

Lifetime Mortgage

Fixed Percentage Early Repayment Charges Explained



Available to customers applying for their lifetime mortgage after 21 October 2021.

Your lifetime mortgage is designed to be repaid when you (and the second borrower if you have a joint lifetime mortgage) die or need long-term care, subject to the terms and conditions. But circumstances can change, and you may find that you want to repay your loan in full at an earlier date. If you need to do this, you may have to pay an early repayment charge.

This booklet covers the **Fixed Percentage** early repayment charge, and in it we explain:

- Why we make this early repayment charge
- When you would need to pay it – or not
- How the early repayment charge works
- How to check how much the early repayment charge will be

When you take out a lifetime mortgage you will need to speak to your equity release adviser to understand which type of early repayment charge best suits your personal circumstances. We currently offer a Fixed Percentage and a Variable Gilt Index early repayment charge and once your lifetime mortgage completes, the type of early repayment charge you've chosen can't be changed. It will also apply to any further money you borrow from us after the initial loan.

Variable Gilt Index - Early Repayment Charge

If you would like more information on our Variable Gilt Index early repayment charge:

- Speak to your equity release adviser
- Give us a call on **0800 158 4177** (calls may be recorded or monitored)
- Download a copy from our website at aviva.co.uk/adviser/documents/view/pf011612c.pdf

Variable Individual Gilt - Early Repayment Charge

If you applied for your lifetime mortgage before 24 January 2022, you may have chosen the Variable Individual Gilt early repayment charge, which is no longer available to new customers. For more information:

- Speak to your equity release adviser
- Give us a call on **0800 158 4177** (calls may be recorded or monitored)
- Download a copy from our website at aviva.co.uk/adviser/documents/view/pf011231c.pdf

Why is there an early repayment charge?

Lifetime mortgages are usually repaid when the borrower dies or needs long-term care. We use relevant statistics to determine how far in the future we might expect loans to be repaid and set our rates and fees accordingly. If a loan is repaid early, we may need to recover our costs. For example, the transaction costs of reinvesting the money or the cost of changes in long-term interest rates.

When we don't make an early repayment charge

In certain circumstances we **don't** apply an early repayment charge when a lifetime mortgage is repaid. They're summarised below and you can find more information on each in the lifetime mortgage terms and conditions.

1. If you are joint borrowers and your lifetime mortgage is repaid within 3 years of the date on which the first of the borrower dies or needs long-term care.
2. When the lifetime mortgage is repaid because you and all borrowers have either died or meet our long-term care criteria.
3. You move to a new property and we agree you can transfer your lifetime mortgage to that property.
4. If you want to move to a new property that doesn't meet our current lending criteria, but you're eligible for downsizing protection.
5. You want to sell part of your property and we give our consent.
6. You'd like someone to move into the property with you as a joint borrower and for the lifetime mortgage to be repayable when the last person dies or needs long-term care.
7. If you're making voluntary partial repayments up to a maximum of 10% per year of the total amount borrowed, you won't pay an early repayment charge on these repayments.
8. Your fixed percentage early repayment charge period has ended. This is currently 15 years after taking out the lifetime mortgage, unless you borrowed an additional amount or a cash reserve amount after your initial loan.

How the fixed percentage early repayment charge works

The early repayment charge is a fixed percentage of the loan, including interest accrued up to the date of repayment. The percentage depends on how long you've had your loan. You can see our current early repayment charges in the table below.

Please note: The early repayment charges in the table are for illustration only. Please refer to your offer document for the fixed percentage early repayment charges that apply to your loan(s).

Subsequent loans: If, after taking out your initial loan, you apply for additional borrowing or take withdrawals from your cash reserve, the early repayment charge percentage for those would depend on how long you've held each individual loan. You'll get an offer document for additional borrowing and a confirmation letter and statement for a withdrawal from a cash reserve. You should check the early repayment charge percentage for each as they could be different for different loans.

