Optional Payment Lifetime Mortgage

What is it?

Our Optional Payment Lifetime Mortgage is a lifetime mortgage that allows your clients to choose to pay some or all of the monthly interest.

It's a loan that's secured against your client's home to give them a tax-free cash sum or take smaller amounts when needed. The lifetime mortgage is usually repaid from the sale of the property when your clients die or move into long term care.

With this lifetime mortgage, your client can choose to pay some or all of the monthly interest by Direct Debit but have the flexibility to stop making those payments in the future if they need to. If they stop making monthly interest payments, the unpaid interest is then added to the amount they owe each month.

While they are making monthly interest payments, we will apply a reduced interest rate. If they miss more than six payments or choose to stop making monthly interest payments within the first 15 years, the reduced rate will end and their interest rate will increase.

After 15 years, the reduced rate will apply for the rest of their lifetime mortgage, even if they miss more than six payments or decide to stop making monthly interest payments.

Who is it for?

Our Optional Payment Lifetime Mortgage is designed for clients who:

- Are over the age of 55 and are living in England, Wales or mainland Scotland.
- Need to borrow a minimum of £10,000.
- Can pay some, or all, of the monthly interest, but want to know that they can stop paying interest at any time.
- Are living in their own home and may have an interest only mortgage with no means to repay the loan.

It may not be suitable for clients who:

- Would like to sell their property and downsize.
- Have savings or investments that they can consider using instead.
- Have sufficient long-term income which would mean that they may qualify for a personal loan or residential mortgage.
- Claim benefits that supplement their income and may be affected by taking a lifetime mortgage.

Criteria	
Amount available	Actual loan amount determined by your clients' individual circumstances.
Minimum loan amount	£10,000 as Initial Advance.
Maximum loan amount	No maximum
Minimum applicant age	55 years.
Maximum applicant age	90 years at time of application and complete within 6 months of turning 91.
Maximum Number of applicants	2 applicants.
Minimum property value	£70,000. £100,000 for flats, maisonettes, ex-council, ex-housing association and ex-MOD.
Maximum property value	No maximum.
Property location	England, Wales or mainland Scotland.
Tenure	Freehold. Leasehold (remaining term plus the age of the youngest borrower at completion must be at least 175 years).
Property age	No restrictions

Monthly interest payment criteria	
Minimum monthly interest payment amount	£25.
Maximum monthly interest payment amount	Full monthly interest charged on the loan.
Changes to monthly interest payment	Your clients cannot change their monthly interest payment amount once their lifetime mortgage has completed. They can stop making monthly interest payments at any time, but once stopped, these cannot be restarted.
Payment term	Does not need to be selected at the outset. Payments can be made for the full duration of the mortgage but can be stopped at any time (see above).
Reduced interest rate	While your client is making monthly interest payments, we will apply a reduced interest rate. If they miss more than six payments or choose to stop making monthly interest payments within the first 15 years, the reduced rate will end and the interest rate will increase. After 15 years, the reduced rate will apply for the rest of the lifetime mortgage, even if they miss more than six payments or decide to stop making monthly interest payments. Details of the interest rates that apply can be found in the KFI and Offer of Loan.

Monthly interest payment criteria	
Monthly interest payments on additional borrowing	Your clients can choose to make monthly interest payments on any future additional borrowing. If they decide to make interest payments, we may also offer a reduced interest rate on the additional borrowing. This is not guaranteed. If a reduced rate applies, it will be confirmed in the Offer of Loan.
Monthly interest payments after a life event	For joint borrowers, upon us being notified of the first borrower dying or permanently entering into long term care, the total number of payments that can be missed will increase from six to twelve. This increased total includes any payments that have already been missed prior to us being notified of the life event. Full qualifying conditions are detailed in the KFI and Offer of Loan.

