

ASKERIC

Equity Release Information Centre

Trusted Advice; Tailored Solutions

ERIC's guide to Equity Release

Your free, impartial guide to Equity Release



ERIC's guide to Equity Release

This simple, impartial guide contains everything you need to know about Equity Release (the process of releasing capital from your home to provide you with extra cash).

Over the following pages we'll talk you through it all – from the different types of Equity Release available, through to the alternative financial options – and we'll help you make an informed decision about whether or not Equity Release is right for you.

Take your time, have a browse through the guide with your family or friends, and if you have any questions please don't hesitate to contact us. No matter what your query, **ERIC's** friendly team of Equity Release advisers is always on hand to offer free, no-obligation, impartial advice.

When you are ready we'll guide you through each step of the way to completion, just leaving you to enjoy your new found wealth as you wish.

ERIC's advisers are able to help you:

- By telephone on Freephone **0800 077 6885**
- Face-to-face at your convenience
- By email at **info@AskEric.tv**
- Through a combination of the above



What is Equity Release?

Equity Release is the term to describe Lifetime Mortgages and Home Reversion Plans.

If you're a homeowner aged over 55*, Equity Release could help you to free – or 'release' – equity from your home, so that you've got extra cash to spend on the things you want or need.

'Equity' simply refers to the difference between what your property is worth and any outstanding loans, such as a mortgage loan secured on the property.

For example:

- Your house is worth **£150,000**. You have retired and paid off all your debts, including the mortgage. Your equity is **£150,000**.
- You bought your house for **£100,000** with the help of a mortgage of **£80,000**. The value of the house is now **£200,000** and the outstanding mortgage is **£10,000**. Your equity is **£190,000**.

It's entirely up to you what you spend your equity on and how you receive it – you might want a one-off lump-sum or you might choose regular instalments. We'll discuss both of these options in more detail later in the guide.

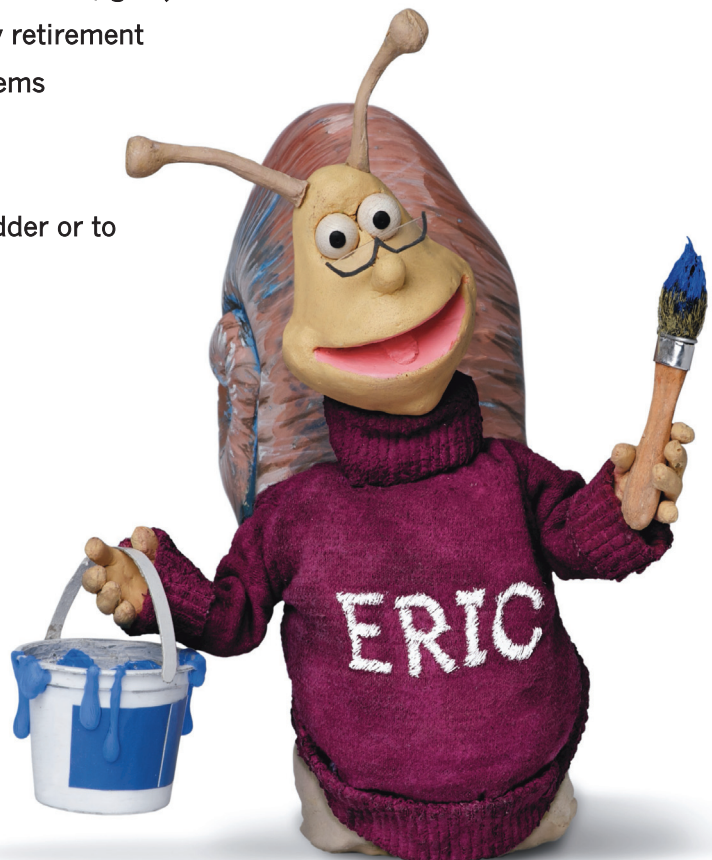
*For some plans, this may be older

Why should I consider Equity Release?

More people than ever are now considering Equity Release because of factors including: cut-backs in state pensions, inadequate private and company pensions, longer life expectancy and improved Equity Release regulations. For many people though, they just want to improve their quality of life.

