

LATER LIFE MORTGAGE LENDING

Q4 2021 Update

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The UK Finance Later Life Mortgage Lending update provides a quarterly insight into mortgages taken out by borrowers over the age of 55, the trends in lending, and demographics of those accessing the market. These trends cover mainstream lending to older borrowers, as well as specialist products such as lifetime mortgages.

This quarter's update highlights the yearly totals for later life mortgage lending in 2021, which show continued popularity for products by this borrowing demographic.

KEY DATA HIGHLIGHTS:

- There were 187,120 new mortgages to borrowers over 55 years of age completed in 2021, with total lending in the year of £28.1 billion. Compared with 2020, this represents an 11 per cent increase in mortgage volumes and a 22 per cent increase in the value of lending (slightly lower than the 27 per cent increase in the value of lending for the whole mortgage market in 2021). This is the highest annual volume and value of mortgages to borrowers over age 55 since 2014 when these data began to be collected.
- This increase in mortgage lending to older borrowers was driven in large part by the stamp duty holiday, which encouraged homeowners of all ages to move homes or expand their property portfolios.
- This activity slowed towards the end of the year. There were 44,590 new mortgages to borrowers over age 55 in Q4 2021, with total lending in the quarter of £6.8 billion. This represents a decline in volume of mortgages of 2.6 per cent compared with the previous quarter, and a decline of 3.6 per cent compared with the same quarter in the previous year.
- This decline in quarterly volumes is driven largely by the end of the stamp duty holiday in September 2021. Many borrowers had completed purchases earlier in the year to take advantage of the savings available through this government scheme, leading to a modest decline in demand in house purchase towards the end of 2021.
- The volume of lifetime mortgages in Q4 2021 was 10,860. This represents an increase of 7.5 per cent compared with the previous quarter.
- Lifetime mortgage volumes have remained broadly stable since the beginning of the Covid-19 pandemic. This follows a substantial rise in activity since 2016, due to innovations in lifetime products since 2012 that have allowed for additional flexibility and further equity available to borrowers, driven by rising house prices.

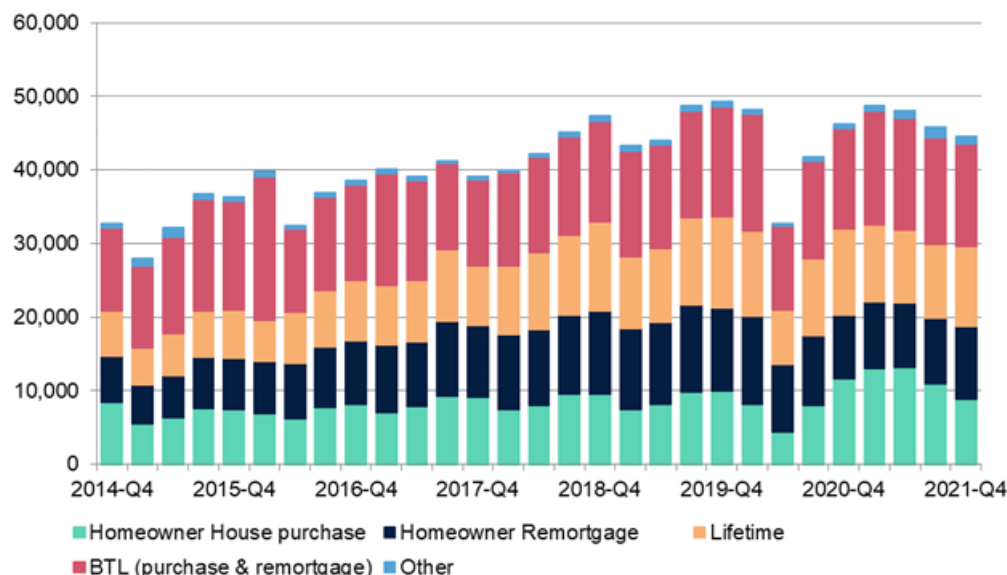
LATER LIFE MORTGAGE LENDING: THE PICTURE FOR Q4 2021

As covered in previous later life mortgage lending releases, the volume of mortgages to over 55s has been relatively strong in 2021 despite the Covid-19 pandemic.

