



# The Complete Guide to Later Life Lending



At Home Equity Release  
we believe everyone  
should have the  
freedom to do what  
matters to them. And  
we want you to enjoy  
the fulfilling, worry-free  
later life you deserve.



To really understand your needs, it all starts with speaking with your local equity release adviser –either over the phone or face-to-face. Your adviser will consider all your options, including later life mortgages, downsizing and alternative forms of borrowing. And if they believe releasing equity is the most suitable option for you, they'll search the whole market to find the right plan for you.

Releasing equity means the money your home has earned, doesn't have to stay tied up in the bricks and mortar. Instead, you could access some of that cash, tax-free.

It could fund the home improvements you want to make or the holidays you want to take. It could give you peace of mind by clearing existing debts, big and small, and let you support family members when they need it most.

Whatever your needs are, we'll guide you through all your options, and you'll never face any pressure from us to go ahead. We're just here to give you honest, clear, independent advice



## Later Life Lending explained

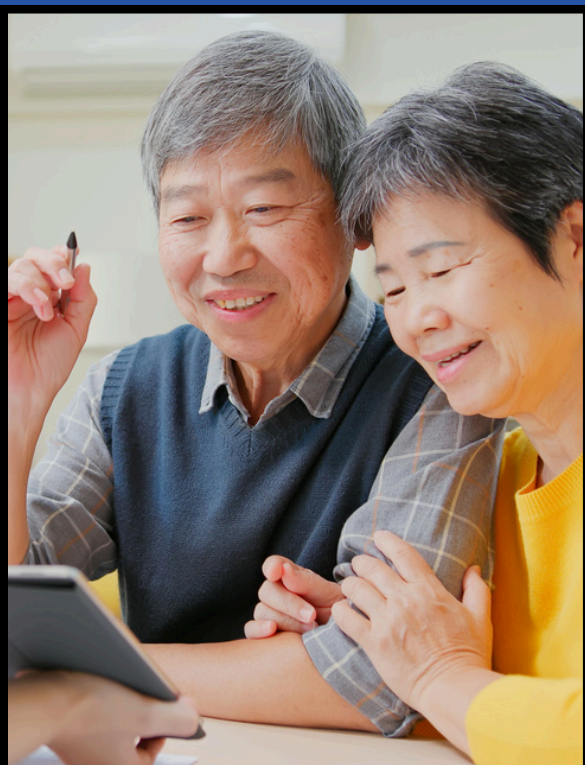
A plan allows homeowners over 55 to access some of the cash locked in the value of their home.

The value of your home, minus any outstanding mortgage and any other loans secured against it, is the equity you have in your property. This equity is often passed on as an inheritance, however, an increasing number of people are tapping into some of this wealth to help boost their retirement finances.

After years of working hard to make monthly mortgage repayments, your home is likely to be your biggest asset, particularly if you have benefitted from an increase in house prices over the last few decades.

An alternative way to release the equity in your home would be to sell and downsize, however, leaving the family home and neighbourhood can be an emotional upheaval.

With people living longer and pensions not being what they once were, for many, savings have to stretch a lot further to last throughout retirement



### Are you eligible?

Tens of thousands of people are already enjoying the benefits of unlocking some of the cash from their home. However, it's not suitable for everyone, which is why it's important to get independent advice before you make a decision. You may be eligible for a lifetime mortgage if:



Over 55



You're a homeowner with a property worth at least £70,000

# What are the pros and cons?

Like any financial product, a lifetime mortgage has benefits that are designed to help you, but also has potential drawbacks which are important to consider before making a decision.

## PROS

- You can unlock cash from your home, tax-free, to help meet your needs in later life
- You'll always retain full ownership of your home and can stay in it for as long as you wish with a lifetime mortgage
- You can choose to make reduced or no monthly repayments to suit your circumstances
- You'll never owe more than your home's worth or pass on any equity release-related debt to your family with a lifetime mortgage
- You can repay up to 10%–12% of the original loan amount each year, without incurring an early repayment charge, depending on the lender
- You have the right to move home in the future, subject to criteria
- You have to receive qualified advice before taking out equity release, so you can be sure it's the right decision for you

