# Retirement Mortgage

Product Summary

HODGE LIFETIME

# Retirement Mortgage — Product Summary

**The Retirement Mortgage from Hodge Lifetime offers you a flexible way to borrow 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 79% 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 Retirement Mortgage is a lifetime mortgage enabling you to borrow money in retirement using the value of your home as security. The loan can be for almost any purpose.

You'll have to pay the interest on the loan each month, and the amount you'll be able to borrow will be based on your retirement income

The capital will be 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

***It's important to understand that your home may be repossessed if you do not keep up repayments on your mortgage.***

Your ability to make 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 which means it is 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 needed in later life;
- Your future choices in moving home could be limited;
- Or, 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 don't cover the amount we lent you, this will be covered by the No Negative Equity Guarantee and you won't have to pay a further sum. 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 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.

| 55+ Mortgage | Retirement Mortgage | Interest roll up lifetime mortgages |
|---|---|---|
| The loan term is fixed, and you can select the term that is right for you. | 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. |
| This is an interest-only loan. You must have suitable arrangements in place to repay the capital at the end of the term. | This is an interest-only loan. The capital is repaid from the sale of your home after your death. | This is an interest roll-up loan. The capital and interest are repaid from the sale of your home after your death. |
| The loan is repaid at the end of the term by exercising your repayment strategy.<br>This could include the sale of your home, or the sale of other properties or investments. | The loan is repaid from the sale of your home after your death or move into long-term care. | The loan is repaid from the sale of your home after your death or move into long-term care. |
| You must make all of the monthly interest 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 the fifth anniversary of 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. |
| There are no safeguards if you have difficulty meeting your mortgage payments. | If you have difficulty making your mortgage payments after age 80, you can choose to have the interest rolled up. | You have the right to remain in your home until you die or move permanently into long-term care. |
| Your home is at risk if you do not keep up the repayments on your mortgage. | Up to age 80, or the fifth anniversary after taking out your loan (if later), 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 based on your ability to afford the mortgage, based on your income and expenditure, up to a maximum loan to value ratio.<br>We will consider your employment and retirement income in assessing affordability. | The amount you can borrow is based on your ability to afford the mortgage, based on your income and expenditure, up to a maximum loan to value ratio.<br>We will consider your employment and retirement income in assessing affordability. | 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 for couples and individuals. The youngest applicant must be within our eligible age criteria and if there are two applicants the property title must be held in joint names.

The amount you can borrow is determined by your ability to repay the interest, based on your income and expenses. You'll need a reasonable level of retirement income in order to be eligible for the Retirement Mortgage.

## How much can I borrow?

When you apply, we'll ask you to go through your income and monthly outgoings with us. This information will help Hodge Lifetime decide whether or not you can 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 age of the youngest applicant - 50% up to age 70, 45% at ages 71-75 and 40% at age 76 and over.

## What forms of 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.

## Is my property eligible?

Your home needs to be in England, Scotland or Wales, and you need to live there permanently. 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.

If you still have a mortgage or a charge to pay on your property, it must be small enough to be repaid from the money you receive on completion of your Retirement Mortgage, or redeemed before completion 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 asked 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 mortgage?

Until you are able 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, and you will also have to pay your own legal fees if you 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, we will charge you a product 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 mortgage will be repaid when you or your surviving partner dies, or when you or your surviving partner goes into long-term care on medical grounds or because of specialist advice.

When the property is vacated, you and/or your personal representatives should arrange for it to be sold. This 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 have to meet the ongoing costs of maintaining your property, and pay all the associated costs such as council tax, insurance and service charges (if your property is leasehold). If you don't, you may be breaching the terms and conditions of your loan.

If your circumstances change, you might have to pay your costs, and our costs, for changing your loan agreement. 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 our No Negative Equity Guarantee. This means 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 revalue 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 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 your mortgage to give the new partner a right of occupation, provided that it 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.

## Get in touch

Freephone: 0800 731 4076

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

www.hodgelifetime.co.uk



HL RM PS Sep 17

HODGE LIFETIME