55+ Residential Mortgage

Product Summary

HODGE LIFETIME

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The 55+ Residential 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

Our 55+ Residential Mortgages are interest only mortgages available to borrowers aged 55 or over.

If you wish to repay the mortgage during your lifetime the 55+ Mortgage allows you to specify the fixed term of the mortgage.

If you do not wish to specify a term, the 55+ Retirement Interest Only (RIO) Mortgage allows you to repay the mortgage from the sale of your property when entering into long term care or upon death.

You'll have to pay the interest on the loan each month, and the amount you can borrow will be based on your level of income and outgoings.

If you wish to have a fixed term mortgage you can set the term over which you'll borrow the money according to your needs and your situation. The maximum term we allow is up to when the youngest borrower turns 95.

A suitable strategy needs to be in place for repaying the loan capital at the end of the mortgage term.

Acceptable repayment strategies might include:

- Downsizing – selling your current home and moving to a cheaper property;
- Sale of other property – for example if you own a buy-to-let or holiday home;
- Selling other investments – such as stocks or shares, or the maturity of an endowment policy.

If you choose the 55+ RIO Mortgage, there is no repayment strategy required, the capital is repaid by the sale of your home when you die or enter into long term care.

Risks

Think carefully before securing other debts against your home. Your home may be repossessed if you do not keep up repayments on your mortgage.

Hodge Lifetime has a selection of products specifically for older borrowers. Unlike the other products in the Hodge Lifetime range, our 55+ mortgages are residential mortgages and don't include any safeguards in the event you suffer payment difficulties.

If such safeguards are important to you, you should compare this mortgage to the other products available from Hodge Lifetime. Your adviser will help you do this.

Your ability to make the payments may be affected if:

- Your income falls in the future.
- Your expenditure increases in the future.
- Inflation reduces the purchasing power of your income.
- Interest rates go up.

Taking out a mortgage in later life could limit your future choices too. For example:

- It might 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.
- Opportunities to borrow from other sources could be limited.

If the loan is for a fixed term you will be expected to repay the loan capital at the end of the term.

If the loan is for life, you will repay the loan from the proceeds of the sale of your home when you enter into long term care or when you die.

How do the 55+ Residential Mortgages compare to other products in Hodge Lifetime's range?

Hodge Lifetime specialises in lending to older borrowers. We have a wide range of products that serve different purposes. The table below compares the 55+ Residential Mortgage to other products in our range.

55+ Residential Mortgages	Retirement Mortgage	Equity Release Mortgages
Offer fixed or indefinite loan term dependent on product chosen	Retirement Mortgage (hybrid equity release) Indefinite loan term - lasts until death or moving permanently into long-term care.	Equity Release Indefinite loan term – lasts until death or moving permanently into long-term care.
The loans are interest only mortgages. For the 55+ Mortgage suitable arrangements must be in place to repay the capital at the end of the term. For the 55+ RIO. The capital is repaid from the sale of the property after death or entry into long term care	This is an interest only loan. The capital is repaid from the sale of the home after death or entry into long term care.	This is an interest roll-up loan. The capital and interest is repaid from the sale of the home after death or entry into long term care.
All monthly interest payments must be paid as they fall due.	All monthly interest payments must be paid as they fall due, at least until the youngest borrower reaches 80, or the 5th anniversary of the loan (if later), when the borrower can choose to convert to interest role up.	No payments are required during the term of the loan.
There are no safeguards if difficulties are encountered in meeting the mortgage payments.	If payments difficulties are encountered after age 80, the interest can be rolled up.	The borrower has the right to remain in their home until they die or move permanently into long term care.
The home is at risk if the repayments are not kept up on the mortgage.	Up to age 80, or the fifth anniversary after taking out the loan (if later), the home is at risk if the repayments are not kept up on the mortgage.	The borrower has the right to remain in their home until they die or move permanently into long term care.
The amount borrowed is based on the ability to afford the mortgage. This is based on income and expenditure up to maximum loan to value ratio. We will consider pre and post retirement income in assessing affordability. A credit check will be performed.	The amount borrowed is based on the ability to afford the mortgage. This is based on income and expenditure up to maximum loan to value ratio. We will consider pre and post retirement income in assessing affordability. A credit check will be performed.	The amount borrowed is based on a loan to value ratio determined by the borrowers age. Affordability not assessed, no credit check required
Residential mortgage qualification required to sell these products	Equity Release qualification required to sell this product	Equity Release qualification required to sell these products

Am I eligible for a 55+ residential mortgage?

