

Your guide to

Fixed Early Repayment Charges

Ten Year

Keep this document in a safe place as it forms part of your mortgage with us.



What is a Fixed Early Repayment Charge?

Usually, a lifetime mortgage is repaid when you or the last surviving borrower dies or moves into long term care. However, you may need to repay your lifetime mortgage early if your circumstances change.

An Early Repayment Charge (ERC) is a fee that's charged when you repay your lifetime mortgage early. We apply an ERC to recover costs from setting up your lifetime mortgage, from reinvesting the money repaid to us or changes to long term interest rates. A Closing Administration Fee is also payable when you fully repay your lifetime mortgage. The exact cost is shown in your Tariff of Charges.

Fixed ERCs are calculated as a percentage of the amount you owe when you decide to repay your mortgage early. The percentages that will apply each year are fixed when you take out your mortgage and typically reduce over time.

The table below shows the percentages that apply to your lifetime mortgage. Your Offer of Loan includes personalised examples, as well as the maximum ERC amount for your loan.

Year	Percentage of amount owed payable as an ERC
1–3	10%
4	9%
5	8%
6	7%
7	6%
8	5%
9	4%
10	2%

ERCs can be substantial and you should think carefully before you decide to repay your lifetime mortgage early. You should also consider discussing your circumstances with your financial adviser. You can ask us for a repayment statement, which will tell you the amount needed to repay your mortgage and will include any ERCs due.

Each year we'll send you a mortgage statement. This statement will tell you what you owe and will include an illustration of much your ERC would be at that time.

Example

Alan and Emily took a lifetime mortgage with an initial loan of **£100,000**.

In **year 6**, they owe **£146,028*** and decide to repay their lifetime mortgage in full.

The Fixed ERC, in year 6, is 7% of the amount they owe.



$$£146,028 \times 7\% = £10,221.96$$

The Early Repayment Charge is **£10,221.96** plus the Closing Administration Fee.

* In this example we have assumed an interest rate of 6.33% (MER).

When doesn't a Fixed Early Repayment Charge apply?

A Fixed ERC is **not** payable in any of the following circumstances.

When you make a repayment and:

- it's been over 10 years since your lifetime mortgage or any additional borrowing completed; or
- it's within the Optional Partial Repayment limits detailed in your Offer of Loan.

When you move home and:

- you transfer your lifetime mortgage to a new property that's acceptable to us but need to repay part of your lifetime mortgage; or
- it's been five years since you took out your lifetime mortgage and we aren't able to transfer it to your new property; or
- it's been five years since you took out your lifetime mortgage and you're selling your home to move into sheltered accommodation.

When your lifetime mortgage is repaid:

- because you or, if you have a joint account, both of you have died or moved into long term care; or
- within three years of the death of a joint borrower or within three years of a joint borrower moving into long-term care.

If you have any questions about Fixed ERCs you should speak to your financial adviser, or call us on 03330 048 444.



How do Fixed Early Repayment Charges apply to additional borrowing?

Additional Borrowing is either a Drawdown or a Further Advance on top of your initial loan. Any additional borrowing will have its own Fixed ERC and terms. The Fixed ERC percentages, how long they apply for, and the maximum ERC could be different to your initial loan. These will be detailed in your additional borrowing Offer of Loan.

Example

Bill took a lifetime mortgage with an initial loan of **£100,000** and at the end of year 5 he took a drawdown of **£50,000**. In **year 8**, Bill decides to repay his lifetime mortgage in full. The Fixed ERC is calculated individually for each of Bill's loans then added together.

Year	1	2	3	4	5	6	7	8	9	10
Initial loan £100,000	Year 1 10%	Year 2 10%	Year 3 10%	Year 4 9%	Year 5 8%	Year 6 7%	Year 7 6%	Year 8 5%	Year 9 4%	Year 10 2%
					Drawdown £50,000	Year 1 10%	Year 2 10%	Year 3 10%	Year 4 9%	Year 5 8%

In year 8, he owes **£165,681** on his initial loan, including the interest added to the loan. As the initial loan has been held for 8 years, the ERC payable is 5% of the amount he owes.

He also owes **£60,416** on his drawdown, including the interest added to the loan. As the additional borrowing has only been held for 3 years, the ERC payable is 10% of the amount he owes.



Initial loan $£165,681 \times 5\% = £8,284$. Drawdown $£60,416 \times 10\% = £6,041$.

$£8,284 + £6,041 = £14,325$

The total Early Repayment Charge is **£14,325** plus the Closing Administration Fee.

* In this example we have assumed an interest rate of 6.33% (MER), on both the initial loan and the drawdown, and that ERC terms for the drawdown are the same as the initial loan.

How do Fixed Early Repayment Charges apply to partial repayments on your lifetime mortgage?

Our Optional Partial Repayment feature allows you each year to:

- Repay up to 10% of the total amount borrowed (including additional borrowing)
- Make up to 12 repayments

However, a Fixed ERC will apply when making repayments above these limits.

Additional information on Optional Partial Repayments can be found in your Offer of Loan and All You Need to Know documents.



Example

Lesley and Joan took a lifetime mortgage with an initial loan of **£100,000**.

In year 6, they decide they want to reduce their balance by £15,000.

The first £10,000 falls within the 10% Optional Partial Repayment limit, so no ERC applies.

The remaining £5,000 exceeds this limit, so an ERC will apply.

In year 6, the Fixed ERC is **7%**, and it is charged only on the amount repaid above the 10% limit.



$£5,000 \times 7\% = £350$

The Early Repayment Charge is **£350**.

We're here to help

If you have a lifetime mortgage and are considering repaying it, please contact us to find out the exact amount of your Early Repayment Charge and how to make this repayment.

Write to us at:

Customer Services, Legal & General Home Finance, PO Box 17225, Solihull, B91 9US

Call our Customer Services team on:

03330 048 444

Lines are open 8.30am to 5.30pm, Monday to Friday. Call charges will vary. Calls may be monitored and recorded.

Email us at:

customerservices@landghomefinance.com

If you're contacting us by email please remember not to send any personal, financial or banking information because email is not a secure method of communication.

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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