Flexible Lifetime Mortgage

Product Summary

HODGE LIFETIME

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The Flexible Lifetime Mortgage from Hodge Lifetime offers you a way of borrowing in your retirement by using your home to secure a loan.

About Hodge

Doing the right thing is what we aim to do in all areas of our business – it guides our decisions.

Take Hodge Lifetime for example, a business dedicated to the retirement market since 1965. Since that time we've nurtured a great depth of experience and developed a very strong and solid reputation for looking after our customers while being at the forefront of innovation in our core retirement lending markets. This means that you can trust us to do right by you.

We do the right thing with regard to having a social responsibility too. The Hodge Foundation, a charity supporting the welfare, medical, academic and educational areas owns over 75% of our business. This drives us, knowing that by helping our customers to achieve their goals, we are also helping good causes that are important to us.

Aims

The Flexible Lifetime Mortgage provides you with an initial cash sum in the form of a mortgage loan. A legal charge is secured on your home.

For as long as you live and continue to occupy your home, you don't have to make any repayments on the loan. Instead, interest is added to the loan each month. The loan is repaid from the sale of your home. The loan benefits from a 'no-negative equity' guarantee, which means you should never owe more than the value of your home.

Risks

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
- Your future choices in moving home could be limited
- A change in your circumstances (for example if you marry, re-marry or divorce) could affect this planand require you to repay some of the amount borrowed
- Your future opportunities to borrow from other sources could be limited.

You could incur significant early repayment charges if you decide that you no longer want this loan.

Main Features

Cash Withdrawal Option – If you do not borrow the maximum amount available to you when you take out the loan, you have the option of requesting withdrawal of additional cash sums, up to the maximum amount, at any time in the future without incurring any fees. This is not a guaranteed loan.

Flexible Repayment Option – From completion of your plan this allows up to 10% of the initial cash sum (plus, if you exercise the Cash Withdrawal Option, 10% of any additional amounts you borrow) to be repaid each year without attracting any early repayment charge

Downsizing Protection – If after 5 years, you repay your loan as a result of selling your home and moving to a different property, no early repayment charges will apply.

This is a Lifetime Mortgage. To understand the features and risks, ask for a personalised illustration.

How much can I borrow?

Plans are available to individuals, couples, relatives or friends and can be arranged for either one or two people. Where there are two applicants the property title must be held in joint names.

The maximum amount Hodge Lifetime will lend is £500,000.

The older you are the higher the benefit that can be released in relation to the value of your home. The maximum amount you can borrow is set out below.

Age[1]	Max %[2]	Age[1]	Max %[2]
60	20%	73	33%
61	21%	74	34%
62	22%	75	35%
63	23%	76	36%
64	24%	77	37%
65	25%	78	38%
66	26%	79	39%
67	27%	80	40%
68	28%	81	41%
69	29%	82	42%
70	30%	83	43%
71	31%	84	44%
72	32%	85	45%

Note 1: Age of the youngest applicant

Note 2: Maximum percentage of property value that you can borrow.

What happens if I do not borrow the maximum amount available?

You should only borrow the amount that is suitable for your needs.

The Flexible Lifetime Mortgage provides you with a Cash Withdrawal Option to use in the future. Therefore, if you do not borrow the maximum amount initially you have the option of withdrawing additional cash sums, up to the maximum amount, at any time in the future without incurring any fees.

The minimum withdrawal amount is £1,000 per transaction. In order for you to understand the impact on your loan if you exercise this option, we will issue information illustrating the effect of borrowing this additional money and the interest rate which applies. If, after reading this information you decide that you do not wish to go ahead, you may return the money to us within 21 days, and no interest is payable.

The Cash Withdrawal Option is not a guaranteed loan and we can decline to allow its withdrawal. If we do decline a withdrawal from the Cash Withdrawal Option and as a result you want to repay your loan in full, we will not charge you any early repayment charges. We will also waive the repayment administration fee in these circumstances.

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 Version B of our Property Eligibility Factsheet or contact us and we will be happy to advise you.

If any essential repairs are identified when the property is inspected, release of the initial cash sum (or an appropriate part of it) may be withheld until they are complete.

If the property is leasehold, there must be at least 90 years left to run on the lease.

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.

What happens to the interest charged on my lifetime mortgage loan?

The interest rate on your loan is fixed for its duration. The interest charged each month is 'rolled up'. This means that on a monthly basis, the interest charged for that month is added to the loan. In the following month, interest is then charged on the higher balance including the compounded interest.

For each additional withdrawal made under the Cash Withdrawal Option, the interest rate is set at the time of withdrawal and fixed for its duration.

