

& HOME BUYING EXPERT

- Mortgage advice for all home owners/buyers -

The Knowledge Series:

Equity Release

The **complete guide** to everything you need to know about releasing equity from your home.





What is Equity Release? Here's a quick run-down.

The basics: If you are 55 or over and have sufficient equity in your own home, you could apply for an **Equity Release** mortgage and pull out some cash.

You can **use that cash for whatever you like** - buy a car, pay for long-term care, go on a dream holiday, gift some to the kids as a deposit on their first home, or just to help with your monthly living expenses.

Your **Equity Release** mortgage is repaid when you die or move in to long-term care. It is likely to impact what you are able to leave your loved ones, so requires careful consideration.

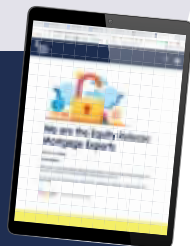


No monthly payments required.

Useful Links:

🔗 **Equity Release Council**
www.equityreleasecouncil.com

🔗 **The Money Advice Service**
www.moneyadviceservice.org



Equity Release - the options:

| Lifetime Mortgage | Home Reversion Plan |
|---|--|
| <ul style="list-style-type: none"> You retain ownership of your home. | <ul style="list-style-type: none"> You pass ownership of your home to an investment company. |
| <ul style="list-style-type: none"> No monthly payments are usually made and interest is 'rolled-up'. | <ul style="list-style-type: none"> As this is not a loan, no monthly rent payments are required and there is no interest accrued. |
| <ul style="list-style-type: none"> The mortgage is repaid when the last borrower goes in to long-term care, or dies. | <ul style="list-style-type: none"> When the property is sold, the provider receives the total of the sale proceeds. |
| <ul style="list-style-type: none"> The minimum age for an Equity Release mortgage is 55. | <ul style="list-style-type: none"> Home Reversion Plans tend to be for older applicants (65+) |
| <ul style="list-style-type: none"> The amount you can borrow depends on your age and the value of your home. | <ul style="list-style-type: none"> Home Reversion Plans tend to be able to offer more money, as applicants are older. |

How much can you borrow?

| Age | LTV Max (%) / LTV Best (%) | Rate Max (%) / Rate Best (%) | Loan (£) £220k value |
|-----|----------------------------|------------------------------|-------------------------|
| 55 | 27% / 21.4% | 5.5% / 3.7% | £62k / £47k |
| 65 | 38% / 31% | 5.5% / 3.59% | £87k / £68k |
| 75 | 50% / 42% | 6.47% / 3.6% | £115k / £96k |
| 85 | 58% / 53% | 6.47% / 3.06% | £133k / £122k |

Figures are for illustrative purposes only and correct at April 2020.

The above figures assume no medical issues - you may be able to borrow more if your life expectancy is less, due to underlying health conditions. Also, the older you get, the more you can borrow.



Things to look out for.

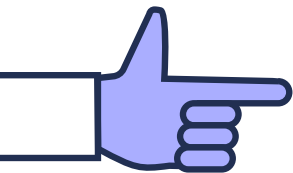
Equity Release (Lifetime mortgage) schemes require careful consideration. **Here are the top 4 things you need to know:**

1. **Is Equity Release your best option?** You should consider downsizing, which is likely to give you best value, from your home.
2. **'Rolled-Up/Compound' interest payments** - no monthly payments means the interest gets added to the loan and can accumulate quickly.
3. **'No negative equity guarantee'** - this means your estate will never owe more than your property is worth.
4. **What impact will it have on my family?** Taking out an **Equity Release** plan could leave your family with little or nothing to inherit from your property. You need to be comfortable with this possible outcome.

Important:

- **Do you receive state benefits?** Any money you release from your home may have an impact on the benefits you are entitled to.
- **Consult your family.** Talk frankly to your family about the decision you are planning to make. An **Equity Release** mortgage is likely to effect their inheritance when you die.





Getting Started - How to apply for your Equity Release.

1. Find out if you are eligible
You need to be a homeowner and the youngest applicant needs to be aged at least 55 years old to qualify.
2. Find out the value of your home
This will help you establish how much you might be able to release.
3. Speak to financial advisor
This is a **specialist area of advice** and your financial advisor will review your personal circumstances and provide you with some recommendations.
4. Submit your **Equity Release** application
When you are happy to proceed you will need to complete your application form. Your financial advisor will do this on your behalf.
5. Receive your **Equity Release** offer
This is the **Equity Release** lender officially confirming their intention to lend you the money. Your solicitor will then carry out the necessary check and once satisfied, will apply to draw your funds down.
6. 6-8 weeks to complete
You should expect the whole process to take 6-8 weeks, from application to money in the bank.



Did you know? An **Equity Release** mortgage can be paid to you as one lump sum or as a monthly payment, whichever suits you.



What is 'rolled-up' and 'compound' interest?➔

The majority of **Equity Release** mortgages do not require monthly payments and the interest is 'rolled-up'. This means that at the end of each year the amount of interest charged is added to the amount you first borrowed, which is then subject to interest at the rate you agreed, i.e. the interest is 'compounded'.

| Year | Loan (accumulating) | Interest at 4% (accumulating) | Total Owed |
|------|---------------------|-------------------------------|------------|
| 1 | £50,000 | £2,000 | £52,000 |
| 5 | £58,492 | £10,832 | £69,324 |
| 10 | £71,165 | £24,012 | £95,177 |
| 15 | £86,583 | £40,047 | £126,630 |

The above figures assume a rate of 4%. Industry rates vary and can be as low as 2%+.

Unlike a standard mortgage, you repay the amount borrowed, plus interest, when the last borrower dies or moves in to care.

You can chose to pay your interest.



Consider the value of your home - Generally speaking, property value increases. This should be factored in, but not relied upon, when considering an **Equity Release** mortgage.

The documents you'll need for your Equity Release.



Save yourself time and hassle - get your documents sorted. **Here's a handy list:**

1. **Proof of Identity:**

Mortgage brokers, lenders and solicitors are going to need proof of your identity.

- **Passport** or **Driving License**.

2. **Proof of Address:**

Lenders like to know where you live. They do this by accessing the electoral role information.

- **Council Tax Bill, Utility Bill** (within the last 3 months) or **Bank Statement** (must inc. name & address).

3. **Proof of Income:**

No proof of income is required for an Equity Release mortgage, as no monthly payments are made.

4. **Affordability:**

The amount you are able to borrow depends solely on your age and the value of your home.



Poor credit problems? Because an **Equity Release** mortgage doesn't get paid back until you sell your home, the lenders disregard all issues - apart from bankruptcy.

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