Year loan is repaid	Early repayment charge (percentage of loan plus added interest)
1	9%
2	9%
3	8%
4	7%
5	6%
6	5%
7	4%
8	3%
9	2%
10 to 15	1%
16 or later	0%

When you first take out your loan, you are in Year 1. So, for example, if the completion date of your loan was in November 2021 and in May 2025 you wanted to repay the lifetime mortgage, you would have had the loan for over three years and now be in Year 4. You would need to pay an early repayment charge of 7% on top of the balance of the loan itself.

If you had later withdrawn an amount from your cash reserve, a different early repayment charge would apply to that amount. Say you withdrew £5,000 in December 2022, by May 2025 that loan would be in Year 3 (as you've had it for over two years) and the early repayment charge on it would be 8%. So, to repay your lifetime mortgage in full in May 2025 you would need to pay the total of both early repayment charges, as well as the balance of the loans.

How to check what the early repayment charge will be

If you're considering repaying your lifetime mortgage early, you can find out if an early repayment charge applies and how much you would need to pay in a number of ways:

- Online with **MyAviva**. Your current early repayment charge is shown at all times, alongside other ways you can manage your lifetime mortgage online. To register for My Aviva go to **direct.aviva.co.uk**
- Call us on **0800 158 4177** to ask for an early repayment charge quote.
- Take a look at your most recent **annual statement** for details of what the early repayment charge was at the statement date. It will have changed since then as interest will have been added, but it's a quick way to get an idea of what you'd need to pay.
- If you like you can **work out the early repayment charge yourself**. We show how to do it in the next section of this guide.

Work out your early repayment charge in 5 steps

To work out your early repayment charge you'll need:

- **Your latest annual statement**
- **Key Facts Illustration offer document** – if you have more than one loan you'll need the offer document for each loan.
- **Cash reserve withdrawal letter and statement** – if your lifetime mortgage has a cash reserve and you have withdrawn an amount(s) from it you'll need the letter and statement for each withdrawal.
- **Completion letter** – if you have more than one loan you'll need the letter for each loan. If you can't find your completion letter, call us on **0800 158 4177**.

Step 1 - Check the amount owed shown in your latest annual statement

- Check your latest annual statement and make a note of the total amount you owed at the statement date. That's the amount you've borrowed including any interest added to that date.

Step 2 - Calculate the daily interest from your latest annual statement

- You also need to take account of the interest added from the date of the statement to the date you plan to make the early repayment.
- Work out the daily interest charge by first multiplying the amount owed in Step 1 by the interest rate (also shown on your statement) to get the annual interest. Divide the answer by 365 to get the daily interest amount.
- Then work out the number of days from the statement date to your planned repayment date to see how many days' interest need to be added. In summary:

Daily interest charge = (Total amount owed x Interest rate) / 365

Interest since most recent statement = Daily interest amount x Number of days since statement

Step 3 - Check how many years you've had your loan

- Check the completion date on your completion letter so you know how many years you've had your loan.

Please note – If you have more than one loan you'll need the completion letter for each loan.

Step 4 - Check the early repayment charge percentage

- Using the fixed percentage early repayment charges table from your Key Facts Illustration offer document, check the early repayment charge percentage for the number of years you've had your loan from Step 3. (You need to use the Key Facts Illustration because the early repayment charge percentages when you took out your mortgage may have been different to those shown in this guide.)

Please note – If you have more than one loan you'll need the offer document and/or cash reserve withdrawal letter and statement for each loan.

Step 5 - Calculate the early repayment charge

- Add the amount you owed at your last statement date (Step 1) to the interest added (Step 2).
- Multiply the total by the early repayment charge percentages (Step 4).
- This will tell you the early repayment charge that would apply on your planned early repayment date.

Early repayment charge =

Loan balance [Amount owed on statement (Step 1) + Interest (Step 2)] x Early repayment charge percentage (Step 4)

Please note – If you have more than one loan you'll need to do this calculation for each loan.

Examples

To help you work out your early repayment charge we've included two examples.