A statement of your account showing the interest added to the loan will be issued each year.

What fees will I incur to take out the loan?

You will have to pay a valuation fee when you submit your 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 mortgage. 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 a product fee. You can choose to pay this in advance, or to add or deduct it from the loan balance. 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.

You will not incur any fees to exercise the Cash Withdrawal Option.

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. The lifetime mortgage loan, withdrawals, 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.

Selling a property can take some time, and we allow up to 12 months for the sale to take place. Interest will continue to be added to the lifetime mortgage loan until it is repaid.

We could require that the property be sold and the loan repaid 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 the changes to your plan. 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.

Your loan benefits from our Flexible Repayment Option. Following the completion of your plan, this option allows you to repay up to 10% per annum of the initial cash sum (plus, if you exercise the Cash Withdrawal Option, 10% of any additional amounts withdrawn) without incurring any early repayment charges. Under this option you can make up to 4 repayments each year, but if you make more than 4 repayments, or pay more than 10% in a year, early repayment charges will be payable on the whole amount repaid in that year. You cannot carry over any unused capacity to future years.

You will also benefit from Downsizing Protection. After the first 5 years of the plan, you will be able to move home without any risk of incurring early repayment charges, even if you repay your loan in full. You must have sold your current home and have moved out permanently.

For other early repayments, the following early repayment charges apply:

Early Release Fee

If you repay the loan in the first five years, this charge has been calculated to recover the costs that we incurred in setting up your loan. The amount of the charge is as follows:

- Year 1 – 5% of capital repaid
- Year 2 – 4%
- Year 3 – 3%
- Year 4 – 2%
- Year 5 – 1%
- Year 6 onwards - nil

The Early Release Fee is not applied to withdrawals made under the Cash Withdrawal Option.

Variable Repayment Charge

We put in place fixed rate funding to match the duration of each fixed rate loan (being the initial cash sum and any further withdrawals). The Variable Repayment Charge is calculated to reflect the cost that arises if you repay your loan earlier than expected and we have to unwind this funding arrangement. The amount of the charge is calculated as follows:

- 90 minus the age of the youngest borrower at the time of repayment

Multiplied by:

- The difference in the long term interest rate between the time you took out and repaid your loan (Long term interest rates are the £sterling 25 year interest rate swap rates)

Multiplied by:

- The balance repaid

A different long term interest rate may apply to each withdrawal, based on prevailing interest rates at the time of withdrawal. We will confirm the 25 year swap rate applying to each withdrawal at the time you withdraw the funds.

No Variable Repayment Charge arises if swap rates have stayed the same or increased over the period that the loan has been outstanding, or if the youngest borrower is aged 90 or more.

Maximum Early Repayment Charge

The sum of the Early Release Fee and the Variable Repayment Charge shall never be more than 25% of the capital repaid.

Can additional borrowing be arranged?

If you have used your Cash Withdrawal Option in full, you may apply for additional borrowing but its availability is not guaranteed.

When considering your application, we will take into account:

- The amount of the existing loan and interest already secured against your home
- The maximum percentage of the property value that you can release depending on your age at the time
- Whether you have sufficient equity left in the property
- The lending criteria at the time of application

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

What about moving house?

You will be free to transfer your lifetime mortgage to a new home of your choice, so long as it provides adequate security for the lifetime mortgage. If the loan and the interest you owe is more than the amount you are eligible to borrow on the value of the new home, you may need to repay part of your existing loan from the sale proceeds. No early repayment charge is made in this event. If you move to a higher value home, no repayment will be necessary. You will be responsible for any costs related to the transfer, including our solicitors' fees for work which they will need to carry out (even if the move falls through).

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

If a single planholder marries, it may be possible to revise the terms of the lifetime mortgage to give the new partner a right of occupation. The new occupant will need to meet the age requirement for the plan and, if younger than the planholder, the value of the Cash Withdrawal Option may be reduced. A part-repayment may also be due. This will be calculated by taking into account the amount of the loan and interest outstanding. 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.

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

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.

Alternatively, if on the sale of your property the net proceeds are more than the outstanding balance on the loan and accrued interest on it, your estate will retain the surplus.

How do I find out more?

Your financial adviser will help you to decide whether a lifetime mortgage is suitable for you, and whether this plan is the best choice.

You can find out more about the Flexible Lifetime Mortgage by:

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

Get in touch

Freephone: 0800 731 4076

Hodge Lifetime, One Central Square, Cardiff CF10 1FS

www.hodgelifetime.co.uk

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