



COX & FLIGHT
FINANCIAL SOLUTIONS LTD

A Guide to Releasing Equity
from your home

Introducing Equity Release

Equity release is a way of releasing cash (equity) from your home while you still live there. The most popular type of equity release is called a lifetime mortgage, which is a loan secured on your home.

Lifetime mortgages are available to homeowners aged 55 or over.

You can 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 can usually choose whether to receive the money as a lump sum, a series of lump sums or as a regular income.

The cash released is tax-free and you can use it for whatever you like, 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. If you give the money this way, the recipient might need to pay inheritance tax in the future.

Whichever form of equity release you choose, you continue to live in your home until the last surviving borrower dies or moves out of the home and into long term care. But remember, before choosing equity release, you must always receive advice and look to involve any of your immediate family who may have an interest in your future financial security.



What products are available?

You have two options when looking at ways to release equity from your home:

- 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.

Both types of equity release will allow you to take the money as a lump sum, a series of lump sums or as an income and we can help you understand which equity release 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 but on average, it can take about 8-12 weeks. You should consider this when thinking about using equity release.





The legal process

You'll need to appoint a solicitor who specialises in equity release to act on your behalf and to provide you with independent legal advice. If your own solicitor isn't a specialist or you'd just like some help finding a suitable solicitor, we can help.

Once you have had a valuation of your home and received your lifetime mortgage 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 lifetime mortgage 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 owner.

Once the checks have been completed, you will need to make an appointment with your solicitor to sign the lifetime mortgage 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. An Equity Release mortgage is a loan secured on your home, so there is also ongoing interest on the loan.

Advice Fee

An Adviser may charge a fixed fee for their advice or a fee that is a percentage of the total loan amount. In addition, they may receive a payment from the product provider which means they will receive both an advice fee, and payment from the lender when your equity release mortgage completes.

Arrangement fees

An arrangement fee is sometimes known as an application fee. Each lender will have their own fees and the Adviser will take this into account when they make their recommendation. There can also be a small fee typically around £30 to transfer your money to your solicitor on completion. These costs are not payable until your mortgage completes and the funds are released.

Solicitors' fees

If you're happy with your lifetime mortgage offer and want to go ahead and accept, you'll need to appoint your own equity release specialist solicitor to act on your behalf. Equity release solicitor fees can vary widely, so it's worth comparing a few prices before you make your own decision.

Valuation fees

When you first purchase a home, a survey must take place in order to get a mortgage. The same process applies to equity release. This usually incurs surveyor fees. The cost of valuation is dependent on the lender we choose to use and the estimated value of your home.

Lifetime mortgage interest rates

The interest rates on lifetime mortgages are fixed, meaning they won't change over time. The interest is the amount the Lender charges on the money they lend you. Any unpaid interest is added to the loan each month. Interest is then charged on the loan, plus any interest already added. This is known as compound interest or roll-up interest. You don't have to pay this until you die or enter long-term care.

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 lifetime 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. Depending on which product you take out, you can choose to pay some, none or all of the interest.

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, an Adviser will help you find the right product for you and your financial situation.



Equity Release - A summary

As with regular mortgages, there are some initial costs involved when you take out a lifetime mortgage. An Equity Release mortgage is a loan secured on your home, so there is also ongoing interest on the loan.

Use the money however you want

Whether it's for home improvements, paying off an existing mortgage or just topping up your monthly income - the choice is up to you. Please remember 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 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 can protect part of the value of your home so it can still be left as an inheritance.

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

Whatever happens to the value of your property, you will never owe more than the price it is sold for.

Use Equity Release to move

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

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.

Means tested benefits

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





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