- See Example 1 below if you've only borrowed your initial loan amount
- Use Example 2 on page 6 if you've taken out more than one loan, for example additional borrowing or cash reserve release since your initial loan

Example 1 – one loan

You took out a lifetime mortgage with an initial loan for £77,000 on 5 May 2020 and haven't made any further borrowing since that date. You would like to calculate the early repayment charge on 1 October 2021.

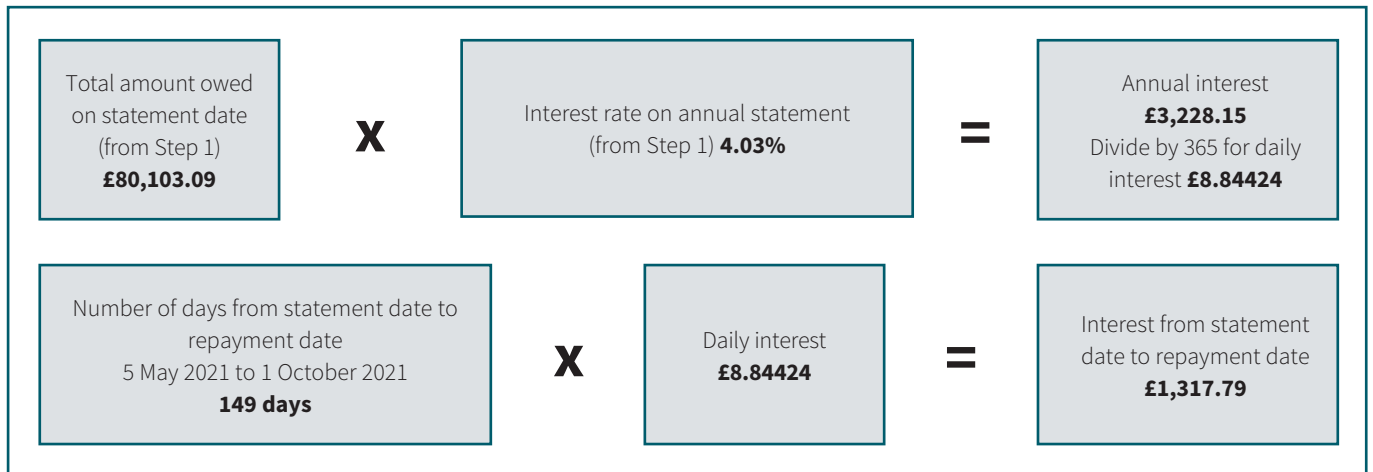
Step 1 – Check the amount owed shown in your latest annual statement

Make a note of the total amount you owe, and the interest rate

Your plan summary	This is a breakdown of your lifetime mortgage, between 5 May 2020 and 4 May 2021		
	Date	Description	Amount (£)
	5 May 2020	Amount Borrowed	77,000.00
	4 May 2021	Fixed interest charged at 4.03%	3,103.09
	Total amount you owe on 4 May 2021		£80,103.09

Step 2 – Calculate the daily interest from your latest annual statement

- Anniversary date: **5 May 2021**
- Repayment date: **1 October 2021**
- Total amount owed: **£80,103.09**
- Interest charge: **4.03%**



Step 3 – Check how many years you’ve had your loan

- Completion date: **5 May 2020**

Loan 1: held for 1 complete years so will be in **Year 2** on the repayment date of 1 October 2021

Lifetime Mortgage – release of funds

I am pleased to tell you that your loan has been issued.

The cash payment was paid to our legal adviser’s account on 5th May 2020.

Step 4 – Check the early repayment charge percentage in your offer document

- Year 2 percentage: **9%**

13. What happens if you do not want this mortgage any more?

Early repayment charges

Your lifetime mortgage is designed to be repaid when you (or both of you on a joint lifetime mortgage) have died or you meet the criteria for long-term care according to the terms and conditions. If you repay your lifetime mortgage in the first 15 years for any other reason, you may have to pay an early repayment charge.

We calculate the early repayment charge as a percentage of the total amount you have borrowed plus the total interest accrued up to the repayment date. The table below shows the charge that applies in the year you repay your lifetime mortgage.

