



# Guide to Equity Release

# The **Top 5** Reasons People Release Equity



1. Improve Their Home
2. Pay Off Your Existing Mortgage
3. Inheritance Gifting
4. Boost Disposable Income
5. Fund A Holiday Of A Lifetime



# Equity Release

## what is it?

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Equity release is one of several options available to home-owners over the age of 55 years who have found themselves property-rich but cash-poor.

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### **How does it work?**

In its simplest terms, equity release enables you to release money that you have tied up in your home. It is designed for people who do not want to move home and hope to remain in their house until their death or choose to permanently leave the property. Members of the Equity Release Council follow a strict code of conduct which ensures that home-owners receive clear information that explains the terms and conditions, costs, risks and benefits of each plan should they need to enter long term care. There are different schemes available on the market, but ultimately the amount borrowed from the capital in your house is repaid when the house is sold.

### **What can I unlock the money for?**

Anything you want. A new car, home improvements, income supplement, holiday (or holidays), gifts for loved ones or funding a dream hobby: there are many more and every individual's reasons vary, but there are no restrictions.

### **Is it safe?**

The products available on today's market are not the products of the 1980s that left many home-owners in desperate situations. We only source products by Lenders who, as members of the Equity Release Council, abide by a strict code of conduct that ensures home-owners will never fall into negative equity or owe more than the property is worth. We provide further information about your security in later pages.



# The History...

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Equity release products were first introduced in the 1960s as a simple way to borrow for everyday living costs when the average property was worth £4000.

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It was in the 1980s the more infamous 'Home Income Plans' were bought in allowing home owners to take out an interest only mortgage and buy an annuity or investment bond alongside. These were designed to pay off the monthly interest rate and provide additional income to the home-owner. However, the state of the British economy meant that rising interest rates, fixed annuities and falling house prices saw many homeowners with increasing monthly arrears and negative equity. Moving was impossible and many left debt for their family to pay.

The horrendous situation many families found themselves in led to the foundation of the Equity Release Council (formally known as Safe Home Income Plans). Members follow a strict code of conduct which ensures that home-owners receive clear information that explains the term and conditions, costs, risks and benefits of each plan.

✓ **Am I eligible?**

Eligibility varies for each Lender, however basic criteria requires the youngest home owner to be aged 55 or over (although some schemes may require a higher age), the house to be worth at least £70,000 and in good condition. The property must be situated in England, Scotland or Wales and be your main residence.

✓ **How much can I borrow?**

This depends on your circumstances including how old the youngest home-owner is and how much your house is valued at.

✓ **Will I be charged interest?**

You may be charged interest - whether the interest 'rolls up' over the term of the mortgage or you pay off the interest each month depends on your circumstances and which product you decide to take out. We provide further details of product types in later pages.

✓ **Do I pay rent to live in the house?**

No. You will not be required to pay rent to remain in your house.

✓ **I still have a mortgage on my property**

This doesn't exclude you from being eligible for an equity release, but you will need to pay the mortgage in full. You can use proceeds from your equity release to do this.

✓ **How does an Equity Release affect my Partner?**

An equity release policy can be single or joint. A joint policy would mean that if one Spouse/Partner were to die, the plan would continue the same and the surviving Spouse/Partner would not be required to move.

However, if you decide to take out a single plan or marry/co-habit after, the person who resides with you may not be entitled to remain in the house were you to die. Unless they can repay the amount required, the house would be sold to repay the loan. We advise that if you and your Spouse/Partner live together, you consider a joint plan to ensure security of the surviving Spouse/Partner.

✓ **Will this affect my children's inheritance?**

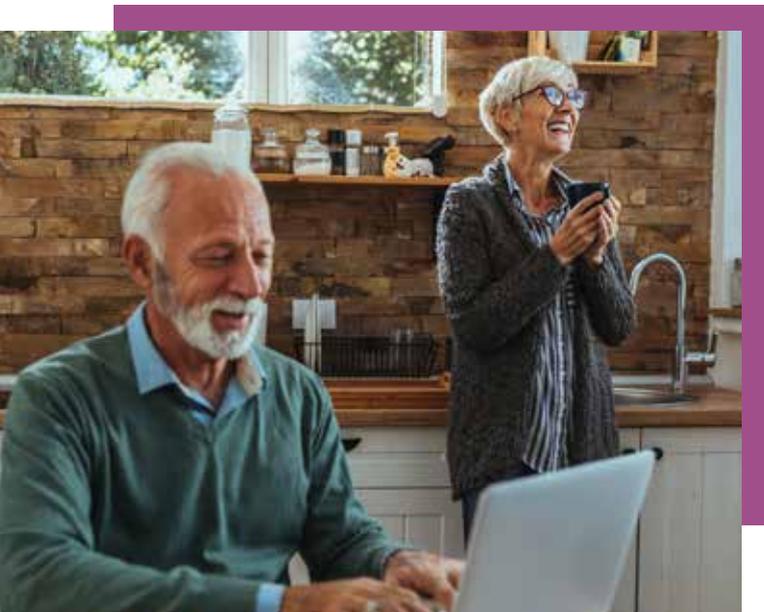
Yes. Taking out an equity release product allows you to access the money you have built up in your house without the need to move or downsize. The proceeds from the sale of your house on your death or when you enter long-term care are used to repay the amount borrowed and therefore cannot form part of your children's inheritance. This isn't to say however that you are unable to pass any inheritance with an equity release product as some products allow you to ringfence a percentage of your home. We can look at and discuss with you all the options available to find the right solution for your circumstances.

✓ **What if I want to repay the loan early?**

As equity release products are designed to be long term options, repaying your loan early could involve expensive 'Early Repayment Charges'. However, please advise us before hand if you think you may want to pay the loan off early, as there are many products on the market and not all have an early repayment penalty attached to them. If you decide to take out a Home Reversion Plan you would be required to sell your house to repay the loan which could leave you with too little money to purchase somewhere else although these plans are mostly portable to new properties that are deemed acceptable by the Lender.

# Things to Consider

## What costs should I consider?



### Arrangement Fee

This is a fee charged by the Lender to cover the administration of arranging your loan. It is usually added to the overall cost of the loan.

### Valuation Fee

For the Lender to be able to make you an offer that reflects the value of your home, they will require a valuation to take place. The cost covers the Valuer's time to complete this.

### Solicitor's Fee

As part of the equity release process, you must appoint a Solicitor. Their role is to protect you, ensure that you receive a safe product and that you understand the risks and benefits attached. The Solicitor will communicate directly with your Lender and complete all the necessary legal paperwork and requirements.

### