

GUIDE TO EQUITY RELEASE

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INTRODUCING LIFETIME MORTGAGES

Lifetime Mortgages are a way of releasing equity from your home whilst you still live there, if you are aged 55 or over. This is one of the two types of ways to release equity, and acts as a loan secured on your home.

You could take the money as a lump sum, series of lump sums or as a regular income. No repayments are required until you die or move out of your home into long-term care. The amount you can release is based on your age and the value of your home, and, depending on the type of product you choose.

You can spend the money that is released from your home in any manner that you wish, whether that's for home improvements, travel or to pay off an existing mortgage or loan. You can also use a lifetime mortgage to pass on money as a 'gift' while you're still alive. For example, you may want to give a living inheritance to help children with university fees, wedding costs or getting onto the property ladder.

INHERITANCE TAX IMPLICATIONS

There may be inheritance tax implications when taking out a Lifetime Mortgage.

We do not provide tax advice ourselves, so please ensure to contact an independent tax adviser who can outline the tax implications for your specific circumstances.

It is important to remember that before choosing a lifetime mortgage, you must always receive specialist advice and look to involve any of your immediate family who may have an interest in your future financial security.



WHAT PRODUCTS ARE AVAILABLE?

Equity release lets homeowners aged 55 and over release tax-free cash from the value of their home. There are two main types of Equity Release:

- **Lifetime mortgage:** With a Lifetime Mortgage, you borrow money against the value of your home. You continue to own your home.
- **Home reversion scheme:** With a home reversion scheme, you sell all or part of your property for less than market value. You continue to stay in your home as a tenant.

We can advise and arrange Lifetime Mortgages only, and will refer you to an approved specialist for Home Reversion schemes.

We will aim to help you understand which Lifetime Mortgage product is right for you.

The length of time it takes to release equity from your home will differ depending on the product and provider we recommend but on average, it can take about 8-12 weeks.



THE LEGAL PROCESS

You'll need to appoint a solicitor who specialises in Lifetime Mortgage to act on your behalf and to provide you with independent legal advice.

We do not provide advice in this area, but if your own solicitor isn't a specialist or you'd just like some help finding a suitable solicitor, we might be able to refer you to one.

Once you have had a valuation of your home and received your offer (otherwise known as an Offer of Loan), there are checks and a legal process that must now be completed before the lender can release the money on your Lifetime Mortgage.

To start, your solicitor will be sent a copy of your offer and other legal documentation, and you will need to instruct them to start working on your behalf. The Lender's solicitors will carry out a Land Registry search to check your home is registered and that you are the registered owners. Once these checks have been completed, you will need to make an appointment with your solicitor to sign the documentation. During the appointment, your solicitor will explain the documentation and answer any questions you may have.

If you wish to proceed, you will then sign the documentation. Your solicitor will send this to the Lender's solicitors who will check that they have everything they need, and that the documentation has been completed correctly. Your solicitor will complete a final check that all the necessary paperwork is in place and arrange a completion date with the Lender's solicitors.

When all is in order, the lender will send the money to their solicitors who will repay any existing mortgage, deduct any fees and legal costs before paying the remainder to your solicitor. Your solicitor will receive the money and transfer it to you.

There are some situations where the legal process is more complex and where more information is needed. For example, when repaying your existing mortgage, purchasing a property or following a divorce. This can make the process take longer. It's important to keep in touch with your solicitor to get regular updates.



HOW MUCH DOES IT COST?

As with regular mortgages, there are some initial costs involved when you take out a Lifetime Mortgage.

ADVICE FEE

A broker fee may be charged for later lifetime advice. If you were to proceed with the advice, this will be clearly stated on the Initial Disclosure Document ('IDD').

ARRANGEMENT FEES

The lender or provider may charge an application fee, which is also sometimes known as an arrangement fee. Each lender / provider will have their own fees, but this will be clearly defined on the Illustration.

There can also be a fee to transfer your money to your solicitor on completion, which is usually payable when your mortgage has completed.

SOLICITORS' FEES

When you are happy with the offer, you will need to appoint a specialist solicitor to act on your behalf. These fees can vary, so it's important to consider looking at a range of options before deciding.

VALUATION FEES

A valuation will be required by the lender/provider, and this may also incur a fee. The costs of these will vary on several factors.





DIFFERENT WAYS TO REPAY A LIFETIME MORTGAGE

A Lifetime Mortgage is a loan secured on your home. Unlike a residential mortgage, a Lifetime Mortgage doesn't have a set repayment date. You don't have to repay any of the money you borrow, or any of the interest, until you die or move permanently out of the home or into long-term care. If the mortgage is in joint names, nothing is repaid until the last person dies or moves permanently out of the home or into long-term care.

The loan is usually repaid through the sale of your home. You can choose to repay some of the money you borrowed on an ad-hoc or monthly basis, with no obligation to keep doing so. This will reduce how much you owe. There may be options available to select a product that allows you to pay some, none, or all of the interest, depending on which product is most suitable for your individual circumstances.

It is also possible to pay back the full amount, but if you do, you may have to pay an Early Repayment Charge, which could be substantial. There are limits on how much you can repay and how often you can make repayments, we can help you find the right product for you and your situation.

A Lifetime Mortgage is a loan secured on your home.

EQUITY RELEASE – A SUMMARY

Some things to consider:

Lifetime Mortgages are available to homeowners aged 55 or over only.

USE THE MONEY HOWEVER YOU CHOOSE

Whether it's for home improvements, paying off an existing mortgage or just topping up your monthly income – the choice is up to you. However, please remember that there may be cheaper ways to borrow money.

YOU DON'T HAVE TO MOVE HOME

A Lifetime Mortgage means you can stay in your own home, but still access some of the money tied up in it.

NOTHING TO REPAY WHILE YOU LIVE IN THE HOME

You don't have to repay any of the money or the interest until you die or move permanently out of your home into long-term care.

PROVIDE AN INHERITANCE

You may be able to protect part of the value of your home so it can still be left as an inheritance however, this will depend on the product.

FIXED INTEREST RATES

Many of the deals on offer have rates that are fixed so they will never change during the life of the loan.

NO NEGATIVE EQUITY GUARANTEES

Products which fully meet the Equity Release Council's Product Standards are required to feature a "no negative equity guarantee". This will mean that regardless of what happens to the value of your property, you will never owe more than the price it is sold for.

USE LIFETIME MORTGAGE TO MOVE

So long as the new property is acceptable to the Lender and meets their criteria – you can still move house.

INTEREST PAYABLE

As there is nothing to repay until you die or move permanently into long-term care, the interest payable can increase the total amount owed quickly over time. The compounded (rolled-up) interest can build up substantially because interest is charged both on the original loan amount and the interest that has already been added.

HIGHER INTEREST RATES

The interest rates for a lifetime mortgage may be higher than the rates charged for a traditional mortgage, it depends on your own individual circumstances.

ELIGIBILITY TO STATE BENEFITS

If you're receiving certain means tested benefits, taking a lifetime mortgage could impact your entitlement or eligibility to these benefits.

INHERITANCE

Equity Release is likely to reduce the amount of your estate and how much you can leave as an inheritance, unless you have taken out Inheritance Protection. This however reduces the amount you can borrow.

Taking advice is crucial if you wish to obtain a Lifetime Mortgage, there may be other options more suited to your needs and circumstances.



CONTACT US TO SEE HOW WE COULD HELP.

Equity release includes Lifetime Mortgages and Home Reversion Schemes. We can advise and arrange Lifetime Mortgages only, and will refer you to an approved specialist for Home Reversion schemes.

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