A step by step guide to applying for a lifetime mortgage

AVIVA

While timings can vary, typically the process of taking out a lifetime mortgage takes **8-12** weeks from your initial enquiry

A lifetime mortgage is a popular type of equity release which is available to homeowners aged 55 and over. The interest rate and the amount you can borrow depends on your age, property value and location.

It's a long-term loan secured against your property, that allows you to access some of the money tied up in your home. Unlike a standard residential mortgage, you don't have to make monthly repayments; instead interest builds up on your loan each year. Interest is charged on the total borrowing and any interest previously added, which quickly increases the amount you owe. The loan plus interest is repaid in full through the sale of your property, once you (and your partner, for joint lifetime mortgages) have died or go into long-term care, subject to terms and conditions.

A lifetime mortgage will reduce the inheritance you are able to leave, and it may affect your tax position and eligibility for welfare benefits. Therefore, it's important to consider the benefits, costs and risks before deciding whether a lifetime mortgage is right for you.

01. Make sure you're eligible

- You're a homeowner aged 55 or over (if applying jointly, you both must be over 55)
- A minimum property value applies, and this depends on the product provider you choose.
- You are mortgage-free or only have a small mortgage which will need to be repaid as a condition of taking out a lifetime mortgage. You can do this from the amount you borrow.
- Each provider will have its own eligibility criteria and your adviser will help you find a product that suits your circumstances.

02. Do your homework

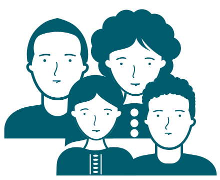
- Think about how much money you need upfront and if you'll need more money in the future. Think about the reasons why you need the money because your adviser will need this information to complete the application form.
- Gather together bank statements, details of income, outgoings and any state benefits you may receive.
- Your provider will arrange a property valuation, so it's a good idea to have an estimated property valuation in mind. You can use **HM Land Registry** to obtain details of sold prices in your area to help you understand what your property might be worth.

03. Meet with your adviser

You will need to receive financial advice to take out equity release.

- After talking everything through, your adviser will make a recommendation based on your wants, needs and future plans.
- You'll receive a personalised illustration, and your adviser will discuss this with you. It will show you your interest rate, how much you can borrow, any fees and charges and circumstances in which an early repayment charge is applicable. It's important you understand how interest is charged and the illustration will provide you with an example of this.

04. Get the family involved



- Ask your family members to attend your adviser meeting with you so they understand your reasons for taking out a lifetime mortgage.
- A lifetime mortgage will reduce the amount of inheritance you are able to leave – your family will need to be aware of this.
- Your family may need to arrange the sale of your property to repay the lifetime mortgage when you die or go into long-term care.

05. Make your mind up

- Arrange a second meeting with your adviser.
- This meeting is to confirm you want to go ahead with the application. It gives you another opportunity to address any questions that you may have or go through any outstanding paperwork with your adviser.
- It will also allow you to talk through the next steps – what will happen at the valuation stage and where the solicitors will fit into the process.

06. Application time

- Your adviser will submit an application on your behalf, this is normally done online depending on which provider you choose.
- Your provider will need an independent property valuation which you may have to pay for before you can complete the application. Some providers don't charge an upfront valuation fee – make sure you ask your adviser about this.

07. Valuation and survey work

- Normally the valuation will be instructed within three days of your application being submitted.
- If the valuation report shows that your home needs essential repairs, you may need to get this work completed before your application can be processed any further. Alternatively, some providers agree to release the money to help you get the repairs done, if you agree to it being completed within a certain time frame.

08. Talk to a solicitor

- A lifetime mortgage offer will be sent to you and your adviser. It's a contractual agreement that you'll need to discuss with your adviser and solicitor before you sign it.
- The time taken by solicitors can vary. There are a number of factors which can influence it, such as how quickly you require your money, how familiar they are with lifetime mortgages, and whether there are any property title or matrimonial issues which need to be resolved. You will be responsible for paying your own legal fees.

09. Your money arrives!

- The moment you've been waiting for!
- Money is paid to your solicitor on completion. If there are charges to be paid, including any fees or debts secured against the property, these will be settled first.
- The remaining funds are usually then transferred to your bank account.

10. A follow-up meeting?

- Talk to your adviser to make sure the rest of your finances still fit your needs.
- You might want to arrange a 'plan for the future' meeting, to review wills and powers of attorney.

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