintaining the monthly payment, such as the increase in the cost of borrowing, must be understood. You can download our [**Income and Expenditure Template**](#) to help when conducting an affordability assessment with your client or use one of the many helpful online tools available, such as [**Air's Navigator Tool**](#).



Tailored Interest Reward case study example

Steven (71) and Alison (69) have a property worth £450,000. They plan to release £165,000 from their property to make home improvements and gift money to their two children. By making monthly payments with a Tailored Interest Reward C8 plan, their total cost of borrowing after 15 years will be lower.

Illustrative example:	Tailored Interest Reward C8	Tailored Lifetime C8 with monthly payments	Tailored Lifetime C8 without monthly payments
Monthly payment	£300 for 10 years	£300 for 10 years	None
Interest rate (MER)	6.99% for 10 years 7.64% for 5 years	7.64%	7.64%
Cost of payments	£36,000	£36,000	n/a
Amount owed after 15 years	£408,853	£438,414	£517,140
Total cost of borrowing after 15 years	£444,853	£474,414	£517,140
Saving vs making no payments	£72,287	£42,726	£0
Saving vs making payments	£29,561	£0	n/a
Remaining equity after 15 years*	£196,788	£167,227	£88,501

*Remaining equity based on 2% annual HPI.

For more information

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