Retirement Mortgage Product summary

The Retirement Mortgage from Hodge Lifetime provides you with a flexible way to borrow money in retirement. A legal charge is secured on your home.

AIMS

The Retirement Mortgage is a lifetime mortgage which enables you to borrow in retirement, secured against the value of your home. The loan can be for almost any purpose.

You are required to pay the interest on the loan each month, and the amount you are eligible to borrow is based on the level of retirement income you have.

The capital amount is repaid from the sale of your home when you die or move permanently into long term care. The loan benefits from a 'no-negative equity' guarantee, which means if the sale proceeds are insufficient to repay the capital amount, you will not be liable for the shortfall.

RISKS

Your home may be repossessed if you do not keep up repayments on your mortgage. Your ability to afford the payments may be affected if:

- Your income reduces in the future
- Your expenditure increases in the future
- Inflation erodes the purchasing power of your income
- Interest rates rise

This is a lifetime mortgage. Entering into it is therefore a long-term commitment and it could limit the choices you can make in the future. For example:

- It could affect your family's inheritance when you die
- You may not be able to afford any additional care you may need in later life
- Your future choices in moving home could be limited
- Your future opportunities to borrow from other sources could be limited

MAIN FEATURES

Interest Roll-up Option – When the youngest borrower reaches age 80, or on the fifth anniversary after taking out the loan (if later), you can elect not to pay the mortgage interest and instead add it to the loan each month.

No Negative Equity Guarantee – Provided that you keep making interest payments when they are due, if the sales proceeds of your home are not sufficient to repay the amount we lent you, this will be covered by the No Negative Equity Guarantee and no further sum will be payable by you. If you exercise the Interest Roll-up Option, the interest added to the loan each month will also be covered by this guarantee.

Flexible Repayment Option – During the first five years, you are entitled to make overpayments of up to 10% of the initial loan amount each year without incurring any early repayment charges. Any unused capacity cannot be carried over to future years. No early repayment charges apply after five years, and you are entitled to make unlimited overpayments.

This is a Lifetime Mortgage. To understand the features and risks, ask for a personalised illustration. Your home may be repossessed if you do not keep up repayments on your mortgage.

What is a Retirement Mortgage?

The Retirement Mortgage is a lifetime mortgage. This means that the amount we lend you does not have to be repaid until you die or move permanently into long term care.

You have to pay the interest charged on this lifetime mortgage each month until the youngest borrower reaches age 80, or on the fifth anniversary after taking out the loan (if later). Thereafter, you can choose to stop paying the interest, meaning it will be added to the loan instead.

The table below compares the Retirement Mortgage with the other types of mortgage that may be available to you.

Traditional residential mortgage	Retirement Mortgage	Interest roll-up lifetime mortgage
The loan term is fixed.	The loan term is not fixed – it lasts until you die or move permanently into long term care.	The loan term is not fixed – it lasts until you die or move permanently into long term care.
The loan may be on a capital repayment or interest-only basis. If the loan is interest-only, a separate repayment vehicle to repay the capital is normally required.	This is an interest-only loan. The capital is repaid from the sale of your home.	This is an interest roll-up loan. The capital and interest is repaid from the sale of your home.
You must make all of the monthly payments as they fall due, until the end of the mortgage term.	You must make all of the monthly interest payments as they fall due, at least until the youngest borrower reaches age 80, or on the fifth anniversary after taking out the loan (if later), when you can choose to have the interest rolled up.	You are not required to make any payments during the term of the loan.
Your home is at risk if you do not keep up the repayments on your mortgage.	Your home is at risk if you do not keep up the repayments on your mortgage.	You have the right to remain in your home until you die or move permanently into long term care.
The amount you can borrow is normally based on your ability to afford the mortgage based on your employment income and your expenditure, up to a maximum loan to value ratio.	The amount you can borrow is based on your ability to afford the mortgage based on your retirement income and your expenditure, up to a maximum loan to value ratio.	The amount you can borrow is based on a loan to value ratio determined by your age.

Am I eligible for the Retirement Mortgage?

Plans are available to individuals or couples. The youngest applicant must be within our eligible age criteria. Where there are two applicants the property title must be held in joint names.

The amount you can borrow is driven by your ability to afford the interest repayments on the loan, based on your income and outgoings. You must therefore have the benefit of a reasonable level of retirement income in order to be eligible for the Retirement Mortgage.

How much can I borrow?

