



55+ Mortgage & Retirement Mortgage

Criteria and
Affordability Guide



55+ Mortgage & Retirement Mortgage – Criteria and Affordability Guide

For intermediary use only

| 1. Loan criteria | | |
|-----------------------------|---|--|
| Criteria | 55+ Mortgage | Retirement Mortgage |
| Type of mortgage | Standard residential mortgage | Lifetime mortgage (equity release adviser qualification required) |
| Loan amount | Min: £20,000 Max: £500,000 | Min: £20,000 Max: £500,000 |
| Term | Min: 5 years Max: To youngest borrower's 95th birthday | Lifetime |
| Repayment type | Interest only Repayment vehicle required (see section 6) | Interest only No repayment vehicle (sale of property on death or move into care) |
| LTV | Max: 60% | Max: 50% (up to age 70) 45% (age 71 to 75) 40% (age 76+) |
| Minimum remaining equity | £150,000 (or higher amounts if property values in your client's locality are higher than average) | n/a |
| Permitted loan purposes | Purchase of main residence or re mortgage Raising capital (e.g. for home improvements) Debt consolidation | |
| Loan purposes not permitted | Business injection Payment of taxes Clearing gambling debts Purchase of timeshare Right to buy Shared equity or shared ownership | |

Your client's home may be at risk if they do not keep up repayments on their mortgages.

The Retirement Mortgage is a lifetime mortgage. To understand its features and risks, please ask for a personalised illustration.

2. Borrower criteria

| Criteria | 55+ Mortgage | Retirement Mortgage |
|--|--|---------------------|
| Borrower age at application | Min: 55 Max: 85 | Min: 55 Max: 85 |
| Number of borrowers | Max: 2 | Max: 2 |
| Residency | Must be UK resident for at least three years with indefinite leave to remain in UK. | |
| CCJs | No more than one satisfied CCJ <=£250 in last two years. No more than two satisfied CCJs <=£500 in last six years. We are unable to accept unsatisfied CCJs. | |
| Previous secured loan or mortgage arrears | No arrears in past six months. Maximum one month arrears in the last year. Maximum two months arrears in the last three years. | |
| Unsecured loan arrears | Maximum three months arrears in the last year. | |
| Defaults | No more than one satisfied default <=£250 in last two years. No more than two satisfied defaults <=£500 in last six years. For mail order or communications debts only: No more than two defaults <£100. | |
| Previous repossession | Not acceptable | |
| Bankruptcy, IVA or debt management program | Acceptable if discharged for at least six years. | |
| Guarantors | Not permitted | Not permitted |
| Other occupants | Waiver required | Waiver required |

3. Key property criteria

| Criteria | 55+ Mortgage | Retirement Mortgage |
|-----------------|---|------------------------------------|
| Property value | Min: £170,000 Max: £1,000,000 | Min: £100,000 Max: £1,000,000 |
| Occupancy | Main residence only | |
| Location | England and Wales | England, Wales & mainland Scotland |
| Other occupants | Freehold (exc. flats) Leasehold with a minimum lease term ≥ 90 years at completion date | |

Please see the Property Eligibility Factsheet - Version B for detailed property criteria.

4. Other criteria

This section applies to both the 55+ Mortgage and the Retirement Mortgage.

| Criteria | Requirement |
|----------------------------|--|
| Proof of deposit | <ul style="list-style-type: none"> Required on all purchase applications unless funded wholly from sale of current property. |
| Purchased properties | <ul style="list-style-type: none"> Vendor must have been the registered owner for at least six months prior to purchase date. Loan to value based on lower of purchase price or valuation. |
| Re-mortgaged properties | <ul style="list-style-type: none"> Applicant must have owned the property for at least six months prior to re mortgage application date. |
| Overseas income and assets | <ul style="list-style-type: none"> Not eligible. |
| Loan repayments | <ul style="list-style-type: none"> Direct debit only, drawn on single or joint bank account in borrower's name(s). |
| Bank statements | <ul style="list-style-type: none"> Latest two months bank statements required for all applicants. |
| Online bank statements | Acceptable, provided that: <ul style="list-style-type: none"> They are full statements. The name, account number and bank branding clearly visible. |
| Copy documents | Acceptable provided that they are endorsed and signed as being true copies of the originals for CDD purposes. |

5. Affordability tests

Our affordability tests are applied as follows:

| Criteria | 55+ Mortgage | Retirement Mortgage |
|--|---|---|
| Basic assessment Borrower's income must exceed their outgoings over the term of the mortgage. | Applied over the specified mortgage term | Applied over the borrower's lifetime (assumed to be age 95) |
| Interest rate stress test | Stressed rate: 8.5% | Stressed rate: 8.5% |
| First death stress The loan must remain affordable based on the income of a survivor in the event of the death of their spouse or partner. | Not applied if the loan term ends before the oldest borrower's 75th birthday. Otherwise applied over the term of the mortgage. | Applied up to age 80 |

6. Acceptable repayment strategies

| | 55+ Mortgage | Retirement Mortgage |
|--|--------------|---|
| Acceptable repayment strategy required? | Yes | No The mortgage will be repaid with the proceeds of the sale of the mortgaged property on the customer's death or entry into long-term care. |

