

# Indexed Lifetime Mortgage

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Product Summary



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## 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.

## Comparison of products in Hodge Lifetime's range of mortgages

Hodge Lifetime offers a broad mortgage range aimed at older borrowers, meaning that we cater to many of the most common needs.

This product summary relates to Lifetime Mortgage products only. In order for you to make an informed decision in choosing the right product, you need to obtain advice from your financial adviser. Alternative products offered by Hodge Lifetime are summarised below:

Lifetime Mortgage	This product range offers the same key features as Indexed Lifetime Mortgages, but at fixed rates of interest.
Lump Sum and Flexible Lifetime Mortgages with Downsizing Protection	These products provide a lump sum, and in the case of the Flexible Lifetime Mortgage, an option to withdraw further money. These loans are at fixed rates of interest, and include Downsizing Protection and variable early repayment charges.
Retirement Mortgage	This lifetime mortgage requires you to pay the interest for a period of time, but offers the later-life safeguard of choosing to stop paying that interest.
55+ Mortgage	This is a standard residential mortgage that requires you to pay the interest over the mortgage term, with a suitable strategy in place for repaying the mortgage at the end of the term.

This document provides you with an introduction to our Indexed Lifetime Mortgage range of products. It is not comprehensive and does not constitute any advice, recommendation, representation or commitment by us to any person and will be fully superseded by any contractual documentation. The information in it may change and become out of date. You and your advisers must always check for up to date information as it may differ from what is indicated in this document.

## Aims

The Indexed Lifetime Mortgage can provide you with a cash lump sum in the form of a mortgage which is secured by a legal charge on your home.

For as long as you live, continue to occupy your home and comply with the terms and conditions, 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 negative equity protection, which means that, except in specified circumstances, you would not be liable to pay back 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, including:

- It could reduce your family's inheritance when you die.
- Your future choices in moving home could be limited.
- A change in your circumstances could affect the lifetime mortgage and require you to repay some of the amount borrowed i.e. if you marry, re-marry or divorce.
- Your future opportunities to borrow from other sources could be limited.

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

**Note: The above are examples. You should obtain financial and legal advice to identify and understand all of the risks**

**These are lifetime mortgages. To understand their features and risks, please ask for a personalised illustration.**

## Product range - overview

The Indexed Lifetime Mortgage range can allow you to release a cash lump sum from your home to be used for almost any purpose. All products in this range incorporate:

- A **variable interest rate** which is applied once a year to reflect the annual movement in the All Items Consumer Prices Index annual rate (CPI).
- An **Interest Rate Guarantee**, meaning the interest rate will never go above a specified 'ceiling rate', or fall below a specified 'floor rate'. The 'ceiling rate' and 'floor rate' will be set out in your mortgage Key Facts Illustration and, as applicable, mortgage offer.
- A **Flexible Repayment Option**, meaning that, subject to certain conditions, you can repay up to 10% of the amount borrowed each year without incurring any early repayment charges.
- **Negative Equity Protection**, meaning that, except in specified circumstances, if the proceeds from the sale of your property are insufficient to pay off your liability, no further sum will be payable by you.
- **Fixed early repayment charges** which last for the first 9 years of the loan.

In addition to our standard loan to value (LTV) scale, the Indexed Lifetime Mortgage Plus and Indexed Lifetime Mortgage Max products offer higher LTV scales if you need to borrow more.

### 1. How much can I apply to borrow?

One or two people can apply (including couples, relatives or friends). Where there are two applicants the property title must be held in joint names.

The maximum amount you can apply to borrow is £500,000.

The older you are the higher the loan that can be released in relation to the value of your home. This is because the term of the loan will be based on your life expectancy (the life expectancy of the youngest applicant in the case of a joint application). Our maximum loan to value ratios are set out at the end of this summary.

### 2. Is my property eligible?

You must live permanently in your own home, which is located in England or Wales.

Your property must be in sound condition, and must usually be of traditional construction. For further details relating to whether your property may be acceptable, please refer to our Property Eligibility Factsheet (Version A) or contact us and we will be happy to assist you.

If any essential repairs are identified when the property is inspected, release of the 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 99 years left to run on the lease.

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

### 3. How is the interest rate on my loan calculated?

The interest rate on your loan is variable, and comprises the All Items Consumer Price Index annual Rate (CPI Rate) plus an additional margin rate. The margin rate would be fixed for the duration of your loan. The margin would be set out in your Mortgage Key Facts Illustration and as applicable, mortgage offer.

The CPI Rate is a measure of inflation in the UK, and the figure is published by the Office for National Statistics monthly.