When you apply, we will ask you to demonstrate to us the level of retirement income to which you are entitled, and the level of outgoings that you incur. We will use this information to assess your ability to afford the loan.

The maximum amount we will lend you will be the lower of:

- £500,000
- The amount that we consider is affordable based on your circumstances.
- A percentage of the value of your property, based on the youngest applicant - 50% up to age 70, 45% at ages 71-75 and 40% at age 76 and over.

What forms of retirement income are eligible?

Pension income

Pension income must be the actual or projected level of personal pension income to which you are entitled. The income must be:

- Payable for life;
- Paid on at least level terms - it cannot reduce in future;
- Payable in sterling from a UK pension scheme.

The sources of pension income include:

- Basic State Pension;
- Defined benefit pension schemes;
- Defined contribution pension schemes;
- Annuities in payment;
- An appropriate income drawdown arrangement;
- Earnings-related pensions payable by the State which are in addition to the basic State Pension and are payable for life (e.g. SERPS or S2P).

Other retirement income

Hodge Lifetime may also accept other forms of retirement income. The income must normally:

- Be a stable source of income throughout retirement
- Be delivered from an asset or asset portfolio
- Provide continuity of income to a surviving spouse in the event of the investor’s death

Suitable types of other retirement income include rental or investment income.

If you are borrowing on a joint basis, we will take into account both incomes, subject to the specific requirements discussed in the next section.

Are there any specific requirements for joint borrowers?

We must ensure that the loan is affordable for life. For joint borrowers, this must also consider whether the loan remains affordable for a surviving borrower after the death of the other.

Therefore, each surviving spouse must continue to receive or inherit an appropriate proportion of the joint retirement income.

What other factors can be taken into account in assessing affordability?

It is possible that you may have other sources of funds which you wish to use to repay part of the Retirement Mortgage during its term. We will take into account the effect of repaying part of the loan in assessing your overall ability to afford the loan in the following cases:

- **Use of tax free cash on retirement** – if you wish to use some or all of the tax free cash that you can take on retirement to reduce the mortgage balance;
- **Endowment policies** – if you have existing endowment policies which will mature in future.

You will have to provide evidence supporting these amounts during the application process, and using these amounts to repay part of the capital will be a condition of the loan.

Is my property eligible?

You must live permanently in your own home, which is located in England, Scotland or Wales. Your property must be in sound condition, and must be of traditional construction. If you have any questions relating to whether your property is acceptable, please refer to our property eligibility factsheet or contact us and we will be happy to advise you.

If there is an outstanding mortgage or charge, it must be low enough to be repaid from the cash sum expected at completion, unless redeemed earlier from your own funds.

How do I apply?

There is a three stage application process for the Retirement Mortgage, as follows:

1. **Obtain a personalised illustration** – this will allow you to understand more about the Retirement Mortgage, its features and risks. It will also tell you, based on the amount you want to borrow, what the monthly interest payments will be.
2. **Ask your adviser to apply for a Decision in Principle** – this is an initial check of your eligibility for the loan. A credit search will be undertaken at this stage, and if you are approved, an updated personalised illustration will be issued.
3. **Submit a full application** – At this stage, you will be required to provide additional evidence to support your application. We will also instruct a surveyor to visit and value your property.

The type of evidence that you are likely to need to provide to us includes:

- Copies of recent payslips and bank statements;
- Statements showing your current pension entitlements and savings;
- Confirmation of the amount of state pension you could be eligible for;
- Annual statements of investment holdings;
- Details of rental properties and income they generate;
- Statements of endowment policies;
- Details of any loans or borrowings or other regular payments that you are committed to make.

What happens to the interest charged on my lifetime mortgage?

Until such time that you are eligible to exercise the Interest Roll-up Option, you must pay the interest charged on your loan each month. We will collect these interest payments by direct debit.

The interest rates applying to your loan will be shown in your mortgage offer.

How does the Interest Roll-up Option work?

When the youngest borrower reaches age 80, or on the fifth anniversary after taking out the loan (if later), you can request to stop paying the interest on the Retirement Mortgage each month. Instead, the interest will be added to the loan each month and 'rolled up'. Your personalised illustration and mortgage offer will show the effect on your loan balance of allowing the interest to be compounded.

What fees will I incur to take out the loan?

You will have to pay a valuation fee when you submit the full application. This pays for a surveyor to value your home. This fee will not be refunded to you if you do not go ahead, or if the valuation indicates that your property is not eligible for the lifetime mortgage.

