

A guide for family and friends

Introduction to
Legal & General Mortgages



This guide should be read in conjunction with the **Advice terms and conditions** enclosed within the welcome pack.



Taking out a lifetime mortgage or Retirement Interest Only Mortgage is an important financial decision, and people often seek guidance from their family or friends. If you've been asked to support a friend or family member, we've answered some common questions you may have.

The most important thing you can do is offer your time and join them in their appointments, particularly the recommendation meeting, where an Adviser will make their mortgage recommendation.

What is a lifetime mortgage?

A lifetime mortgage is a way of releasing a lump sum or regular income from a home, without the need to move or downsize. It's a type of equity release, a loan secured against the home with a fixed interest rate for the duration of the loan, designed for homeowners aged 55 or over.

What is a Retirement Interest Only Mortgage?

A Retirement Interest Only Mortgage (RIO) is a mortgage with a fixed interest rate for the duration of the loan, which is paid monthly and has been designed for homeowners aged 55 and over. As a last resort, their home may be repossessed if they do not keep up with payments.

What could they use a Legal & General Mortgage for?

Their adviser will tell them which product could help them to:

- Make home improvements and renovations
- Pay off an interest-only mortgage
- Top up a monthly income
- Pay for in-home care and accessibility enhancements
- Take the holiday of a lifetime
- Support family members with education fees, wedding costs or helping them get on the property ladder; however, if money is gifted in this way, the recipient may have to pay inheritance tax in the future.

Can they still live in their own home?

Yes, they keep ownership of their home and can continue living there. However, with our **Retirement Interest Only Mortgage** they must maintain monthly payments or their home may be repossessed. If at any stage they want to

move house, they may be able to take their mortgage with them, as long as the new home meets our lending criteria. Please note that new fees will apply in these circumstances.

How is the loan repaid?

Our mortgages are usually repaid from the proceeds of selling the home. This would happen when the last surviving borrower dies or moves out of the home into long-term care.

Are there any monthly payments to make?

The only mortgage we offer that has mandatory monthly payments is our **Retirement Interest Only Mortgage**, as it's a residential mortgage. When considering a RIO, it's important to note that as a last resort, their home may be repossessed if they do not keep up with payments.

Our **Lifetime Mortgages**, unlike a residential mortgage, don't have set monthly payments. However, our Optional Payment Lifetime Mortgage does let customers pay some or all of the monthly interest if they want, for a time that suits them. This helps reduce the overall cost of the lifetime mortgage.

How do you calculate the interest?

Our mortgages have a fixed interest rate for life, so customers can rely on the fact that it won't increase in the future. For our **Lifetime Mortgages**, interest is charged on the amount borrowed and on any interest already charged (also known as "compound interest"). Interest is calculated on a daily basis and is added to the amount owed each month. This means that the amount owed will increase over time, reducing any equity in the home. For our **Retirement Interest Only Mortgage**, there is no compound interest, as customers must pay off the interest of the mortgage each month.

How can family/friends be sure this is the right financial solution?

Taking out a mortgage is an important decision, that's why at Legal & General we require all our customers receive financial advice. Our advice will ensure that the customer makes fully informed decisions, and only takes out a product that's right for them.

Our advice service is restricted to Legal & General Mortgages. If a customer is interested in other mortgage providers, they may wish to seek independent advice.

Could the family be left with any debt to pay?

Our Lifetime Mortgages

No. Our No Negative Equity Guarantee means that they'll never have to pay back more than the amount the property is sold for, provided it is sold for the best price reasonably obtainable and that the terms and conditions of the mortgage have been met.

Our Retirement Interest Only Mortgage

There is a possibility, if the sale of the property does not cover the outstanding mortgage we would look to beneficiaries to settle the balance.

What does it cost to take out a Legal & General Mortgage?

The cost of advice

We don't charge an advice fee. Instead, we receive a payment from Legal & General Home Finance Limited (the product provider) on completion of the mortgage. This isn't a direct charge paid by the customer, but is included in the product charges and interest rate they pay if they decide to take out the product. The Adviser will explain the payment in detail at the recommendation meeting (see below).

What other costs are there?

Other costs that may apply are a valuation fee, which pays for a surveyor to value the property, and an arrangement fee or product fee for handling the application process. There will be also be costs if a solicitor or conveyancer is required.

Once the Adviser recommends a product, the specific costs will be provided in the Key Facts Illustration (KFI) for Lifetime Mortgages or European Standardised Information Sheet (ESIS) for Retirement Interest Only Mortgages. The Adviser will explain the costs in person at the recommendation meeting, before the customer makes a decision.

For more information please read **'What are the costs of taking out a Legal & General Mortgage'** (marked with 04 in top right-hand corner).

How does this affect any inheritance?

When securing a loan against your home, the value of any inheritance is reduced. We offer optional Inheritance Protection on our **Lifetime Mortgages**, to allow customers to protect a percentage of the equity for any beneficiaries of their estate. If Inheritance Protection is chosen, the amount that can be borrowed is reduced proportionately.

This option isn't available with a **Retirement Interest Only Mortgage**. Because the interest is paid for the life of the mortgage the value of the loan won't increase, but if the property value falls when the loan needs to be repaid so will the value of any inheritance.

How do you value the property?

An independent surveyor will value the property before the mortgage offer is confirmed.

Will it affect their tax or benefits?

A mortgage can sometimes affect means-tested benefits or their tax position. As part of the advice process, our Adviser will calculate the benefits customers are entitled to. They will only recommend a mortgage if it is in the customer's interests, having taken their benefits and tax position entitlement into account.

How do you make sure every customer is looked after?

Many of our customers are very comfortable going through the process of taking out a mortgage. However, we're conscious that for some customers, making financial decisions can be stressful and a little overwhelming.

The customer's dedicated advice team will guide them through the advice process at their own pace and won't hurry them.

We treat all customers with the utmost respect and dignity. All our Advisers and Customer Service Agents receive regular training, to ensure they can identify customers who need additional support.

Like to know more?

If you'd like to find out more, you can visit our website at:

www.legalandgeneral.com/retirement-mortgages or call us free on **0808 163 760**; we'd be happy to answer any questions you may have. Lines are open Monday to Friday 8:30am to 8pm. Saturday 9am to 1pm. Calls may be monitored and recorded.

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