## CONS

- A lifetime mortgage is a loan secured against your home and subject to compound interest, meaning the amount you owe can grow quickly
- Equity release will reduce the value of your estate
- Equity release may leave you with limited or no property equity remaining
- Equity release may affect your entitlement to means-tested benefits
- Releasing equity will reduce your financial options in the future
- A lifetime mortgage is a long-term financial product and is not designed to be fully repaid until the death or entry into long-term care of the last remaining borrower
- If you wish to repay the loan early, early repayment charges may apply

These drawbacks can be alleviated by receiving advice from our qualified advisers



# What options are there?

With Home Equity Release, your Later Life Lending adviser will consider all options during your advice process that may better suit your needs. And if another option is more suitable, we'll tell you. If an alternative later life mortgage that we're not able to recommend is right for your circumstances, we'll pass you over to another specialist adviser within the Cornerstone network who'll search the whole market to find the right product for your circumstances. Here are some examples of different products and solutions that may be right for you:

## Roll-up lifetime mortgage

If you are unable to get a high street mortgage due to your age or income then this may be for you.

- Age 55 and over.
- Retain full ownership.
- Fixed interest for life.
- You are able to make payments if you wish at a level you are comfortable with.
- Mortgage will never exceed the value of your property.

The amount available depends on the age of the youngest borrowers. Any monthly interest not paid will be added on to the amount owed and will 'roll-up' against the value of your property.

## Payment-Term Lifetime Mortgage

You could have the ability to release more than a comparable lifetime mortgage at a lower rate. In return, you commit to mandatory payments until the oldest applicant (for joint applications) turns 74.

- Age 50 and over.
- Retain full ownership.
- Fixed interest for life.
- Subject to an affordability assessment and credit check.
- Mortgage will never exceed the value of your property

It's important to note that a payment-term lifetime mortgage is a loan secured against your home. Your home may be repossessed if you don't keep up with mandatory payments during the payment term.

## Interest-payment Lifetime Mortgage

A When you release cash through an interest-payment lifetime mortgage, you agree to make monthly interest payments of between £25–100% of the interest added to your loan each month to help reduce your total cost of borrowing.

- Age 55 and over.
- Retain full ownership.
- Mortgage will never exceed the value of your property.
- When you stop making payments, the interest will convert to a 'roll-up' basis

Not subject to an affordability assessment and credit check, however, agreed payments must be sustainable as there may be a charge and an increase in interest rate for stopping interest payments early.

Your adviser will also consider other options as part of your advice journey, including:

### Unsecured lending

Typically, through an unsecured loan you can borrow from £1,000 up to £25,000. The term of the loan and the monthly repayments are usually fixed. So, if you make all the required payments the loan is guaranteed to be repaid at the end.

### Using existing assets

If you're able to use any existing assets to help meet your needs throughout later life, such as a pension or savings, your adviser will always recommend you do so before considering property-based borrowing

### Support from friends and family

Could a friend or family member provide the financial support you need? Although it could be a tricky conversation to tackle, receiving support from family or friends will likely be a much cheaper option than borrowing from or moving home

### Downsizing

By selling your home and moving to a smaller or less expensive property, you may be able to generate a cash lump sum to help boost your finances in later life. This can be a viable alternative to borrowing against your property; providing you have an appetite for the housing market and aren't looking to remaining your current home

## Retirement interest-only mortgages (RIO)

A RIO mortgages are effectively standard home loan schemes with one key difference: the mortgage does not have a set end date and carries on until the last borrower's death or they move into care.

- Age 55 and over.
- Retain full ownership.
- Fixed interest for life or term.
- Subject to an affordability assessment and credit check.

It's important to note that a RIO is a loan secured against your home. Your home may be repossessed if you don't keep up with mandatory payments during the payment term. We find that very few people qualify for these schemes but may still be an option for you.



## When is releasing equity not right for me?

At Home Equity Release, we understand that releasing equity isn't suitable for everyone. That's why we'll always be honest and tell you if we don't believe a lifetime mortgage is the right option for you.

We've highlighted a selection of scenarios below where releasing equity could be the right solution for your needs, and when it's not. Your specialist later life lending adviser will work with you to determine whether a lifetime mortgage, or an alternative form of later life finance, is most suitable for you during your initial advice appointment.

