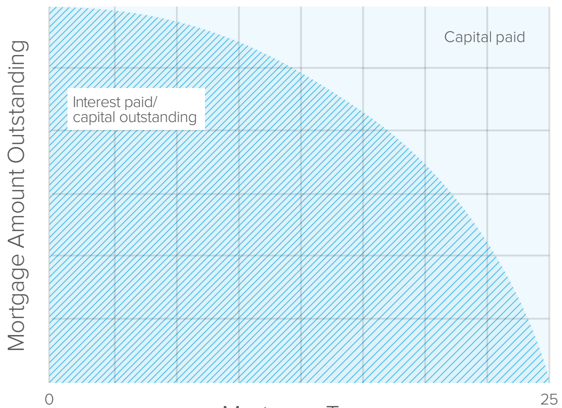
REPAYMENT METHODS EXPLAINED

The repayment mortgage

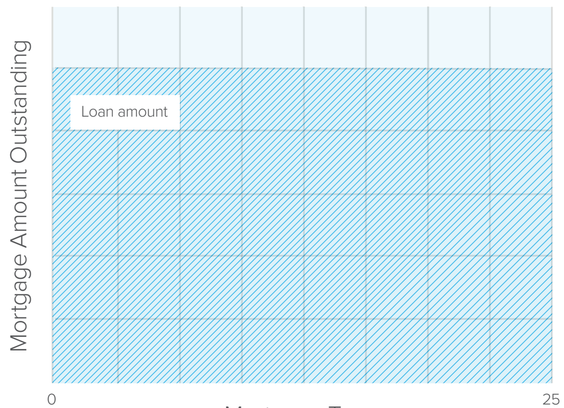
- Each monthly repayment to your lender consists of an element of capital and interest
- Gradually your loan reduces, building up equity in your home
- At the end of the term your mortgage will be repaid, providing you keep up your monthly repayments, including any admin charges
- Suitable for people who would like to guarantee the repayment of their mortgage
- A low risk method



Graph for illustrative purposes only

The interest only mortgage

- Each monthly repayment to your lender consists of interest only.
- As no capital repayments are made during the term of this mortgage, monthly costs are lower, however the equity in your home will be dependant on increases or decreases in market prices.
- Suitable in limited circumstances for people who do not wish to repay the capital until the end of the mortgage term. It is your responsibility to ensure an adequate repayment method is in place to repay the mortgage at the end of the mortgage term.
- Repayment of the loan is self-managed by you and would usually be paid from proceeds of the sale of your home, inheritance, savings or investments. The lender will ask for evidence of a suitable plan or strategy to repay.*
- This type of mortgage is not accepted by all lenders unless an investment vehicle is also selected and in place.
- If the proceeds of your repayment vehicle doesn't cover the full amount of your mortgage, you'll be responsible for paying the difference.



Graph for illustrative purposes only

Typical repayment vehicles for interest only mortgages*

Endowment policy

With an endowment mortgage you can make monthly payments of interest, by direct debit, to the lender. At the same time you pay monthly premiums to an insurance company, which buys a policy designed to pay off the capital sum at the end of the mortgage term. If you die during the mortgage period, the full amount of the original loan will be repaid. Incidentally, if you already have an endowment policy, you may wish to consider using your existing policy to help repay the loan. However, there are very few companies offering these types of policies. There is the potential risk of a shortfall and it is not always guaranteed that the mortgage will be paid off when the policy reaches maturity. There may also be fees associated with the policy and they can sometimes be complicated products.

Individual saving account (ISA)

A mortgage linked to an ISA is where you make monthly payments of interest, by direct debit, to the lender and regular premiums to the ISA provider to build an investment designed to help repay the loan at the end of the mortgage term. This may provide you with a tax-free lump sum as well. Remember, however, that the value of an ISA and any income from it can fall as well as rise and returns are NOT guaranteed.

Personal Pension Plan

Here you make monthly payments of interest, by direct debit, to the lender and regular monthly contributions to a pension plan. At the end of the mortgage term, usually coinciding with your retirement date, a lump sum from your pension plan is used to pay off your mortgage balance. It's a tax efficient arrangement because your pension contributions are tax-free, as is the lump sum which is used to repay your mortgage. Remember, however, that the tax situation for pensions is liable to unforeseen change. The disadvantage is there will be less money left over to provide retirement income once your mortgage has been paid off. You would need to ensure that your pension contributions are high enough to provide sufficient funds to pay off your loan and give you enough income to maintain the standard of living you require during retirement.

*We are not able to advise on the suitability of your selected repayment vehicle. If uncertain, we recommend that you seek independent financial advice.

A BROKER FEE MAY BE PAYABLE UPON MORTGAGE APPLICATION AS WELL AS AN ADMINISTRATION FEE. THE TOTAL FEE PAYABLE WILL DEPEND ON YOUR CIRCUMSTANCES. YOUR MORTGAGE CONSULTANT WILL EXPLAIN ANY FEES APPLICABLE IN YOUR INITIAL APPOINTMENT.

YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Countrywide
Mortgage Services

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