Volumes in the final quarter of 2021 declined slightly from volumes in Q3 2021, remaining lower than levels of lending seen earlier in 2021. This is likely primarily due to the end of the stamp duty holiday, with many borrowers completing purchases before the end of September 2021 as a result.

While the end of the stamp duty holiday has led to lower volumes of purchase, volumes of lifetime mortgages and remortgaging have remained stable. This has led to total levels of lending to older borrowers over age 55 at the end of 2021 remaining higher than levels seen prior to 2018, as shown in chart 1.

Chart 1: Volume of mortgage lending to borrowers over age 55 by product



Source: UK Finance

Looking at 2021 as a whole, the volume of mortgages to borrowers over age 55 reached 187,120, higher than annual volumes since 2014 (which is when these data started to be collected).

The full effects can be seen in the total gross mortgage lending figure for 2021 of £28.1 billion, a 22 per cent increase compared with 2020, as the higher volumes of purchase led to a higher average value of loan.

While the value of remortgages declined year-on-year (in part due to the continued increasing popularity of product transfers across the market), we saw a different pattern in remortgages with equity withdrawn. This follows trends in the wider mortgage market, with many homeowners withdrawing additional equity in their home to fund a purchase of an additional property or to assist relatives with their deposit for their first home, again taking advantage of the stamp duty holiday.

Table 1: Annual mortgage lending to borrowers over age 55, by product

	2019	2020	2021	Annual change (20-21)
Number of house purchase loans:				
First-time buyers	5,370	4,630	6,420	38.7%
Homemovers	30,030	27,590	39,660	43.7%
Buy-to-let landlords	12,930	11,240	17,570	56.3%
Total	48,330	43,460	63,650	46.5%
Number of mortgage refinances				
Residential Remortgage - Equity Withdrawn	25,120	22,350	21,520	-3.7%
Residential Remortgage - Simple Refinance	20,140	16,900	15,070	-10.8%
Buy-to-let Remortgage - Equity Withdrawn	18,090	15,640	16,570	5.9%
Buy-to-let Remortgage - Simple Refinance	26,780	27,170	24,820	-8.6%
Number of new equity release loans:				
Lifetime Mortgages	44,170	41,280	41,400	0.3%
Total volume of mortgages*	185,330	168,810	187,120	10.8%
Gross mortgage lending (£ million)	23,800	23,090	28,100	21.7%

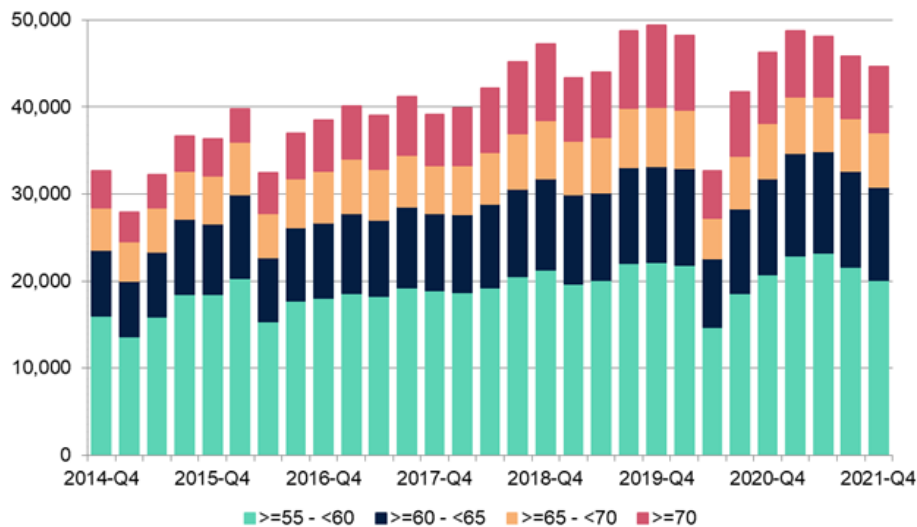
Source: UK Finance

1- The sum of purchase, remortgaging and lifetime mortgage volumes do not add to the total volume of mortgages. This is due to the inclusion in the total volumes of loans classified as "other".

The trends in house purchase lending to older borrowers can be seen by the split of borrowers by age in Chart 2.

