the tipton's learning hub

Later life lending

the tipton & coseley building society

What is later life lending?

Later life lending is a term used to describe several types of borrowing designed for homeowners, typically over the age of 55. With some later life mortgages, clients can choose to make monthly repayments to pay off the loan, or they can just cover the the interest. However, other types will only allow a specific repayment method.

Some common reasons why to borrow in later life are:

- Clients may want to downsize and wish to secure a mortgage to fund improvements in their new home.
- They may have an existing interest only mortgage coming to the end of their term and be looking for an alternative to downsizing.
- Clients may wish to release some of their funds to enjoy their retirement.

There are a few reasons as to why some people choose to have a mortgage in their later life. It is not uncommon for individuals to own a property, but not receive enough pension income or be able to draw on enough of their savings on a day-to-day basis. Another reason may be that a homeowner comes to the end of an interest only mortgage deal, but does not have a lump sum available to pay off the capital.

What types of mortgages are there?

- Later life mortgages: this type of mortgage is a way of borrowing money into retirement, usually by releasing some of the value in the clients home while still living there. Repayment options can include repayment, part and part or interest only. Retirement interest-only mortgages (RIO): These mortgages are home loans for older borrowers, which allows them to borrow against their property and only pay back the interest each month. Typically, RIO mortgages do not have an end date, and instead run until a life changing event occurs.
- There are also options such as Equity Release. This is where clients don't make regular payments, but the money is repaid from the sale of their property, when they move into long term care, or when they pass away.
- Lifetime Mortgage: This mortgage is another type of equity release, where a loan is secured against your clients home that allows them to release tax-free cash without needing to move out. These mortgages are typically available to homeowners aged 55 or over. A lifetime mortgage has no fixed duration.

the tipton: our criteria

If your clients are looking for mortgage lending in their later life, the Tipton are here to help.

At the Tipton, our Retirement Interest Only (RIO) mortgages, allows your client to use the sale of their property as their repayment strategy. Our RIO mortgages have no fixed term and can run until a life changing event occurs. The RIO range is designed for customers who are not in a position to repay the debt and wish to remain in their property for life/have no plans to sell.

We understand that everyone's need and circumstances are different. With our standard later life lending products, clients can borrow up to their 95th birthday. So, your clients can borrow into their retirement, or if they are already retired.
Affordability can be assessed in a number of ways with our standard later life products.

- if the term does not extend past the age of 79 (for males) or age 83 (for female) then our standard affordability assessment can be applied.
- where the term extends past these ages if both applicants are retired but cannot prove affordability in sole name, applications will be considered where there is enough equity available to downsize to a two-bedroom flat/house within 5 miles of the mortgage property.

We also offer later life lending products for borrowers looking to borrow into retirement or if they are already retired. Affordability can be assessed using earned income up to retirement age. Once the client reaches retirement, affordability for the remainder of the term will be calculated using verifiable income from a pension or other sustainable source, such as investments or rental income.

With our standard later life products, affordability can be assessed in a number of ways:

- if the term does not extend past the age of 79 (for male) or age 83 (for females), then our standard affordability assessment can be applied
- where the term extends past these ages if both applicants are retired but cannot prove affordability in sole name, applications will be considered where there is enough equity available to downsize to a two-bedroom flat/house within 5 miles of the mortgage property.

In addition, if your clients are looking to purchase a purpose built retirement property, here at the Tipton, we can help. Our later life lending range allows clients to purchase their retirement home with no upper age limit.

Did you know that within our later life lending proposition, clients can choose to split their term to reflect their changing financial position following retirement?

Affordability can be assessed separately against their current earned income, and future pension provision enabling a proportion of the mortgage to be secured over an extended term.

For example:
Mr & Mrs Client are 55 and 52 years of age and are moving to a new house and require a mortgage of £180,000 to support this new purchase. Their current salaries are sufficient to support the £180,000 borrowing, but rather than apply a term to Mr scheduled retirement age (70). They were able to demonstrate that their pension provision was sufficient to support borrowing in retirement of £100,000. This enabled an application to be agreed on a split extended term:

Part 1 £80,000 on a capital and repayment basic over 14 years

Part 2 £100,000 on an interest only basis for 29 years

the tipton: a case study

Case Study 1

Mr & Mrs Q were reaching the end of their scheduled mortgage term with a high street lender.
This mortgage was interest only, and their current lender advised that funds needed to be repaid but the applicants did not want to sell their property at the current time.

Mr Q was 60 years of age and had retired, his wife was 56 years and still in full time employment. They required a £163,000 mortgage against a property worth £800,000. Whilst not currently drawing his pension, as his wife's earned income was sufficient to support their lifestyle, Mr Q was able to demonstrate a pension provision that was adequate to support the mortgage after her retirement which enabled the mortgage to be approved, and a term to his 85th birthday was agreed on an interest only basis.

Case Study 2

Mrs D, 68 years of age was looking to relocate nearer to her family. She had an offer accepted on a new property, and approached us to arrange a Retirement Interest Only (RIO) mortgage to support the purchase. Mrs D was retired and in receipt of both state and private pension and a £136,000 mortgage was agreed on interest only, with no end term which removed the requirement for the balance to be repaid at a fixed date in the future.

Discussion

To find out more, call our Business Development Desk on **0121 521 4000**, email us at **newbusiness@thetipton.co.uk** or visit our website at **www.thetipton.co.uk/intermediaries**