The most popular reasons for taking out Equity Release plans in recent years include:

- Home improvements (new conservatories, central heating, double glazing, repairs, garden improvements)
- Clear debts (credit cards, loans, mortgages, reduce outgoings)
- Holidays, cruises and short breaks
- New cars, caravans, holiday homes
- Family treats (grandchildren's school fees, gifts)
- Improve retirement or enable early retirement
- Private medical care or mobility items (scooters, stair lifts)
- Visit family or friends overseas
- Help children onto the property ladder or to reduce their mortgage
- Reduce liability to inheritance tax



Am I eligible for Equity Release?

Each type of Equity Release plan has different eligibility criteria, so you must always check the details with the provider. There are however, some general rules:

- The youngest applicant must be over the age of 55 (for some plans this is as high as 60 or 65)
- Your property must have a minimum value of £60,000
- Your property must be in England, Scotland, Wales or Northern Ireland (excluding the Channel Islands and Isle of Man)
- If your property is leasehold, the minimum unexpired term varies from provider to provider, but at least 75 years is required. It may however, be possible to extend your lease
- If your property is ex-local authority, you must, in most cases, be outside the discount period
- You must be able to raise enough money to repay any existing mortgage or secured loans



Some types of homes are not suitable security for Equity Release plans, including mobile homes, park homes, houseboats, and properties with agricultural or forestry ties. Also, it is more difficult to arrange Equity Release plans on freehold flats (except in Scotland), properties with commercial or business use, or properties over or adjacent to commercial properties.

Did you know? Your property may also qualify for Equity Release even if you have a tenant living in it, or a younger relative or a carer living with you.

To find out if you or your property would qualify for a plan, call **ERIC'S** Equity Release experts for free on **0800 077 6885** – we're here to help.

Is Equity Release the right choice for me?

Equity Release isn't the right choice for everybody and that's why we've created this guide; so you can read all the information and make an informed decision. Take your time, discuss the options with your friends and family and, before you decide anything, make sure that:

- You understand how it works
- You understand the risks involved, not just the benefits
- You have considered all the alternatives
- You have spoken to an authorised and specialist adviser at the Equity Release Information Centre on 0800 077 6885

Why should I seek specialist advice from the Equity Release Information Centre?

It's really important that you do this, as there is such a wide range of providers and plans available that, without professional guidance, you could miss out on thousands of extra pounds by choosing the wrong one. Also, at a time in your life when you may be financially vulnerable, you need to be confident that your home and the Equity Release plan are both secure.

There are other important factors to consider too, for example the financial welfare of your family or entitlements to state benefits, so we'll address this in more detail later in the guide.

More reasons to use ERIC:

We're the UK's longest established Equity Release specialist.

Since 1985, our advisors have helped thousands of retired homeowners raise extra monthly income and cash lump sums of thousands of pounds.

Free, no obligation consultation.

Our friendly professional advisors are at hand to help you assess whether or not Equity Release is the right option for you. If you decide it is, you can then trust them to find the Equity Release plan that's best for you.

Independent, unbiased financial advice.

We are wholly independent and can therefore advise on and have access to all the providers and products available in the market. The Equity Release Information Centre always acts in the best interest of its clients, not being restricted by a panel or associated lenders.

Guarantees and safeguards.

We only recommend the Equity Release Council's SHIP (Safe Home Income Plans) member products or those with similar safeguards. This ensures that you (and anyone else named in the agreement) will have legally guaranteed occupancy of your home for the rest of your life.

Exclusive deals with extra benefits

Due to our position and reputation in the market, lower interest rates, cashback offers and free valuations, are exclusively available from the Equity Release Information Centre.

Specially trained Equity Release advisers.

Our advisers specialise in equity release mortgages and home reversion plans rather than being general practitioner IFA's or mortgage advisers. They hold the IFS or CII qualifications relating to mortgage advice and the specialist qualifications relating purely to equity release. The Equity Release Information Centre's employed advisers are all members of the Equity Release Council.

What are my other options?

Equity Release isn't right for everybody. That's why it's so important to get the right advice before you proceed. If you decide to call **ERIC'S** advisers, you'll get:

- A comprehensive and confidential review of your financial circumstances, needs and objectives
- A recommendation. This may (or may not) be that you take out an Equity Release plan. **ERIC** will also recommend which type of plan would be most appropriate for you and help you choose a provider: they are acting on your behalf and in your interests

The advice may be that you should consider raising money in other ways. This may include:

- Mortgaging your home by way of a conventional mortgage
- Drawing on money in a savings account or encashing an investment
- Selling your home and moving to a smaller, less expensive property
- Claiming state benefits such as the state pension credit or the attendance allowance
- Help with home improvements may be available from your local authority or the Home Improvement Trust

Each of these options has advantages and disadvantages, what matters most is that you choose the solution that's best suited to you and your individual circumstances. You should think very carefully about what you want to achieve – our advisers are specially trained to help you do this and will help you gather all the essential facts.