### Examples of when releasing equity could be the right solution

I want or need to clear my existing mortgage	I want to boost my finances and stay in the home I love	I want or need to give my family a financial gift	I want or need to make home and or garden improvements to make my property more comfortable in later life	My retirement income is not sufficient to make the most of later life	My health is declining and I need help with everyday care
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### Examples of when releasing equity isn't a solution

I'm under 55 years old and/or I don't own my own home	I'm able to afford an alternative product that would reduce my cost of borrowing	I need to borrow less than £10,000	I'm not willing to repay any existing mortgage secured against my home	I want to use the money for gambling or short-term borrowing needs	I want to use the money for investment or business purposes
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# How would you spend your tax-free cash?


If you are considering releasing a tax-free cash lump sum then you've probably got an idea in mind of how you want to spend it.

Some of the most popular reasons for releasing cash include:



You should always think carefully before securing a loan against your home to repay existing debt





# Lump sum vs Drawdown lifetime mortgage

## How does a drawdown lifetime mortgage work?

A drawdown lifetime mortgage offers more freedom than a lump sum plan, allowing you to release money when you need it. Firstly, you agree an overall sum of money you can borrow. You then take an initial sum and have the option to release further amounts when needed, subject to a minimum release.

It also allows you to potentially save a considerable amount in interest over the lifetime of your plan, as the interest only accrues on the money you've released.

### THINGS TO CONSIDER

Your lender may have the option to withdraw the additional borrowing facility and if you choose to make a drawdown, the funds will be subject to the prevailing, fixed interest rate at the time. This new rate may be higher or lower than your original interest rate.

# The benefits of a lump sum lifetime mortgage

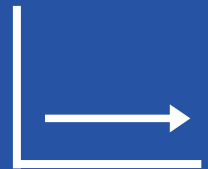


## Lower interest rates

Lump sum lifetime mortgages sometimes come with a lower rate of interest compared to a drawdown lifetime mortgage, which can help reduce your total cost of borrowing.

## Interest rates don't change

When you release further funds from your drawdown lifetime mortgage, the money released is subject to the prevailing interest rate at the time. With a lump sum lifetime mortgage, however, your interest rate is fixed for the entirety of your plan

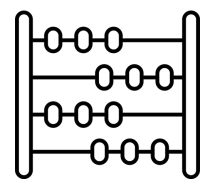


Taking all your available cash in one go will limit your future borrowing options. As interest accrues on the full amount taken from day one, the amount you owe will increase faster.

# The benefits of a drawdown lifetime mortgage

## More flexibility

Release funds from your cash reserve as you need it. This gives you the freedom to use as little or as much as you want depending on your circumstances at the time, subject to criteria.



## Smaller impact on benefits

Because you're in control of when you release the money, you can organise drawing down funds in a way that will help reduce the effect on any means-tested benefit

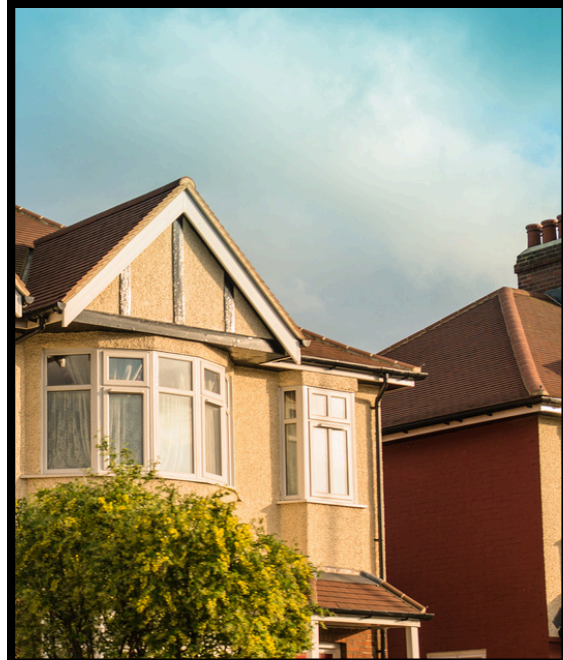
## Less interest to pay

Interest only accrues on the funds you draw down once they're released, so you'll have less of it to pay. Plus, no interest accumulates while your funds are still sitting in the reserve



# Compound interest explained

Unless you choose to do so, there are no repayments to make on a lifetime mortgage until the plan comes to an end. As a result, you pay interest not only on the loan itself, but also on the interest that's already been added to the loan



## How does it work?

Whether interest is added to your lifetime mortgage on a monthly or annual basis is dependent on your plan. But during that first period, the interest is charged and added to the original loan amount –the sum of tax-free cash you unlock from your home's value.