Plans are available to individuals or couples aged 55 or older.

Where there are two applicants the property title must be held in joint names. The amount you can borrow is driven by your ability to afford the interest repayments on the loan, based on your income and outgoings. If the loan term extends beyond your expected retirement date, you must have a reasonable level of retirement income in order to be eligible for the 55+ Residential Mortgage.

How much can I borrow?

When you apply, we will ask you to provide evidence of what your income and outgoings are likely to be. We will use this information to assess your ability to afford the loan.

The maximum amount we will lend you will be the lower of:

- £500,000
- 60% of the value of your property
- The amount that we consider is affordable based on your circumstances.

What forms of income are eligible?

We will take employment, pension, investment and rental incomes into account in assessing your ability to afford your mortgage.

If your employment income stops before the end of the term of the mortgage, you must still be able to afford the mortgage after you stop working.

Pension income must be derived from HMRC approved pension schemes and can include state pensions (including SERPS and S2P), personal and employer-sponsored pension schemes, annuities, drawdown plans and SIPPs.

If you are already retired, we will base our affordability calculation on the amounts you receive. If you are not yet retired, we will estimate the amount of pension income you will be entitled to when you retire.

Investment income must normally be derived from an asset portfolio that generates a stable source of income throughout retirement. It should also provide continuity of income to a surviving spouse in the event of the investor's death.

Rental income is normally derived from a property portfolio that generates a stable source of income throughout retirement.

Are there any specific requirements for joint borrowers?

We must ensure that the loan is affordable for its term. For joint borrowers, depending on your age, we will also need to consider whether or not the loan will be affordable for a surviving borrower after the death of the other. Each surviving spouse would need to continue to receive or inherit an appropriate proportion of the joint retirement income.

When must the loan be repaid?

If you choose a fixed term mortgage the loan must be repaid at the end of the term.

You will therefore have to implement your intended repayment strategy at this time. Alternatively, you may be able to transfer the loan to another mortgage with Hodge Lifetime or another lender. However, the availability of another loan cannot be guaranteed in future, and your eligibility for such a loan would depend on your ability to afford it at that time.

What are acceptable repayment strategies for the fixed term mortgage?

The following repayment strategies are acceptable:

- The sale of your home when you downsize to a more manageable property in later life;
- The sale of other property owned by you, such as a holiday home or rental property;
- The sale of investments;
- The proceeds of a maturing endowment policy.

In order to ensure that you are able to purchase a suitable property when you downsize, we will require that you have at least £150,000 of equity remaining in your current property. This figure may be increased if you live in an area where suitable properties cost more than £150,000.

Is my property eligible?

You must live permanently in your own home, which is located in England, Wales and mainland Scotland. 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 you. If there is an outstanding mortgage or charge, it must be low enough to be repaid from the cash sum expected at completion, unless redeemed earlier using your own funds.

How do I apply?

There is a three stage application process for our 55+ residential mortgage products, as follows:

1. Obtain a personalised illustration via your adviser – this will allow you to understand more about the 55+ Residential 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 required 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;
- If you choose a fixed term mortgage, you will need to include the details of your repayment vehicle and how you intend to exercise it;
- 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?

You must pay the interest charged on your loan each month for the duration of the mortgage. We will collect these interest payments by direct debit. The interest rates applying to your loan will be shown in your mortgage offer.

What fees will I incur to take out the loan?

You will normally have to pay a valuation fee when you submit the full application. This pays for a surveyor to value your home and will not be refunded to you if you do not go ahead.

Your adviser may charge you a fee for their work.

If you are re-mortgaging or raising capital, you may choose not to take legal representation and let our solicitors put the mortgage in place. If you are purchasing a new home, or if you choose to, you will appoint your own solicitor. You will have to pay their fees, and 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 of the loan, we will charge you a product fee. You can choose to pay this in advance, or add it to your loan. You only incur this fee if the loan completes. If you pay this fee in advance but the loan does not complete, we will refund the fee to you.