Year you repay your lifetime mortgage	% we’ll charge
1	9%
2	9%
3	8%
4	7%
5	6%
6	5%
7	4%
8	3%
9	2%
10	1%
11	1%
12	1%
13	1%
14	1%
15	1%

If you repay your lifetime mortgage from year 16 onwards there is no charge.

Step 5 – Calculate the early repayment charge

Total amount owed at last statement (Step 1)
£80,103.09

+

Interest from statement date to repayment date (Step 2) **£1,317.79**

X

Fixed percentage rate (Step 4) **9%**

=

Early repayment charge
£7,327.87

Example 2 – more than one loan

You took out a lifetime mortgage and have used it to borrow as follows:

- Main loan of £30,920 on 6 December 2017
- Additional borrowing of £18,870 on 26 February 2020

You would like to calculate the early repayment charge on 1 October 2021.

Each loan will need its own early repayment charge calculation, so you'll need the completion letters and early repayment charge tables for both the loans.

Step 1 – Check the amount owed shown in your latest annual statement

Make a note of the total amount you owe, and the interest rate for each loan

Your plan summary		This is a breakdown each of your loans under your lifetime mortgage, between 6 December 2019 and 5 December 2020	
		The total amount you owe across all loans on 5 December 2020 is £51,545.36.	
		Initial Loan taken out on 6 December 2017 with a fixed interest rate of 3.89%	
<i>Date</i>	<i>Description</i>	<i>Credits (£)</i>	<i>Debits (£)</i>
6 December 2019	Balance brought forward		30,890.58
5 December 2020	Interest charged		1,201.64
Total amount you owe for this loan on 5 December 2020			£32,092.22
		Additional borrowing taken out on 26 February 2020 with a fixed interest rate of 5.40%	
<i>Date</i>	<i>Description</i>	<i>Credits (£)</i>	<i>Debits (£)</i>
26 February 2020	Amount Borrowed		18,870.00
15 April 2020	Voluntary partial repayment	200.00	
5 December 2020	Interest charged		781.73
Total amount you owe for this loan on 5 December 2020			£19,453.14

