



UK
FINANCE

LATER LIFE LENDING

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Mortgage options when considering borrowing into, or during, retirement.



This guide has been designed to help you understand your options when considering a mortgage that extends into, or starts during, your retirement.

WHO LENDS TO OLDER BORROWERS?

Virtually all lenders allow you to take out a mortgage that extends past your stated retirement age as long as you can afford the payments and the mortgage is repaid at the end of the term.

However, there are also some banks, building societies and specialist firms that offer lending products that go well beyond a stated retirement age and some that will only require you to repay the mortgage at the point of moving into long-term care or through your estate at the end of your life.

WHAT PRODUCTS ARE AVAILABLE?

Standard mortgages that extend into retirement

These are conventional mortgages but have terms that extend beyond your retirement age, provided you can evidence that you will continue to be able to afford the loan until the end of the mortgage term.

You will need to make monthly payments of either capital and interest (repayment) or just interest (Interest Only). If capital and interest payments are made, the mortgage balance reduces each year and the balance is fully repaid by the end of the term. If you choose to only pay the interest, you will still owe the original amount borrowed at the end of the term, so you will need to have an agreed plan with your lender on how to repay this.

Retirement Interest Only (RIO)

A RIO mortgage is an Interest Only mortgage that allows you to pay just the monthly amounts of interest throughout the term until either the death of the last remaining borrower or when the last remaining borrower moves into long-term care.

When one of these events occurs the mortgage ends and the amount outstanding must be repaid in full.

It's important to note that all borrowers on this mortgage must be able to individually evidence that they can afford the monthly mortgage payments for the entire term.

Equity Release

There are two types of equity release products:

1. Lifetime Mortgages

The key difference with this product compared to a standard mortgage or a RIO is that monthly payments are not required.

However, many lenders will allow you to make full or partial interest payments either on a monthly or ad-hoc basis.

Either way, the mortgage is repayable upon death of the last remaining borrower or when the last remaining borrower moves into long term care.

Where no monthly payments are made, the interest accrues over the lifetime of the mortgage, meaning the amount you owe at the end of the mortgage will be more than the amount you borrowed. This could reduce the value of the estate you will leave behind.

2. Home Reversion Plans

Home Reversion Plans are technically not a mortgage, it is a property sale transaction that allows you to sell a percentage of your property but continue to live in it usually rent free until the end of your life or until you move into long term care.

You can typically sell between 25 per cent and 100 per cent of your property to the provider, and the amount you receive in return will be less than the market value.

Note: If any provider of an equity release product is a member of the Equity Release Council, additional protections are available, and the firm will be listed on their member directory. For more information, go to www.equityreleasecouncil.com/standards

WHAT TYPE OF ADVISERS CAN YOU SEE?

Not all advisers advise on all types of products. Your adviser should explain the breadth of products and services they cover and if they don't advise on products that meet your needs, they should refer to another adviser.

There are typically three types of mortgage advisers:

1. Standard mortgage advisers

These advisers provide advice on standard mortgages. Albeit some may also offer advice on RIO mortgages but unless additionally qualified are not able to give advice on Equity Release Lifetime Mortgages or Home Reversion Plans.

2. Equity Release advisers

These advisers mainly offer advice on Equity Release products but may also provide advice on standard mortgage products and RIOs.

3. Advisers who actively do both

These are advisers who do provide advice on all types of products from the standard, RIO and Equity Release markets.

Advisers in the mortgage market must be authorised by the Financial Conduct Authority (FCA). The FCA Financial Services Register lists authorised firms and individuals and the activities they have permissions for. The Financial Services Register can be searched at <https://register.fca.org.uk/s/>

PRODUCT COVERAGE

It's important to establish the range of products and lenders that your adviser has access to before you start the advice process. The reason for this is that some advisers have access to a wider range of lenders and products than others, meaning the borrowing options you have might differ depending on which type of adviser you speak to.

THINGS TO THINK ABOUT

Some of the things you might want to think about before you speak to an adviser include:

- Your short and long-term aspirations.
- Your circumstances and how they might change in the future - if your circumstances are likely to change make sure you tell your adviser as their advice should take account of this.
- What sort of payments do you want to make? Mandatory, voluntary or no payments at all?
- How is your health? Is your health likely to impact your ability to make payments in the future?
- Consider any future care needs you may have. Would you want to be able to adapt your home accordingly or move into long-term care? Think about the costs associated with these.
- If you're considering giving a lifetime gift to your family, consider what might happen if you need that money to pay for things in the future.

Whatever you decide to do, make sure you fully understand all your options and consider talking to your family before making any decisions. You may wish to consider asking a family member to accompany you to your adviser appointments.

WHO'S CREATED THIS LEAFLET?

This leaflet has been created in collaboration with the following trade associations:

- UK Finance
- Equity Release Council
- Association of Mortgage Intermediaries (AMI)
- The Investing and Savings Alliance (TISA)
- The Building Societies Association

Your home may be repossessed if you do not keep up repayments on your mortgage. Equity release may involve a home reversion plan or lifetime mortgage which is secured against your property. To understand the features and risks ask for a personalised illustration