Borrowers between ages 55 to 65 tend to have a higher proportion of activity in mainstream products (such as house purchase) than those aged over 65. This is reflected in the decline in activity in the 55-65 age group in the second half of 2021. This contrasts with borrowers over age 65, which has remained broadly stable throughout 2021, given much of the lending to this age group will be unaffected by the stamp duty holiday ending (i.e. lifetime mortgages).

Chart 2: Volume of new mortgages to borrowers over age 55, by age of borrower

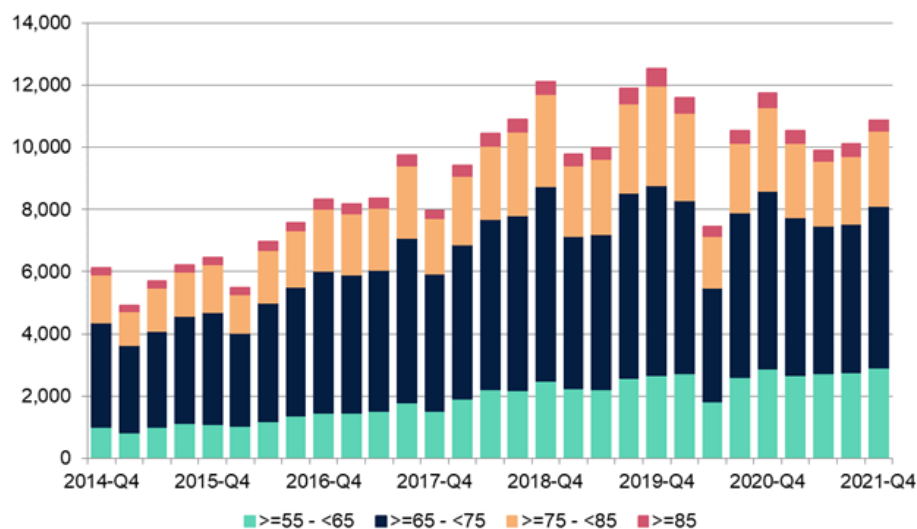


Source: UK Finance

Lifetime mortgages saw a modest increase in activity in Q4, as seen in chart 3. This may be an indicator that uncertainty in circumstances due to the Covid-19 pandemic may be beginning to subside.

Total lifetime mortgage volumes do remain lower than prior to the pandemic, indicating that there may still be a tranche of borrowers who are waiting for further certainty in their circumstances before taking out a lifetime mortgage.

Chart 3: Volume of new lifetime mortgages, by age of borrower



Source: UK Finance

Following the recently launched [Later Life Lending Leaflet](#), we wanted to take more of an in-depth look into lifetime mortgages and how they have developed historically.

Lifetime mortgages became a regulated product in 2004 and have since become the most popular later life specific product within the mortgage market.

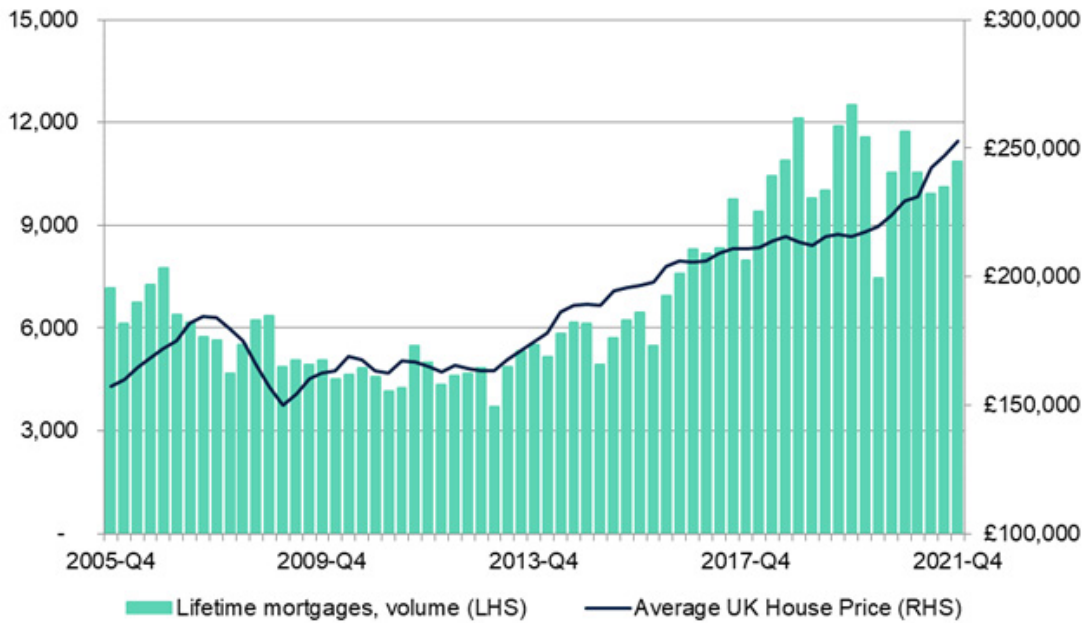
Increasing house prices over the past few decades has resulted in older borrowers having more equity in their home than they had before. It's worth noting that many of these older borrowers will either have a low balance left to pay on their mortgage or will own their home outright. Chart 4 demonstrates the impact that rising house prices have had on lifetime mortgages. Volumes have increased substantially in the past five years as older borrowers look to withdraw equity for retirement, either for one-off uses or to supplement their pensions.