The CPI Rate applicable to an Indexed Lifetime Mortgage is adjusted on 1st April each year to be the CPI Rate published in October of the preceding year (which relates to the annual rate for the period ending in September). The applicable CPI Rate will be communicated to you prior to being applied to your loan.

### 4. Are there any safeguards if CPI is very high?

Although the Government has set a target for the CPI Rate to be 2% per annum, there is no guarantee that the CPI Rate will stay around this amount, and it could be significantly higher or lower.

To protect you in times where the CPI Rate may be higher than expected, the Indexed Lifetime Mortgage includes an Interest Rate Guarantee. The Interest Rate Guarantee sets a maximum interest rate (called the 'ceiling rate') that will apply to your loan, meaning that you will be protected from any increase in the interest rate above the 'ceiling rate'.

The Interest Rate Guarantee also sets a minimum interest rate (called the 'floor rate') that will apply to your loan, meaning that if the CPI Rate falls to low values or turns negative (i.e. deflation) your interest rate will not fall below the 'floor rate'.

Your Interest Rate Guarantee 'ceiling rate' and 'floor rate' will be set out in your mortgage Key Facts Illustration and, as applicable, mortgage offer.

## **5. What happens to the interest charged on my lifetime mortgage loan?**

The Indexed Lifetime Mortgage operates on a roll-up basis. You do not have to make any repayments during the mortgage period. Interest accrues and is calculated daily at the interest rate on the amount owing. On the last day of each calendar month (and, if earlier, each day during a calendar month when the amount owing changes due to a credit or debit to the mortgage account) the interest which has accrued is charged to the mortgage account and rolled-up into (i.e. added to) the loan. Accordingly, from and including the day an amount is rolled-up it forms part of the loan upon which further interest accrues each day (this is sometimes referred to as capitalisation of interest and/or interest compounding).

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

## **6. 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 an Indexed 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 a product fee. You can choose to pay this in advance, or to add or deduct it from the loan balance, but you only incur this fee if the loan completes.

The product fee varies by product. Please check our website at: [www.hodgelifetime.co.uk](http://www.hodgelifetime.co.uk) for the latest rates and fees.

## **7. When must the loan be repaid?**

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

When the property is vacated, you and/or your personal representatives must arrange for the property to be sold. The lifetime mortgage loan, interest outstanding, plus any fees and expenses related to the sale will be due to Hodge Lifetime from the sale proceeds. Any balance of the sale proceeds will be paid to you or form part of your estate.

Selling a property can take some time, and this is why we allow up to 12 months for the sale to take place. Interest will continue to be added to your Indexed Lifetime Mortgage loan until it is repaid.

We could require that the property be sold and the loan repaid at an earlier date if a breach of the terms and conditions has occurred, including if the property has been abandoned or left vacant for more than six months without our prior consent.

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

As your loan is expected to 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 your and our costs to make the changes to your mortgage. 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.

## **9. 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 our product range has been designed to be as flexible as possible.

For example, all loans in the range include a Flexible Repayment Option. This option provides you with an early repayment allowance of 10% of the amount borrowed for each consecutive 12 month period from the completion of your loan. You can make up to four repayments each year, but you cannot carry over any unused capacity to future 12 month periods. Please refer to terms and conditions.

Your mortgage Key Facts Illustration and, as applicable, mortgage offer may indicate other circumstances in which no early repayment charge applies. For other early repayments of the initial amount of the loan at completion (an early capital repayment) early repayment charges are based on the following fixed scale:

Received in	Early repayment charge
Years 1 to 5	5%
Years 6	4%
Year 7	3%
Year 8	2%
Year 9	1%
Year 10 onwards	Nil

### 10. Can additional borrowing be arranged?

You may apply for additional borrowing (further advance) at any time, but its availability is not guaranteed. When considering your application, we will take into account, among other things:

- 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 fee. The interest rate for any additional borrowing will reflect our product terms prevailing at that time (which may be different to the terms that apply to your initial loan). You will also be required to obtain independent financial advice and legal advice, for which you may have to pay additional fees.

### 11. What about moving house?

If you move to a new property to be occupied as your main home, you will be free to transfer your Indexed 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, a mandatory repayment may be required to repay part of your existing loan from the sale proceeds. No early repayment charge is payable in the event that you transfer your lifetime mortgage to the new property which will be occupied as your main residence that you transfer your lifetime mortgage to the new property.

You will be responsible for any costs related to the transfer, including our solicitor's fees for work which they will need to carry out (even if the move falls through).