Product features	
No Negative Equity Guarantee	Your clients, or their beneficiaries, will never have to pay back more than the amount their property is sold for, provided it's sold for the best price reasonably obtainable, and they've met the terms and conditions of the loan.
Inheritance Protection	Your clients can protect a percentage of their property value at the outset.
Optional Partial Repayments	Your clients can only make Optional Partial Repayments after they have stopped making monthly interest payments and the lifetime mortgage has converted to full interest roll up. In any 12-month period, starting on completion and thereafter on each anniversary of completion, your clients can repay up to 10% of the amount(s) drawn with no Early Repayment Charges (ERC). Up to 12 repayments a year can be made by adhoc payment or Regular Standing Order at a minimum of £50 each. Such payments don't restrict access to the drawdown facility.
Drawdown facility	Limited to the amount specified at the outset (as detailed in the KFI/ Offer of Loan). Drawdowns can be requested at any time, minimum £1,000. Interest on drawdowns will be charged at the prevailing fixed rate at the time of request.
Additional borrowing (once the Drawdown facility has been used)	Additional borrowing requests will be considered after 12 months of the loan completing.
Portability	Your clients can move to another property, subject to your clients and the property meeting our criteria at the time. Partial repayment may be required if they are moving to a lower value property. No ERC will be payable on such partial repayments.
Interest rate	If your clients make monthly interest payments for the first 15 years, a reduced fixed interest rate will apply for the life of the lifetime mortgage. If they miss more than six payments, or choose to stop making payments within the first 15 years, the rate will increase to a higher, fixed interest rate for the remainder of the lifetime mortgage. Details of the fixed interest rates that apply can be found in the KFI and Offer of Loan.

Borrower costs and fees

Arrangement fee	£599 on selected products. This fee can be added to the loan in excess of maximum LTVs. No fee on all other products.
Valuation fee	Currently free.
Legal fees	Your clients will pay their own solicitor's costs and all disbursements.

Early Repayment Charges

Your client has the option of Variable or Fixed Early Repayment Charges. The LTVs and Interest rates are the same for both.

Variable ERCs are capped at 25% of the amount(s) drawn and linked to movement in UK FTSE Actuaries 15 Year Yield (the Index).

Fixed ERCs are calculated as a percentage of the amount your client owes when they decide to repay their mortgage early. These are shown in the table below.

Number of years your client has had the loan	Percentage of current balance to pay as an ERC
1 – 3	10%
4	9%
5	8%
6	7%
7	6%
8	5%
9	4%
10	2%
11	0%

An Early Repayment Charge is not payable if the loan is repaid:

- After the borrower (or if joint borrowers, the last surviving borrower) dies or goes into long term care.
- On any Optional Partial Repayments which are made within the permitted limits.
- If your clients move home and transfer their lifetime mortgage to a new property that is acceptable to us and, as a result of which, need to repay part of the lifetime mortgage as required by us.
- For joint borrowers, in the first three years after the first borrower dies or moves into long term care.
- If 5 years after completion the borrower(s) move to another property, (either in the UK or abroad) which isn't acceptable to us based on our lending criteria at the time.
- If 5 years after completion the borrower(s) sell their home and move into sheltered accommodation.
- **For variable ERCs** – after the borrower (or if joint borrowers, the youngest borrower) reaches the age shown in section 13 of the KFI and Offer of Loan or if the Index at the time is higher than or equal to the Benchmark Rate shown in the Offer of Loan.
- **For Fixed ERCs** – 10 years since completion of the initial advance. For additional borrowing, 10 years from completion of that loan.

Loan to value % - Optional Payment Lifetime Mortgage

Customers will receive a rate tailored towards their individual circumstances. The below table shows the absolute maximum LTV that a customer may borrow, split by Joint and and Single applicants.

Single Lives

Age	55	56	57	58	59	60	61	62	63	64	65
	23.0%	23.0%	24.0%	24.0%	26.0%	27.0%	27.0%	29.0%	29.0%	31.0%	31.0%
	66	**67**	**68**	**69**	**70**	**71**	**72**	**73**	**74**	**75**	**76**
	32.0%	32.0%	35.0%	35.0%	37.0%	37.0%	40.0%	40.0%	42.0%	42.0%	45.0%
	77	**78**	**79**	**80**	**81**	**82**	**83+**				
	45.0%	48.0%	50.0%	50.0%	52.0%	52.0%	53.0%				

Joint Lives

Age	55	56	57	58	59	60	61	62	63	64	65
	19.0%	20.0%	20.0%	20.0%	22.0%	22.0%	23.0%	23.0%	24.0%	24.0%	26.0%
	66	**67**	**68**	**69**	**70**	**71**	**72**	**73**	**74**	**75**	**76**
	27.0%	27.0%	29.0%	29.0%	31.0%	31.0%	32.0%	35.0%	35.0%	37.0%	37.0%
	77	**78**	**79**	**80**	**81**	**82**	**83**	**84**	**85**	**86+**	
	40.0%	42.0%	42.0%	45.0%	45.0%	48.0%	50.0%	50.0%	52.0%	53.0%	

For more information

Visit legalandgeneral.com/ltm-adviser

For more details of our products and the associated interest rates, please log in to our Later Life Mortgages Portal.

Call us on **03330 048 444**
8.30am to 5.30pm, Monday to Friday.

Call charges will vary. Calls may be monitored and recorded.