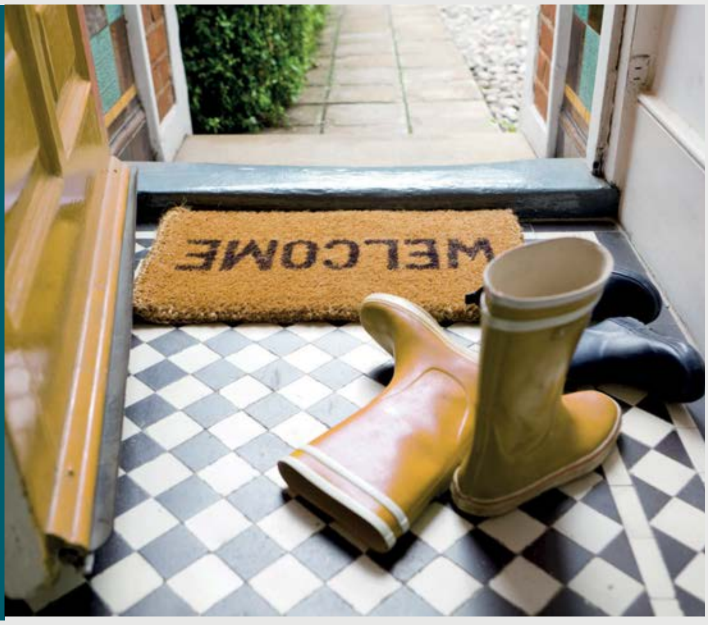
Downsizing Protection from Aviva

The Headlines

- Designed to offer redemption without an Early Repayment Charge (ERC) for customers who have applied to transfer a mortgage to a property that Aviva will not lend on. This is subject to our T&Cs.
- Included at no additional cost on new lifetime mortgages where an offer or a reoffer is issued from 8 April 2019.

Can be used by the customer from **just three years** after completion date.



Why is this important

- Sometimes, changes in circumstances mean customers need to move unexpectedly. The customer can choose Aviva with confidence that, if the need arises, they'll be able to do so free of any ERC, either by porting their loan or paying it off without penalty where downsizing protection applies, subject to our terms and conditions.

How it works

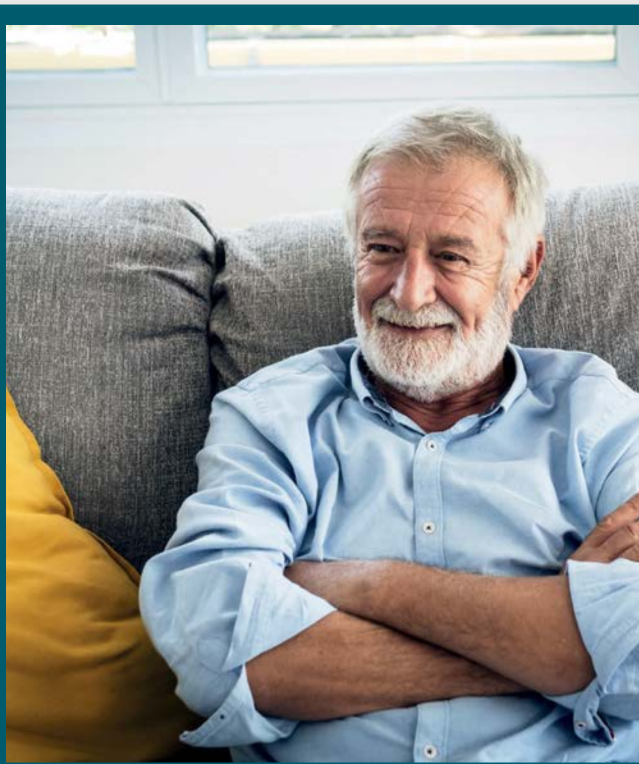
- All moving property requests are referred to assess the new property to see whether the lifetime mortgage can move with the customer. This is the stage when Aviva will decide whether the downsizing protection feature can be applied.
- Downsizing protection only applies where the sale of an existing property results in the purchase of a new one, which will become the customer's main residence – so they can't redeem in order to move into a rental property, move in with friends or family, or for any other purpose.
- In addition, for a home to qualify for downsizing protection, it needs to be of a fixed construction with its own registered title, in good repair and habitable condition. It also has to be in an area in which we are offering lifetime mortgages at the time.

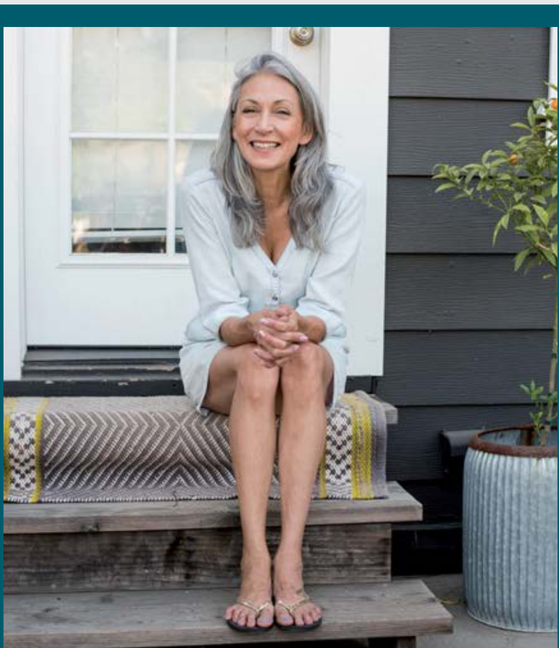
Who could benefit from it

Scenario 1:

Frank moves into sheltered accommodation

Frank has a Lifestyle Lump Sum Max lifetime mortgage. He took £84,000 to pay off some debt and install an easy-access wet room downstairs to adapt his home after having a heart attack. Unfortunately, Frank's health has now further deteriorated and he is no longer able to manage in his home. Frank didn't expect to have to move so soon after taking out the lifetime mortgage – and the sheltered accommodation he now needs doesn't meet Aviva's lending criteria. But because he has downsizing protection on his lifetime mortgage – and has had this product for just over three years – Frank's move can still go ahead. He's able to repay the outstanding balance from the sale of his home without having to meet the cost of an ERC, which would have left him unable to even consider a move.





Scenario 2:

Christine's move to the coast

John and Christine took out a joint Lifestyle Flexible Option lifetime mortgage. Unexpectedly John passed away, just two years after the mortgage was arranged. Christine couldn't face the prospect of living in their old home on her own so, with the support of her family, she decided to fulfil a dream by purchasing a property on the Yorkshire coast.

The property she had set her heart on was in an area susceptible to coastal erosion and so not within our lending criteria, meaning her lifetime mortgage couldn't be ported. John and Christine's product did include our standard downsizing protection feature, but since the mortgage had been in force for less than three years, the feature would not apply.

However, under Aviva's 'three-year rule', Christine can redeem ERC-free up to three years after the death of John. This allows her to redeem the lifetime mortgage and move to her dream home by the sea, even though it is outside Aviva's lending criteria, without having to pay any ERC. Christine was able to complete the purchase of her new home quickly, but if the move had been delayed until three years had elapsed since John's death, then the downsizing protection feature would have come into play – ensuring that there would still have been no ERC to pay.

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