### 12. What would happen to the Indexed Lifetime Mortgage if I married (or re-married) in the future?

If you are single and you marry, then, depending on the circumstances, it may be possible to revise the terms of an Indexed Lifetime Mortgage to give your new partner a right of occupation. The new occupant will need to meet the age requirement for the mortgage and, if younger than you, a part-repayment will be due. This will be calculated by taking into account the amount of the loan and interest outstanding. If a right of occupation is not arranged, the new partner will have to sign an agreement to vacate should the borrower die or move out permanently.

### 13. What if the value of my property doesn't cover what I owe at the end of the Indexed Lifetime Mortgage?

Your lifetime mortgage includes a negative equity guarantee which means that:

- you can carry on living in the mortgage property even if the amount owing to us becomes more than the value of the mortgage property, and
- whenever the amount owing is to be repaid from the proceeds of sale of the mortgage property, the amount owing will not exceed the net proceeds of sale (after deduction of selling agents' fees, legal fees, disbursements and reasonable costs). 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, you or your estate will retain the surplus.

### 14. How do I find out more?

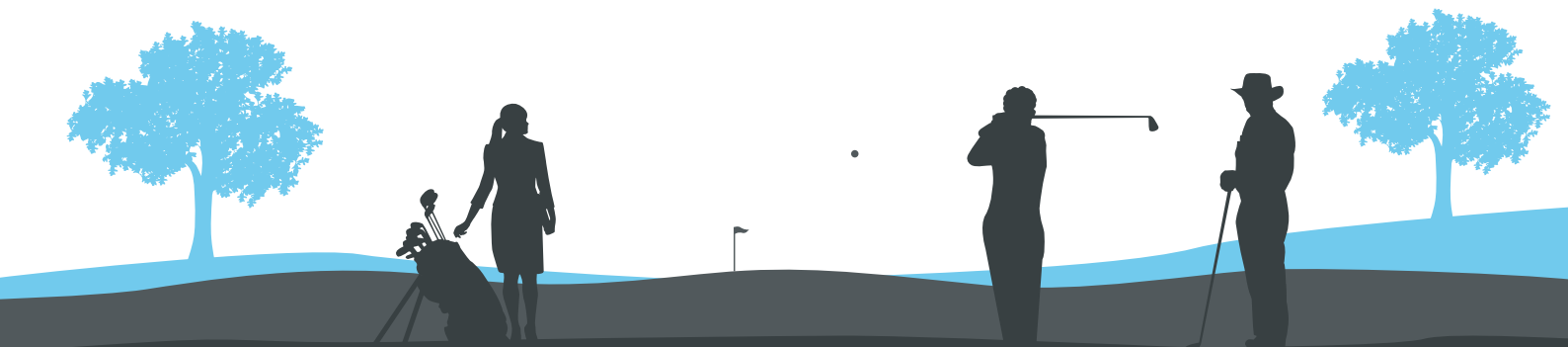
Your financial adviser will help you to decide whether an Indexed Lifetime Mortgage is suitable for you.

#### You can find out more about the range of Indexed Lifetime Mortgage Products by:

- Obtaining a personalised Key Facts Illustration via your financial adviser.
- Asking for a copy of our Terms and Conditions for this lifetime mortgage.

## Maximum loan to value ratios

Age of youngest applicant	Max loan as a % of property value			Age of youngest applicant	Max loan as a % of property value		
	Standard	Plus	Max		Standard	Plus	Max
55	15%	19%	21%	70	30%	34%	38%
56	16%	20%	22%	71	31%	35%	39%
57	17%	21%	23%	72	32%	36%	40%
58	18%	22%	24.5%	73	33%	37%	41%
59	19%	23%	26%	74	34%	38%	42%
60	20%	24%	28%	75	35%	39%	43%
61	21%	25%	29%	76	36%	40%	44%
62	22%	26%	30%	77	37%	41%	45%
63	23%	27%	31%	78	38%	42%	46%
64	24%	28%	32%	79	39%	43%	47%
65	25%	29%	33%	80	40%	44%	48%
66	26%	30%	34%	81	41%	45%	49%
67	27%	31%	35%	82	42%	46%	50%
68	28%	32%	36%	83	43%	47%	50%
69	29%	33%	37%	84	44%	48%	50%
				85	45%	49%	50%



## Get in touch

Freephone: 0800 731 4076

Hodge Lifetime, One Central Square, Cardiff, CF10 1FS

[www.hodgelifetime.co.uk](http://www.hodgelifetime.co.uk)

Hodge Lifetime is a trading name of Julian Hodge Bank Limited which is registered in England and Wales (No. 743437). It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its registered office is One Central Square, Cardiff, CF10 1FS.