However, in the period following, interest is then calculated and charged on what you owe (the original loan amount plus interest), not the amount you initially borrowed. This new, larger amount of interest is then added to your loan, and this cycle continues until the plan comes to an end.

This means a larger amount of interest is added to your lifetime mortgage each period. The interest rate at the beginning of your plan determines how quickly the interest grows which will impact the total cost of borrowing over the term of the loan

### An example of how compound interest works over 15 years

	Balance at the start of the year	Interest rate*	Interest added**	Balance at the end of year***
Year 1	£50,000	6.5% MER	£3,349	£53,349
Year 2	£53,349	6.5% MER	£3,573	£56,921
Year 3	£56,921	6.5% MER	£3,812	£60,734
This cycle continues throughout the life of the mortgage				
Year 15	£123,911	6.5% MER	£8,229	£132,210

Initial release amount of £50,000 Plan subject to a fixed interest rate throughout the life of the plan

\*With the lifetime mortgage we recommend the interest is fixed for life of the mortgage

\*\*Interest is charged on the balance at the start of the year, not the original amount

\*\*\*The balance at the end of the year includes compound interest



# How can I reduce the cost of my lifetime mortgage?

All of the lifetime mortgages we recommend come with options to help reduce the total cost of the borrowing if that's important to you; for instance, if you wish to leave a larger inheritance to your loved ones

## Making repayments

Even though there are typically no monthly repayments to make with a lifetime mortgage, all the plans we recommend come with the option to make ad-hoc or regular repayments to help reduce your total cost of borrowing.

Even if you're only able to make small repayments, it will help reduce the amount of interest you pay over the lifetime of your loan.

In this example, if you were to borrow £81,703 and make no repayments at all, after 15 years, your total cost of borrowing would be £223,915\*. However, by making a monthly £250 repayment, after 15 years, you'd owe £146,440 – with a total cost of borrowing, including repayments, of £191,440. This means, by repaying £250 a month, you, and your beneficiaries, could benefit from a £32,475 net interest saving.

\*Based on a fixed 6.74% MER (Monthly Equivalent Rate) interest rate





However, if you are unable to make repayments towards your lifetime mortgage, there are other options that could help to manage the size of your loan:

### **Consider a drawdown plan**

With a drawdown lifetime mortgage, you only take out the money you need when you need it. This can help reduce your total cost of borrowing, as interest is only charged on the money you release, rather than the full amount available

### **Remortgage to another plan in the future**

If interest rates reduce in the future, you may have the option to remortgage your current plan to secure a lower rate. By paying a lower interest rate, you can reduce your total cost of borrowing. However, a reduction in interest rates in the future isn't guaranteed.

It's also important to remember that an early repayment charge (ERC) may be payable if you choose to remortgage your equity release plan.



# Is releasing equity safe?

All our later life lending advisers have specialist qualifications and you can only take out a plan if you've received advice from a qualified adviser. It's important you get that support to help you make the right choice.

As an extra safeguard, we only recommend lifetime mortgages that meet Equity Release Council standards

## Equity Release Council guarantees

All the lifetime mortgages we recommend meet Equity Release Council standards and come with the following guarantees



You retain full ownership of your home throughout the life of your plan and have the right to stay in your property for as long as you choose



You have the right to move home and take your lifetime mortgage with you subject to the new property being acceptable to your product provider



You can never owe more than your home's worth or pass on any equity release related debt to your loved ones as all the lifetime mortgages we recommend come with the no negative equity guarantee



There are typically no monthly repayments to make with a lifetime mortgage, but you have the right to make repayments if you wish, subject to lending criteria



Your interest rate is fixed for the life of your loan, so you're protected against any future rate rise



**It's important to remember that a lifetime mortgage may leave you with limited or no property equity remaining and it'll reduce your financial options in the future**



# Features

Here's an overview of the flexible features that are available with some of the lifetime mortgages we recommend.

