Lifetime Mortgages

As you are releasing equity from your home, you are doing so by using the property as security for the amount taken. The equity released to you is done by way of a loan.

By securing your loan against the property the lender has a legal charge* registered. This type of loan: equity release, secured against the property by a legal charge is called a **lifetime mortgage.** It is also known as an **equity release mortgage**.

With the lender securing the loan it means that mortgages are different to other types of borrowing you might have considered. For example, personal loans, credit cards and overdrafts are all called unsecured loans.

A secured loan offers less risk to the lender, which is why the interest rates are usually lower than other ways of borrowing money.

So, a lifetime mortgage means you can borrow more at the lowest interest rates available.
There is nothing to repay until you die or if you move permanently into long-term care. You will be entitled to live in the property for the rest of your life.

It is important to understand that, although you do not need to make regular payments, you will still be charged interest. This will be added to your mortgage, so your debt is always increasing. This means any equity you have or might expect to build in the future (if your house value goes up), will be eroded by the interest being charged and added.

When the house is eventually sold there will be less equity – the money left after repaying the mortgage – and therefore there will be less money left in your estate when you die. This might impact on your inheritance plans and you may wish to discuss this with your heirs.

However, if you have the financial means, you can choose to pay off some or all of the monthly interest. It would reduce the amount of interest added over the life of the mortgage and reduce the amount you will owe in the end. If this is important to you, please check if the lender limits any repayment amounts. Your adviser will confirm this to you.

You mortgage adviser will ask you a lot of information about your personal situation. This may include: your well-being, your retirement income, and any benefits you receive as well as considering possible changes to your circumstances and understanding your future aspirations and strategy.

Be open and honest with your adviser. Make sure they understand what you wish to do with the property in the future, as part of your estate planning is very important. There are lots of options available and they will tailor the recommendation based on what you discussed. If anything changes then get in touch straight away.

If anything does not make sense then your adviser will be happy to explain things to a trusted person, but only with your permission or if they have power of attorney. If you have difficulty recalling information, it’s a good idea to appoint someone to support you through this process.
*In Scotland the legal charge is known by the term ‘standard security’.