Step 2 – Calculate the daily interest from your latest annual statement

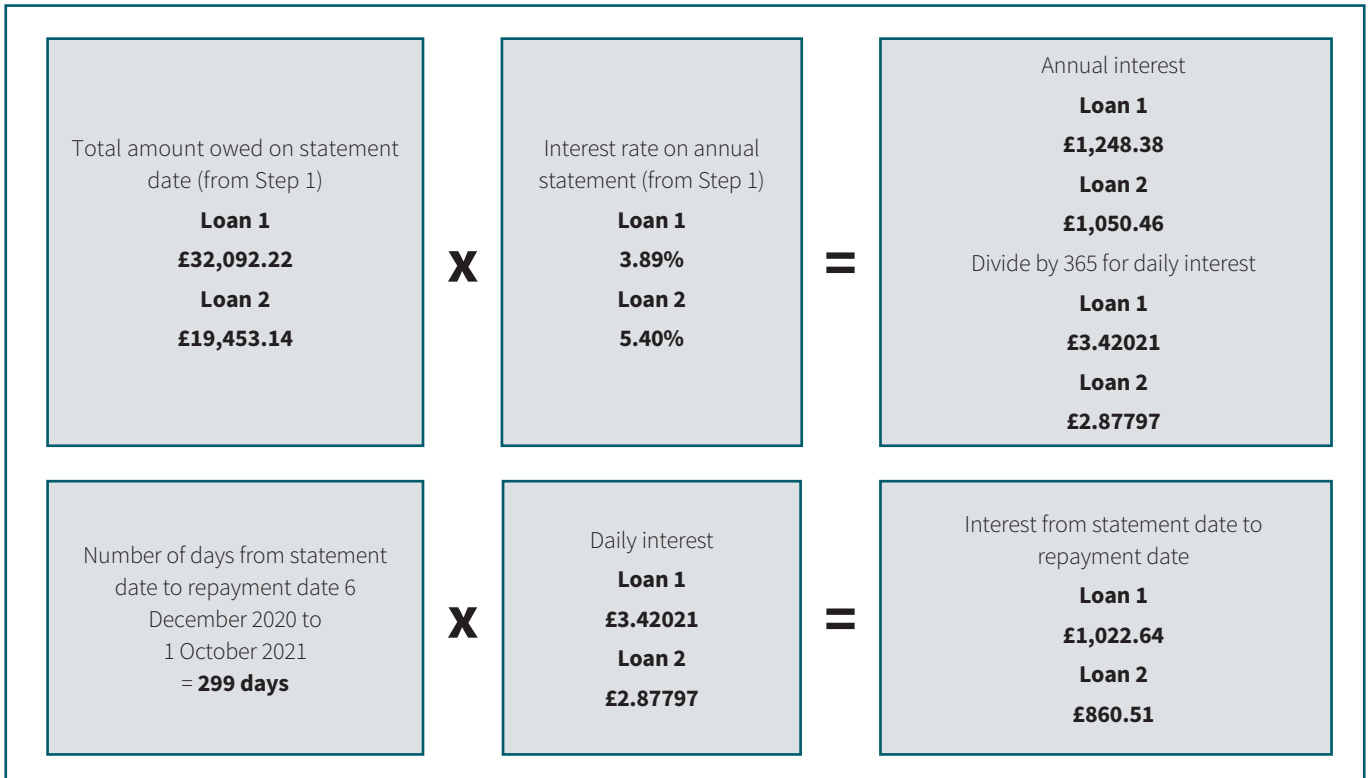
- Anniversary date: **6 December 2020**
- Repayment date: **1 October 2021**

Loan 1

- Total amount owed: **£32,092.22**
- Interest charge: **3.89%**

Loan 2

- Total amount owed: **£19,453.14**
- Interest charge: **5.40%**



Step 3 – Check how many years you’ve had your loan

Loan 1

- Completion date: **6 December 2017**

Loan 1 held for 3 complete years so will be in **Year 4** on the repayment date of 1 October 2021

Loan 2

- Completion date: **26 February 2020**

Loan 2 held for 1 complete year so will be in **Year 2** on the repayment date of 1 October 2021

Lifetime Mortgage – release of funds

I am pleased to tell you that your loan has been issued.

The cash payment was paid to our legal adviser’s account on 6th December 2017.

Dear

Additional Borrowing - Completion

I am pleased to tell you that your additional borrowing has been issued on 26th February 2020.