## Downsizing protection



If for any reason you need to move home and your new property doesn't meet the lender's criteria, you can pay the loan back early without incurring an early repayment charge, subject to lender criteria. If acceptable, you can take the loan to the new property.

This feature gives you the peace of mind that, should your circumstances change for health or family reasons, you'll be able to adjust your housing plans accordingly

## Inheritance protection



If you want to be able to guarantee an inheritance for your loved ones, you can ring-fence a portion of your property value with a protected lifetime mortgage. This allows you to guarantee that a percentage of the future value of your home will be left to your family when the property is sold, regardless of how much interest accrues



## Partial capital repayments

You can make voluntary, ad hoc repayments up to 12% of the initial amount you've borrowed each year without incurring an early repayment charge, depending on the lender.

This becomes a very useful option if, for example, you wish to make repayments or receive a windfall from an inheritance. Paying off some of the debt means you reduce the size of the loan on which interest is charged – and that means a lower accrual of interest









## Interest payment

This allows you to choose how much interest (subject to a minimum) you want to pay and how long you want to pay the interest charged each month. The advantage of this option is by paying some interest payments during the plan term, the amount your provider takes at the end of the plan will be less, as you have already paid off some or all of the interest charged.

Also, if for any reason you are unable to make repayments, the plan can be converted so interest is added as with a standard lifetime mortgage, although charges and an increase in interest rate may apply

# Different plans for different needs

A combination of these features are available so you can tailor the equity release plan around your needs. Your adviser will be able to talk through all this with you. Don't forget, some of these features may be available on other products, and your adviser will talk you through your options as part of your advice journey

What would you like to do?		The type of plan that might be suitable
Guarantee an inheritance for my family		Lifetime mortgage with inheritance protection
Pay the interest monthly to reduce the overall debt		Interest-payment lifetime mortgage
Reduce the size of the loan on which interest is charged		Lifetime mortgage with partial capital repayments
Have the flexibility to move home in the future without an early repayment charge		Lifetime mortgage with downsizing protection
Take the maximum amount possible		Lump sum lifetime mortgage
Take some now and have more to come back for if I need it		Drawdown lifetime mortgage

# Considering the impact of house prices

If you're considering releasing equity, it's important to consider the value of your home now and in the future, as it will affect any potential inheritance you want to pass on.

Over the last few decades, average UK house prices have risen steeply; more than doubling in the last 20 years. If you take out a lifetime mortgage, and house prices continue to rise, you may build up more equity to leave to your loved ones, as the plan continues over time. Please remember that compound interest will continue to accrue over the term of a lifetime mortgage.

However, it's also important to understand that house prices may fall during the life of your plan, which would reduce the amount of inheritance remaining. But with all the lifetime mortgages we recommend, you can never owe more than your home's worth or pass on any equity release related debt to your loved ones as all plans come with the no negative equity guarantee.

## Lifetime Mortgage

Equity remaining in  
your home  
**£281,616**

Lifetime mortgage  
amount  
**£81,703**

Property  
value  
**£363,319**

## Lifetime Mortgage + Interest

Equity remaining in  
your home  
**£197,888**

Lifetime mortgage  
amount plus Interest  
**£223,914**

Property  
value  
**£421,802**

House price growth can help build further equity in your property which can be passed on as an inheritance or accessed again in the future through equity release

This example assumes a fixed interest rate of 6.74% MER (Monthly Equivalent Rate) and house price inflation of 1% over a 15-year period. Please note that these are only examples and the value of your house could go down or not increase at the same rate. Lifetime mortgage amount and property value are based on the average values





We will guide you through the process,  
step by step...