This section applies to the 55+ Mortgage only

| Repayment strategy | Valuation | Evidence |
|---|---|---|
| Sale of mortgaged property (downsizing) | Current property value minus this mortgage | <ul style="list-style-type: none"> Borrower must provide an outline of what their downsizing plan may be. See application form for further details. |
| Sale of other property | Current equity | <ul style="list-style-type: none"> Full address and postcode of each property. Statements of outstanding mortgages. |
| Realisation of investments | Current portfolio valuation | <ul style="list-style-type: none"> Statements of investment holdings and valuations. Income from the nominated portfolio cannot be taken into account for affordability purposes. |
| Existing endowment policy | Projected maturity value based on 'mid-growth' assumption | <ul style="list-style-type: none"> Statement dated within the last 12 months. |
| Borrowers may use more than one repayment strategy. The total value of the repayment strategies must exceed the loan balance at inception. | | |

7. Sources of acceptable income

| Income type | Criteria | Eligible amount |
|---|---|---|
| Employment income | <ul style="list-style-type: none"> Income included in affordability assessment up to expected retirement date. Acceptance of employment income beyond age 70 is subject to underwriter discretion, and subject to a maximum age 80. <p>Evidence: Two months payslips and the most recent P60. Additional P60's may be requested if we need to verify additional regular and guaranteed income..</p> | 100% and 50% for bonuses and regular overtime |
| Self-employment income | <ul style="list-style-type: none"> Lower of last year's net profits/dividends, or the average of the last two years. <p>Evidence: Accountant's Certificate.</p> | 100% |
| State pensions and certain state benefits | <ul style="list-style-type: none"> Can be based on amounts in payment or expected future entitlement. State benefits are eligible if payable indefinitely. <p>Evidence: DWP statement/letter confirming eligibility/evidence shown on two consecutive months bank statements.</p> | 100% |
| Pensions in payment | <ul style="list-style-type: none"> Can include annuities, personal pensions or company pensions. <p>Evidence: Annual statement confirming amount of income, plus evidence of index-linking and spouse's entitlements if relevant.</p> | 100% |
| Drawdowns and unvested pensions | <ul style="list-style-type: none"> Eligible, based on a level of sustainable income that can be unvested pensions withdrawn from these funds. For drawdown and unvested defined contribution schemes, sustainable income calculated as 5% of fund value (or 7% of fund value if the applicant is aged 70+). Income assumed to pass 100% to spouse on death. For unvested defined benefit schemes, eligible income is based on future entitlement. <p>Evidence: DB: Statement of income payable at retirement; Drawdown and DC: Statement of fund value.</p> | 90% to 100% depending on credit score |
| Collective investments | <ul style="list-style-type: none"> Eligible, based on a level of sustainable income that can be withdrawn from these funds. Sustainable income calculated as 5% of fund value (or 7% of fund value if the applicant is aged 70+). Income assumed to pass 100% to spouse on death credit score. <p>Evidence: Statement of fund values.</p> | 50% to 75% depending on credit score |
| Rental income | <ul style="list-style-type: none"> Eligible, based on the net income earned from residential property. Income assumed to pass 100% to spouse on death. Income assumed to be index-linked. <p>Evidence: Portfolio details, last years SA302 and tax year overview or via an Accountants Certificate.</p> | 50% to 75% depending on credit score |

This table does not reflect our full criteria in respect of eligible sources of income, and we reserve the right to decline or reduce the contribution from an income source.

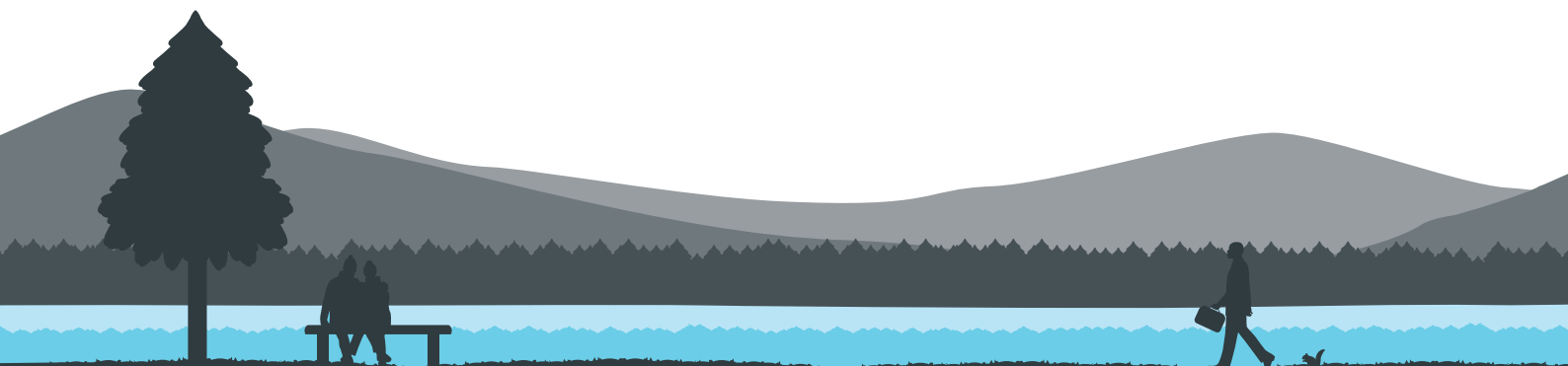
Useful links

Affordability Guide / Product Summary / DIP Application Form
Application Form / Property Eligibility Factsheet

www.hodgelifetime.co.uk/downloads

Affordability Calculator

www.hodgelifetime.co.uk/affordability



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