What else should I think about when considering Equity Release?

This brochure has covered many common questions about Equity Release. There are just four more things we would like to mention:

- Always consider the impact that Equity Release might have on your entitlement to means-tested state benefits. **ERIC'S** advisers are fully qualified to help you with this
- If you have close family, make sure you discuss the recommendations with them. Your decision may affect their inheritance or indeed the support they give you now
- Make sure that you feel comfortable with the safeguards being offered with an Equity Release plan. We have described the safeguards that come with an **ERIC** recommendation in the previous section
- Never invest in any product you don't understand

And, don't forget, always...

Ask Eric

We'll guide you through each step of the way to completion, just leaving you to enjoy your new found wealth.

- Freephone **0800 077 6885**
- Email at **info@AskEric.tv**



What is an Equity Release plan?

Equity Release plans all essentially do the same thing by different means, which is, release cash (equity) that is tied up in your family home.

There are two main types of Equity Release plans:

■ Lifetime Mortgage Plans

■ Home Reversion Plans

You'll find a range of competing lenders providing these plans, each of which will vary in terms of what it can offer you.

To help determine the best option for you, you should always seek independent advice from the Equity Release Information Centre. Tel: **0800 077 6885**



At a glance: comparing the different Equity Release plans

LIFETIME MORTGAGE: ROLL UP - LUMP SUM

This is a mortgage where you do not have to make any monthly repayments of the loan or the interest. Interest is added to loan and becomes payable at the end of the plan.

Features

- You mortgage your property
- No repayment date
- Available from 55
- No-negative equity
- Loan increase each year

Advantages

- You still own the property
- No monthly repayments
- You can move to another property
- Regulated by the FCA
- Receive a lump sum payment

Disadvantages

- You must pay any outstanding secured loans
- The amount left to beneficiaries will be reduced
- You may borrow a relatively small proportion of the property value
- There may be charges for early repayment of the loan
- You may lose entitlement to means-tested benefits

LIFETIME MORTGAGE: ROLL UP - DRAWDOWN

Like the Lump Sum except you only take a small portion of the total loan, and the rest is available to you when needed. You only incur interest on the money you have “drawn-down”.

Features

- You have a borrowing facility
- You draw down cash lump sums when needed
- You mortgage your property
- No repayment date
- Available from 55
- No-negative equity
- Loan increases each year

Advantages

- You still own the property
- No monthly repayments
- You can move to another property
- Regulated by FCA
- Receive a lump sum
- You can draw lump sums when needed
- Interest only paid on parts of the loan “drawn” upon

Disadvantages

- You must pay any outstanding secured loans
- The amount left to beneficiaries will be reduced
- You may borrow a relatively small proportion of the property value
- There may be charges for early repayment of the loan
- You may lose entitlement to means-tested benefits

LIFETIME MORTGAGE: INTEREST ONLY

Similar to the purchase mortgage offered by high street lenders. Interest is paid monthly on the amount borrowed. No repayments made on the capital. If payment are missed the mortgage will convert to a roll-up mortgage rather than be liable for repossession

Features

- You have a borrowing facility
- You draw down cash lump sums when needed
- You mortgage your property
- No repayment date
- Available from 55
- No-negative equity

Advantages

- You still own the property
- You can move to another property
- Regulated by FCA
- Receive a lump sum payment
- The outstanding loan does not increase while payments are being made
- No repayment date
- Interest rate is fixed at outset
- More chance of leaving money to your beneficiaries

Disadvantages

- You must pay any outstanding secured loans
- The amount left to beneficiaries will be reduced
- There may be charges for early repayment of the loan
- You may lose entitlement to means-tested benefits
- You need a regular source of income that will last into retirement
- Interest rates usually higher than high street lenders

HOME REVERSION PLAN

This is where you will sell your property or a portion of your property for less than market value, but in return get a lifetime tenancy with no rent to pay

Features

- You sell your property
- You live in your property
- You pay little (or no) rent
- Available from 65

Advantages

- No monthly payments
- Guaranteed occupancy for life
- Regulated by FCA
- Not a mortgage
- No interest
- Receive a lump sum payment

Disadvantages

- You will not benefit from any increase in property value
- You will receive less from the reversion plan than a normal sale of the property
- You may lose entitlement to some means-tested benefits
- The younger you are, the lower the amount you receive
- As you've sold your property you cannot leave it to your family
- If you were to die shortly after taking out a home reversion plan, there will be a disproportionately high loss to your estate

How do I make sure I'm protected?