Speak to an  
expert



A specialist will answer initial questions you might have and arrange a consultation with an independent adviser

Talk to your  
family



We encourage you to discuss equity release with your family and invite them along to appointments

First  
Appointment



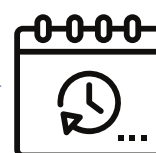
our local adviser will discuss all the alternative options available and find out more about your particular circumstances and requirements

Finding the  
right plan



Should you decide to proceed, your adviser will search the whole of the market to find the most suitable plan for you

Second  
appointment



Your adviser will present their recommendation and answer any questions you may have. Your adviser will also provide a personalised illustration

Starting the  
paperwork



Should you decide to proceed, the paperwork will be submitted to the plan provider and your property will be valued by an independent surveyor

Offer issued



The provider will issue a lifetime mortgage offer including full terms and conditions of your plan for your approval

Legalities



Independent solicitors acting on your behalf will cover the legal aspect

Complete in  
6-8 weeks



Although a timescale cannot be guaranteed, this is the typical time it takes from application to completion

Money released



Time to start enjoying the money released!

# What are the most commonly asked questions about releasing equity?

## **Are lifetime mortgages regulated?**

Yes, they are regulated by the Financial Conduct Authority (FCA). Expert advice is also required before you can take out a plan.

## **Will I ever fall into negative equity?**

No. All the lifetime mortgages we recommend come with the no-negative-equity guarantee, meaning you'll never owe more than your home's worth. However, a lifetime mortgage may result in limited or no property equity remaining and will reduce your financial options in the future.

## **Who handles the legal side of the process?**

An independent solicitor will need to be appointed to handle the legal side of the process for you. We want to make sure you are comfortable with your decision, so can suggest solicitors with equity release experience if you prefer.

## **Can I still leave an inheritance for my family?**

Yes, you can. Some of the plans we recommend guarantee that a set percentage of your home's value, at the time your plan ends, will form part of your estate for you to pass on to others in your will.

## **What happens when I pass away?**

Your home will usually be sold once you and your partner have passed away. The sale proceeds will be used to repay the amount you owe and any money left will go to your estate.

## **What is compound interest?**

A lifetime mortgage is subject to compound interest. That's where you pay interest not only on the original loan amount itself, but also on the interest that's already been added

## **Will I still own my home?**

Yes, with all the lifetime mortgages we recommend you can stay in your home for as long as you want to. However, with a reversion plan, the reversion company will own all or part of the property, although you can live in it for the rest of your life.

## **Can I move house?**

Yes. Home Equity Release recommend plans that meet the Equity Release Council standards, which means your plan can be transferred to a new home (subject to criteria).

## **What do people usually use the money for?**

Customers spend the tax-free cash they release on many different things. Some of the most popular are travel, home improvements and repaying existing debts.

## **Can I take out a plan if I still have a mortgage?**

Yes, however, you will need to repay the mortgage using the money released. Any funds left over are yours to enjoy.

## **How is my home's value assessed?**

Your property will be valued by an independent RICS registered surveyor so you can be confident of an unbiased opinion of your property's worth for mortgage purposes.



# Why choose Home Equity Release?

We're independent Later Life Lending experts and we **search the entire market** to find the right plan for you

As we're completely independent we're not tied to any lenders. We'll compare all your options, including later life mortgages, downsizing and other forms of borrowing and recommend the option that's most suitable for you. We're able to offer you bespoke solutions from our fully-qualified advisers, you'll deal with industry experts throughout your entire journey. Why not find out for yourself what makes Home Equity Release so unique?

Meet with a qualified adviser at home or speak to us over the phone for a free no-obligation consultation to find out more about unlocking the cash from your home and ask us any questions you may have.

Unless you decide to go ahead, Home Equity Release is completely free of charge as our fixed advice fee of £1,495 would only be payable on completion of a plan.



A face-to-face appointment in your home or over the phone if you'd prefer



Independent Impartial Advice



A personal case handler who will take care of all the paperwork for you

We search the whole of the market to find the right plan for you, including...





# Find out how we can help...

Book a free, no-obligation initial consultation with one of our Advisors



Visit our website

## Get In Touch



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### Business Hours

Monday to Friday 9am – 5pm

Closed Saturday

Closed Sunday

A lifetime mortgage is a loan secured against your home. To understand the features and risks, ask for a personalised illustration. Equity release will reduce the value of your estate and may affect your entitlement to means tested benefits.

Home Equity Release Ltd is an appointed representative of Cornerstone Finance Group Ltd, which is authorised and regulated by the Financial Conduct Authority.