Your financial adviser may charge you a fee for the advice they have provided you with, and you will also have to pay your own legal fees required to take out the loan. Depending on the nature of your agreement with them, you may be required to pay some or all of these fees even if the loan does not complete.

On completion of the loan, we will charge you an application fee. You can choose to pay this in advance, or to add or deduct it from the loan. You only incur this fee if the loan completes. If you paid this fee in advance but the loan does not complete, we will refund the fee to you.

When must the loan be repaid?

Your loan will last for the rest of your life, and is repayable when you (or in the case of joint loans, your surviving partner) die or are required to enter long term care on the grounds of medical or other specialist advice.

When the property is vacated, you and/or your personal representatives should arrange for the property to be sold. Selling a property can take some time, and we allow up to 12 months for the sale to take place. Interest will be added to the loan until it is repaid. The loan, interest outstanding, plus any fees and expenses related to the sale will be due to Hodge Lifetime from the sale proceeds. These fees will include a repayment administration fee. The balance of the sale proceeds will remain with you or form part of your estate.

We could require that the property be sold and the loan repaid if you fail to keep up with interest payments, or if the property has been abandoned or left vacant for more than six months without our prior consent.

What additional costs or charges could I incur as a result of taking out the loan?

As your loan will be repaid from the sale proceeds of your home, it is important that it is kept in a good state of repair. You will be required to meet the ongoing costs of maintaining your property, together with all property ownership costs such as council tax, insurance and service charges (if your property is leasehold). A failure to do so could mean you breach the terms and conditions of your loan.

If your circumstances change, you may be required to pay both yours and our costs to make changes to your loan. For example, you will have to pay the costs involved in moving house and transferring your mortgage to the new property.

You could also be liable for early repayment charges if you decide that you no longer require the loan. These are explained further below.

What happens if I want to repay the loan early?

We expect your loan to last for the rest of your life. However, we appreciate that circumstances can change, and your loan has been designed to be as flexible as possible.

Details of the early repayment charges that will apply to your loan during the first 5 years will be set out in your personalised illustration and mortgage offer.

Your loan benefits from our Flexible Repayment Option. In the first five years, this option allows you to repay up to 10% per annum of the initial loan amount without incurring any early repayment charges. Any unused capacity cannot be carried over to future years. If you repay more than 10% in any year, early repayment charges would apply to the whole amount repaid in that year.

After five years, you will be permitted to make unlimited overpayments without incurring any early repayment charges.

What if the value of my property doesn't cover what I owe at the end of the lifetime mortgage?

Your lifetime mortgage benefits from a 'no negative equity' guarantee, meaning that if the proceeds from the sale of your property are insufficient to pay off your liability, no further sum will be payable by you. This will ensure that no outstanding mortgage debt is left to you, or to your estate.

The no-negative equity guarantee covers the following:

- The initial loan amount;
- Interest that has been added to the loan after you have exercised the Interest Roll-up Option.

Can additional borrowing be arranged?

You may apply for additional borrowing but its availability is not guaranteed. The amount of additional borrowing to which you could be entitled will be based on your ability to afford the higher loan amount.

You will need to obtain independent financial advice before proceeding with an additional borrowing application.

A surveyor will re-value the property at your expense, and you will have to pay an application fee. Interest on any additional borrowing will be charged at the interest rate prevailing at that time.

What about moving house?

You will be able to transfer at your expense your lifetime mortgage to a new home of your choice, so long as it provides adequate security for the lifetime mortgage. Additional fees will apply.

What would happen to the Retirement Mortgage if I married (or re-married) in the future?

If a single planholder marries, it may be possible at your expense to revise the terms of the lifetime mortgage to give the new partner a right of occupation, provided that the mortgage remains affordable. If the new partner does not become a joint owner of the property, they will have to sign an agreement to vacate should the planholder die or move out permanently. Additional fees will apply.

How do I find out more?

Your financial adviser will help you to decide whether the Retirement Mortgage is suitable for you.

You can find out more about the Retirement Mortgage by:

- obtaining a personalised illustration via your financial adviser;
- asking for a copy of the Terms and Conditions of this lifetime mortgage.

Find out more about Hodge Lifetime or any of our products by calling:

Freephone 0800 731 4076

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www.hodgelifetime.com

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HODGE LIFETIME

Retirement solutions since 1965