While equity available is a large driver in older borrowers taking out lifetime mortgages, it is worth also covering the number of innovations in the space since the product became regulated. Lifetime mortgages are now more flexible, with an increased number of lenders in the space, borrowers are able to choose between a suitable drawdown and/or lump sum plan, home reversion plans and more.

There are also the product and advice standards, maintained by the Equity Release Council (the Council), which ensure that consumers can trust that equity release is safe and reliable. These include standards which ensure borrowers are protected against potential increases in interest rates; the ability to stay in their property until they die or go into residential care, or; a potential decline in house prices. The latest product standard introduced by the Council (to come into effect 28 March 2022) means that borrowers will be able to make penalty free, partial repayments on their lifetime mortgage (subject to lending criteria), providing additional flexibility.

While the increased flexibility of lifetime mortgages may have had less of an impact on borrowers taking out these mortgages than the increasing levels of equity available to borrowers, it is clear that the power of the lifetime mortgage and the improvements in this product over recent years have led to it becoming the most popular specialist later life product on the market.

Chart 4: Volume of new lifetime mortgages against UK house prices



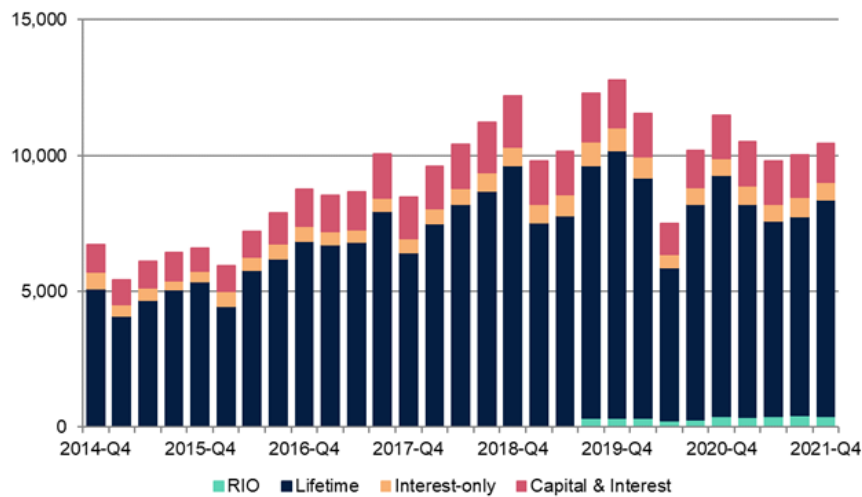
Source: UK Finance/Nationwide Housing Index

While lending to borrowers between 55-65 is driven by mainstream products, it's important that we also capture specialist later life lending in full for borrowers over age 65.

Chart 5 shows that specialist lending is very much the norm for borrowers over 65, with only a modest portion of lending to this demographic likely to be considered "mainstream" through capital and interest mortgages.

Retirement Interest Only (RIO) mortgages continue to operate at low levels, as highlighted in our previous Later Life Mortgage Lending Update. However, we are seeing small increases in the volume of these mortgages as more lenders have started lending on these products.

