

What is the difference between a mortgage repayment deferral and interest only payments?

Mortgage Repayment Deferral (Mortgage Holiday)

A mortgage deferral is a break from repaying your mortgage. It is important to know that Interest will continue to be charged and added on to your mortgage which means that the balance of your mortgage will increase, and you will pay more in interest overall.

Once you have reverted back to principle and interest repayments at the end of the 6 months you may find that your new repayments are slightly more than what they were previously.

Interest Only Payments

Interest only payments temporarily allow you to pay only the interest on your loan, without requiring you to pay the principal of your loan balance. After the interest only period your repayments will revert back to principal and interest repayments and your loan repayments will increase for the remainder of your loan term.

It is important to know that although you are making payments you are only paying the interest, so the principal of the loan does not decrease.