You should always ensure that the firm you are dealing with, and the products it is offering you, are regulated by the Financial Conduct Authority. ERIC is regulated, as are the products on which it advises. Furthermore it has introduced a further safeguard by dealing only with providers who are members of Safe Home Income Plans (SHIP) or those offering similar safeguards.

There are a number of bodies to help ensure that you are protected if you take out an Equity Release plan.

Equity Release Council



This is a trade body formally known as SHIP. It is dedicated to the protection of planholders and the promotion of Equity Release plans.

The ERC incorporated the SHIP standards and gives you a number of guarantees:

- You cannot lose your home whatever happens to house prices, the stock market or to interest rates
- The scheme must ensure that there will be **no negative equity** at any time
- The scheme will guarantee that you (and your partner) can **stay in your property for the rest of your life** and you must have the right to move home without penalty, subject to conditions.

The Council of Mortgage Lenders



COUNCIL OF MORTGAGE LENDERS

The Council of Mortgage Lenders is the trade association for mortgage lenders operating in the UK. Their members are banks, building societies and other mortgage lenders. The Council helps to develop mortgage lending policy and issues guidance on best practice for those working within the industry.

The Financial Conduct Authority

This is a statutory body with legal enforcement powers. It is responsible for the regulation of mortgage advice (this includes Lifetime Mortgages) and Home Reversion Plans.

Solicitors



If you apply for an Equity Release plan, you must have a solicitor to act on your behalf. The solicitor will not usually be allowed to give you financial advice, but will arrange for the legal requirements to be met and will advise you on the legal aspects of the plan.

You should try to appoint a solicitor who is experienced in dealing with Equity Release plans.

Your solicitor should explain the effect the plan will have on the value of your estate and can also advise you on whether you should rewrite your will. It is entirely your choice which solicitor acts for you.

Solicitors with experience of Equity Release plans:

- Usually charge lower fees
- Generally complete the plan more quickly
- Are happy to sign a certificate certifying that you understand all the aspects of the plan (because they will provide a layman's explanation)

ERIC has a list of solicitors who are all very experienced in acting for Equity Release applicants. Please note that these are not our solicitors: they are independent and regulated by the Law Society. They must act only in the interests of their clients. The client is you.



All the solicitors on our 'panel' are members of the Equity Release Solicitors' Alliance (ERSA). This means that their fees will be very competitive and because they are specialists, they can often process completions more quickly. Member firms have many years of experience. ERSA offers an independent fixed fee service, but the fee will be waived if the case does not complete.

FAQ'S

What is Equity Release?

Equity release allows you to convert some of the equity in your property to a tax-free cash lump sum or a regular income without your having to sell up and move out and without the need to make any monthly payments.

Will I have to make monthly payments?

No, unless you choose an interest only lifetime mortgage. Interest only lifetime mortgage plans may suit you if you have a regular source of income and can therefore afford to pay interest on a monthly basis. The benefit of this is that the amount of the loan does not increase. It may be possible to pay all of the interest or a proportion dependent on what you can afford. To discuss interest repayment options ask **ERIC** on 0800 077 6885

Can I use the money for anything I want?

Yes, as long as it's legal! Most of our clients use the money to pay off outstanding debts and mortgages, make home improvements, buy holidays, cars, or help family, or simply to make life a bit more comfortable.

How much money can I raise?

This is dependent on your age and the value of your property and varies between different products. The minimum loan is generally £10,000 and you need to be able to raise enough to pay off any outstanding mortgage plus any other loans secured on the property. The largest lump sum will be available from a home reversion plan. To find out how much you could raise ask **ERIC** on **0800 077 6885**

Can I live in my home for the rest of my life?

Yes, you and anyone else named on the agreement have security for life.

FAQ'S

How long does it take to get the money?