Step 4 – Check the early repayment charge percentage in your offer document

Loan 1

- Year 4 percentage: **7%**

Loan 2

- Year 2 percentage: **9%**

13. What happens if you do not want this mortgage any more?

Early repayment charges

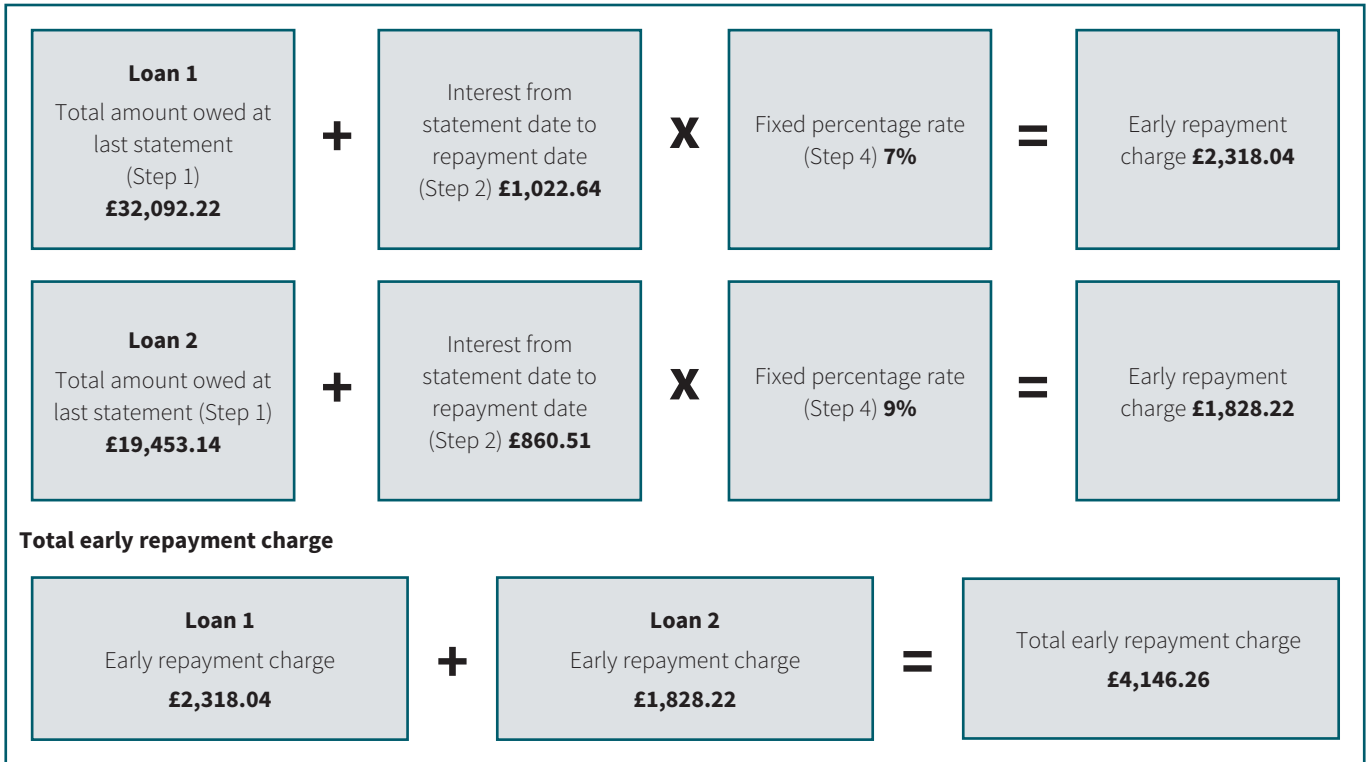
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We calculate the early repayment charge as a percentage of the total amount you have borrowed plus the total interest accrued up to the repayment date. The table below shows the charge that applies in the year you repay your lifetime mortgage.

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5	6%
6	5%
7	4%
8	3%
9	2%
10	1%
11	1%
12	1%
13	1%
14	1%
15	1%

If you repay your lifetime mortgage from year 16 onwards there is no charge.

Step 5 – Calculate the early repayment charge



How to find out when your early repayment charge period ends

Your completion letter will tell you when an early repayment charge will no longer apply. You can also find this information as follows:

- Call us on **0800 158 4177** and we'll be able to tell you.
- Online at **MyAviva** – use the 'Early repayment' tab and click on the heading 'How much will it cost to repay my loan early?' To register for My Aviva go to **direct.aviva.co.uk**
- In your **annual statement**. If you don't have your paper copy to hand, your statement is also available in MyAviva on the 'Documents' tab.

Remember, if you've borrowed more money since your initial loan, the end dates for the early repayment charge periods could be different for your different loans.

Where to find more information

Three ways to find out more information about Equity Release options:

**1. Contact our support team on
0800 158 4177**

Calls may be recorded or monitored and/or recorded.

2. [aviva.co.uk](https://www.aviva.co.uk)

3. Contact your financial adviser

If you don't have a financial adviser, you can find one at [unbiased.co.uk](https://www.unbiased.co.uk).
An adviser may charge for their services.

Need this in a different format?

Please get in touch if you'd prefer this brochure (**PF011601**) in large print, braille or as audio.

How to contact us

 0800 068 6800

 contactus@aviva.com

 [aviva.co.uk](https://www.aviva.co.uk)

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