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Equity Release Mortgages

Introduction

An equity release mortgage enables older homeowners to use their property to generate income or lump sums with either a loan secured on it or by selling the property (or a share in it) and continuing to live there for the rest of their lifetime.

Initial steps

There are many different types of equity release scheme. We would strongly recommend that you obtain advice from an independent financial adviser at the outset to see whether or not equity release is suitable for you. Other options may be available :-

- Other assets or investments could be used to increase your income.
- You could move to a smaller property thus freeing up equity and potentially reducing your outgoings.
- There may be state benefits available to you.
- You may be able to obtain financial help from your family.

Whichever scheme you choose, we recommend that you make sure that the lender is a member of the organisation called Safe Home Income Plans (SHIP).

Considerations

Before signing up to any form of equity release you should consider the following points although this list should not be treated as exhaustive:-

- Will there be any impact on the benefits you are receiving or may be entitled to in the future?
- Will your future eligibility for financial assistance with care home fees be affected?
- Your estate could be considerably reduced in size and you may therefore wish to discuss this possibility with your family.
- You will not have to pay tax on the equity released from your property but any income you make from investing the money could increase your tax bill.
- Whilst most equity release schemes allow you to move house and transfer the mortgage to that new property, there may be restrictions on the type of property that would be acceptable to the Scheme provider (all or part of the mortgage may have to be repaid if you decide to move to a property which does not fit the Scheme's criteria)
- Will there be any restriction on other people coming to live with you at a later date (eg a member of your family or a friend to provide care or companionship)?
- On your death (or on the death of the survivor of joint borrowers) or if you (or both of you) have to go into long term care, the property would have to be sold to repay the mortgage plus interest and therefore anyone else living with you would have to find somewhere else to live.
- If the Scheme you are considering is intended to provide a regular income, check whether this will be fixed or whether it can be increased. Inflation will cause the real value of your income to reduce

After completion you will continue to be responsible for :-

- Payment of Council tax
- Payments due to Utility Companies (eg gas and electricity).
- Insurance of the property

- Maintenance and repair of the property.
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Procedure

Once you have decided to proceed with an equity release scheme, you will need to appoint a Solicitor to act on your behalf. At Hallett & Co. we have many years' experience in dealing with this type of transaction and would be pleased to assist you.

Our role would be to correspond with the Solicitors acting on behalf of the equity release company, to provide those Solicitors with the documentation and information they require to ensure that your property is suitable as security for the mortgage. Primarily we would be acting for you to ensure your interests are protected and that you fully understand the responsibilities and consequences of what you are proposing to enter into.

We will always endeavour to hold a face to face meeting with you in order to take you through the documentation and to answer any questions you may have.

We appreciate that many people find these transactions stressful and worrying and we will always do our best to be sympathetic and to make sure that you are entirely comfortable with the proposed scheme before you become committed to it.

Please call Jonathan Hudson on 01233 625711 for more information, or email him on jdh@hallettandco.co.uk.