Taking a drawdown

How does this affect the amount you owe?

When you take a drawdown, it's important to understand how this will affect the total amount you owe on your lifetime mortgage. This leaflet explains how the amount you owe grows and the impact of different interest rates.

Before taking a drawdown you should consider:

- Why are you borrowing and are there other ways you could find money?
- Is it important that you take the drawdown now, or can you wait?
- Can you borrow smaller amounts as and when you need it?
- Would you benefit from financial advice? We may refer you to your financial adviser if we think this is needed.

How the amount you owe grows

When you took out your lifetime mortgage you received a cash sum as your initial loan. The interest rate on this loan is fixed for the duration of your lifetime mortgage.

Each amount you drawdown is additional borrowing and adds to the total amount you owe. Each drawdown you take will have a different interest rate depending on the rate available at the time you apply. This may be higher than your initial loan as your overall borrowing has increased.

The effect of interest rates on the amount you owe

The amount you owe can grow quickly over time. Any unpaid interest is added to your lifetime mortgage each month. This is sometimes referred to as rolled up or compound interest.

When you take a drawdown that has a higher interest rate, the amount you owe will grow quicker for the amount you have taken.

What this means for you

Your Offer of Loan will give you personalised information on your drawdown interest rate and how this affects what you owe on your lifetime mortgage. It's based on the amount of money you've requested and you should give this consideration before going ahead.

You may also want to speak to your financial adviser to understand all the benefits and risks of taking a drawdown before you make a decision.

The example overleaf is an illustration of how the amount owed can grow at different interest rates.

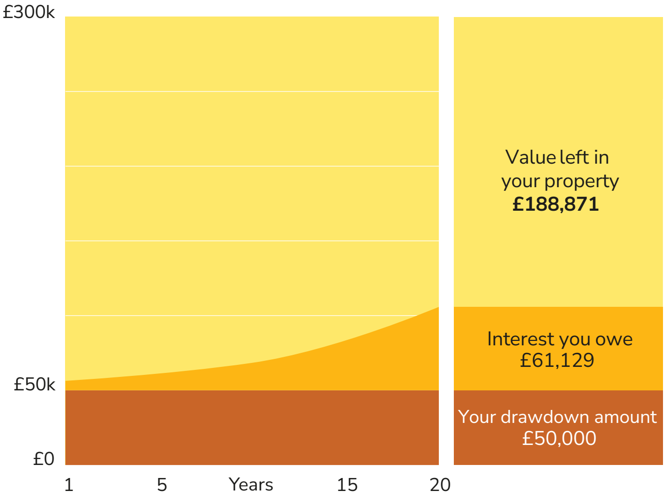
An Example

This shows the effect of a £50,000 drawdown at an interest rate of 4% or at an interest rate of 8% over 20 years. This is for a property valued at £300,000 with no change in house prices over time. The example shows the drawdown borrowing but not any previous borrowing on the property.

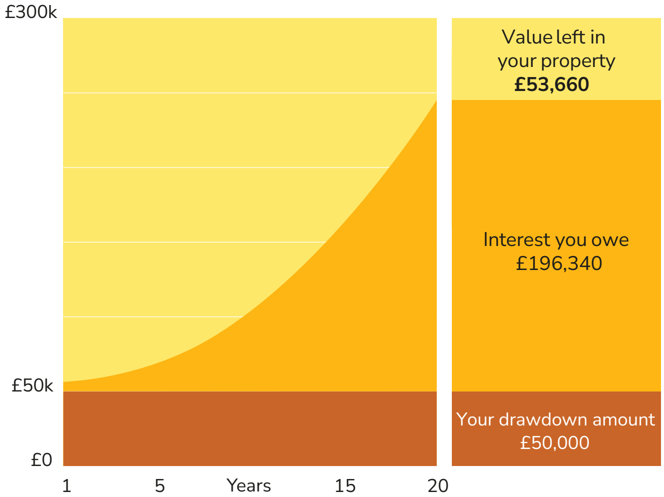
The higher the interest rate, the greater the effect of roll up interest over time. This reduces the value, or equity, left in the property.

Interest rate	4%	8%
Amount borrowed	£50,000	£50,000
Interest added	**£61,129**	**£196,340**
Total amount owed after 20 years	£111,129	£246,340
Value left in your property (equity)	**£188,871**	**£53,660**

Interest rate: 4%



Interest rate: 8%



Even though your loan will grow over time, you'll never have to pay back more than the property is sold for. This is provided it's sold for the best price reasonably obtainable, and you've met your lifetime mortgage terms and conditions.

Keeping in touch

We're here to help. If you have a query about your lifetime mortgage, or you'd like to give us some feedback, there are a number of ways you can get in touch.

Call our Customer Services team on:
03330 048 444
Lines are open 8.30am–5.30pm, Monday to Friday.
Call charges will vary. Calls may be monitored and recorded.

Email us at:
customerservices@landghomefinance.com

For further information visit:
legalandgeneral.com/lifetimemortgages

Easier to read information

Please call us on **03330 048 444** if you are visually impaired and would like this document in Braille, large print, audio tape or CD.

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