It can be as little as 3 or 4 weeks once we have received your application, but normally takes 6 to 8 weeks. If there are complications or if your solicitor is not familiar with Equity Release it may take longer. We will keep you updated at every stage of the process.

What's your best interest rate on a lifetime mortgage at the moment?

Interest rates vary between the different plans and lenders. Like a conventional mortgage these change frequently. Usually rates will be slightly higher than conventional mortgages but this is because they're fixed for the life of the plan.

Can I do Equity Release if I have a mortgage?

Yes. As long as we can raise enough money on the Equity Release plan to pay off the mortgage and any other loans secured on the property.

What fees are payable upfront?

At **ERIC** we don't charge any upfront fees and you are under no obligation to proceed at any stage of the process. If you do apply for a plan you will need to pay for the valuation on your property, usually between £200 and £300. Some plans may include a free valuation, and often we are able to help you make the payment upfront or allow you to pay it in instalments. All other fees will be taken out of the amount released. **ERIC** typically charges 1.5% of the amount of the loan on completion.

How much will it cost me to set up?

Set-up fees will vary depending on the chosen plan. There is normally an application fee, an advice fee, a valuation fee and the solicitor's fees to consider. Most of this will be subtracted from the amount released so that there is very little you will have to pay upfront. Some plans may offer special discounts, cashbacks, free valuations or help with legal fees; your advisor will explain the options available to you.

FAQ'S

Can I lose my house? Will it ever be repossessed?

No. Both Home Reversions and lifetime mortgages have safeguards.

If you take out a home reversion you have guaranteed lifetime occupancy under the lease agreement and a copy is registered at HM Land Registry. Provided you comply with the terms of the agreement, you and anyone else named in the agreement has guaranteed occupancy for the full term of the lease.

If you have a lifetime mortgage and even if the total amount of the loan plus any interest exceeds the property's value your house cannot be repossessed as long as you have maintained it and complied with the mortgage agreement.

Can I move?

You can move at any time with a lifetime mortgage. With some lenders you can transfer the loan to your new property or you can repay the loan from the sale proceeds. As long as it's suitable security, you then start a new loan which is secured on your new property. However, you should bear in mind that these plans are intended to be long-term and if you move the loan may have to be repaid with any early redemption charges and fees.

The lease agreement from reversion providers usually include a clause that allows you to move provided that the alternative property is suitable security. Each company has different conditions so you should check these before you go ahead with the plan.

If I die can my partner still live in the property?

Yes. Anyone named on the lease agreement or mortgage has the legal right to continue to live in the property until they voluntarily decide to leave it or until their death.

ERIC's simple steps to Equity Release

Step 1 - Want to know more? Freephone **0800 077 6885** to speak to an adviser or to arrange a free home visit.

Step 2 - After determining your personal circumstances, aims and objectives, our advisers will research the market and negotiate the best available plan for **YOU**.

Step 3 - You'll receive full details of the plan your advisor recommends, including their reasons for choosing it. They'll then arrange the best time for you to go over the documents together and answer any questions.

Step 4 - We leave you to make your decision and discuss your options with your family. There is no obligation at this point and you have incurred no costs.

Step 5 - If you wish to go ahead with the recommended plan, you'll simply return the application form and our staff will process it.

Step 6 - An independent survey will be arranged on your property to find out the exact valuation. This will be used by the lender to make your Equity Release offer.

Step 7 - Choose a solicitor to act on your behalf, you may wish to use your own or one of our recommended specialists, who can progress the work quickly and who are often cheaper.

Step 8 - Approximately 6-8 weeks after submitting your application you will receive the cash. This can be paid directly into your account by the solicitor or paid by cheque if you prefer. The solicitor will take out any set-up fees owing from the amount released.

What next?

We hope **ERIC'S**'s Guide has helped answer some of the questions you might have about Equity Release. To find out more, why not chat to **ERIC'S**'s team of friendly qualified advisors now? It's free to call and you'll be under absolutely no obligation to take any action. Independent, impartial advice – with no pressure.

We look forward to hearing from you.

Freephone **ERIC'S** advisors on **0800 077 6885**

Lines are open Monday to Thursday 8:30am to 5:30pm

Friday 8:30am to 5:00pm

or email

info@AskEric.tv





Equity Release Information Centre

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The Equity Release Information Centre is a trading name of Cavendish Property Investments Ltd.
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