What happens if I have difficulty making repayments?

Please tell us as soon as possible if you are experiencing payment diffi culties as this allows us as much time as possible to help you to solve the problem. If you do have trouble meeting your mortgage payments, we will discuss with you what alternatives may be available to you. This may include exercising your repayment strategy early.

As a last resort, Hodge Lifetime may seek to repossess your home.

What happens if I die during the mortgage term?

If you choose to take out a mortgage over a long term, there is a risk that you may die during the that period. If this happens, arrangements will still have to be made to repay the mortgage after your death, or the death of your spouse if this is later.

We will always act reasonably in allowing sufficient time for the mortgage to be repaid (for example, by allowing sufficient time for your property to be sold), but please note that interest will continue to be added to the loan until it is repaid.

What additional costs or charges could I incur as a result of taking out the loan?

If your circumstances change, you may be required to pay both yours and our costs to make changes to your loan. For example, you will have to pay the costs involved in moving house and transferring your mortgage to the new property.

What happens if I want to repay the loan early?

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 its initial period will be set out in your personalised illustration and mortgage offer.

Your loan benefits from our Flexible Repayment Option. During the period in which early repayment charges apply, 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.

What if the value of my repayment vehicle doesn't cover what I owe at the end of the mortgage?

Your mortgage will still need to be repaid even in the event that your chosen repayment strategy does not realise sufficient funds to clear the mortgage. We will always act reasonably in addressing these issues with you.

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 appoint an adviser before proceeding with an additional borrowing application. A surveyor will re-value 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 your mortgage to a new home of your choice, so long as it provides adequate security for the mortgage. Additional fees will apply.

What would happen to my mortgage if I married (or re-married) in the future?

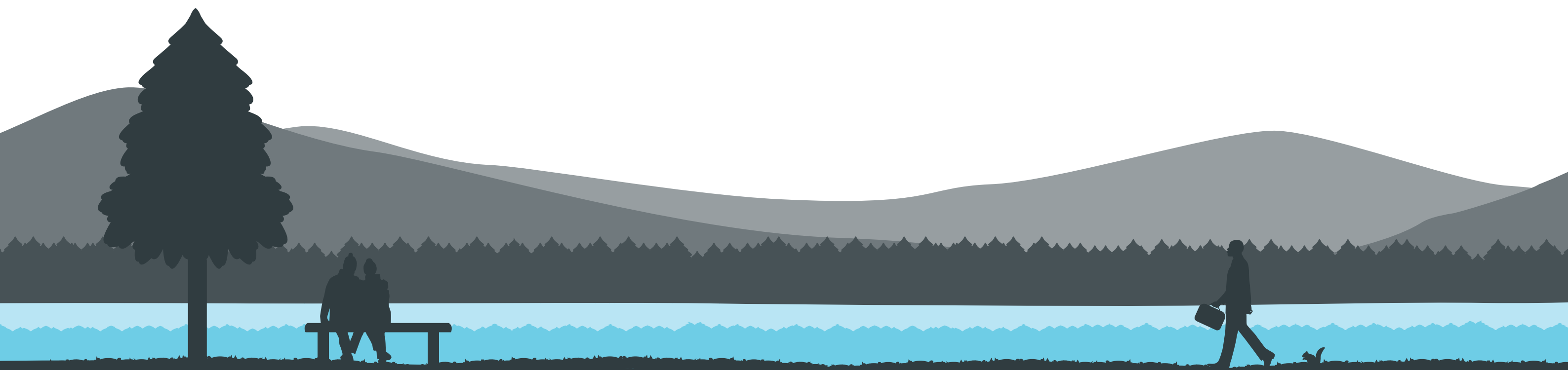
If a single planholder marries, it may be possible to revise the terms of the mortgage to give the new partner a right of occupation, provided that the mortgage remains affordable. If the new partner does not become a joint owner of the property, they will have to sign an agreement to vacate should the planholder die or move out permanently. Additional fees will apply.

How do I find out more?

Your adviser will help you to decide whether the 55+ Residential Mortgage is suitable for you.

You can find out more about the 55+ Residential Mortgage by:

- Obtaining a personalised illustration via your adviser;
- Asking for a copy of the Terms and Conditions of this mortgage.



Get in touch

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