Chart 5: Volume of homeowner mortgages to borrowers over age 65, by repayment type



Source: UK Finance

NEW LATER LIFE MORTGAGE LENDING

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
Volume	49,330	48,220	32,640	41,700	46,250	48,720	48,040	45,770	44,590
Value (£bn)	6.46	6.38	4.35	5.86	6.50	7.24	7.41	6.66	6.79

NEW LATER LIFE MORTGAGE LENDING VOLUMES, BY PRODUCT

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
Homeowner House purchase	9,920	8,130	4,430	8,080	11,580	13,020	13,190	10,980	8,890
Homeowner remortgage	11,300	12,030	9,170	9,360	8,690	9,070	8,810	8,830	9,880
Buy-to-let (purchase & remortgage)	14,880	15,890	11,350	13,170	13,640	15,410	15,120	14,500	13,930
Lifetime Mortgage	12,510	11,580	7,430	10,530	11,740	10,530	9,910	10,100	10,860

*Lifetime mortgage figures for the most recent quarter (Q4 2021) is an estimate and is subject to revision.

NEW LATER LIFE MORTGAGE LENDING VOLUMES, BY AGE OF MAIN BORROWER

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
55 – 59	22,150	21,820	14,690	18,570	20,790	22,940	23,200	21,580	20,080
60 – 64	11,000	11,150	7,920	9,740	10,970	11,760	11,740	11,050	10,720
65 – 69	6,840	6,650	4,680	6,010	6,360	6,480	6,280	6,080	6,270
>=70	9,340	8,600	5,350	7,380	8,130	7,540	6,820	7,060	7,520

VOLUME OF NEW MORTGAGES TO BORROWERS OVER AGE 65, BY REPAYMENT TYPE

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
Retirement Interest Only (RIO)	346	336	245	276	405	356	406	424	408
Lifetime	9,840	8,860	5,620	7,920	8,860	7,860	7,180	7,330	7,950
Interest-only	828	765	513	617	624	664	636	707	646
Capital and Interest	1,749	1,594	1,120	1,382	1,586	1,632	1,570	1,563	1,439

NEW HOMEOWNER LENDING VOLUMES BY AGE MORTGAGE TERM ENDS

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
<55	32,950	29,200	20,460	26,200	32,170	30,480	31,530	27,710	25,940
55 – 64	120,770	105,040	71,990	93,570	115,730	115,180	123,690	109,690	100,600
65 – 74	140,640	122,890	80,320	111,290	140,050	153,290	160,170	141,420	128,820
>=75	5,170	5,000	3,560	4,920	5,560	6,150	6,680	5,990	5,000

NOTES TO EDITORS

UK Finance Later Life Mortgage Lending data is based on data supplied by our members and grossed up to estimate total market size.

Further data on Later Life Mortgage Lending is available to mortgage members who provide transactional homeowner lending data to UK Finance. This data is available on the [industry data tables page of our website](#), under the “mortgages – later life & lifetime lending” section.

The Later Life Lending leaflet is a guide to the later life mortgage lending market for consumers, produced by **UK Finance**, the **Equity Release Council**, the **Association of Mortgage Intermediaries**, **The Investing and Savings Alliance** and **The Building Societies Association**. The leaflet can be found here: <https://www.ukfinance.org.uk/policy-and-guidance/guidance/later-life-lending-leaflet>

Data on remortgages feature only those where a new regulated mortgage contract is created and therefore do not include the majority of transactions where the borrower refinances with their existing lender (product transfers).

Retirement interest only mortgages are not captured within the later life data totals featured in this report, and are only separated out within Chart 5. The figures within this chart are estimates and may understate true totals due to an incomplete sample of RIO mortgage lenders.

Lifetime mortgages (also known as equity release products) are defined as mortgages only available to borrowers aged 55 or older, where the mortgage has no end date for the term of the mortgage (i.e. the mortgage is in place for a lifetime). These mortgages typically accrue interest, with some products offering options to make voluntary capital or interest repayments, and are often repaid through the lender selling the property once the borrower(s) no longer occupy it.

The Equity Release Council (the Council) represents the UK equity release sector and exists to promote high standards of conduct and practice in the provision of and advice on equity release which have consumer safeguards at its heart. The Council website can be found here: <https://www.equityreleasecouncil.com/>

New lifetime mortgage lending totals differ slightly from those published by the Council due to a difference in definitions of data collected. While these figures may differ, trends seen within these two sets of figures are largely the same.

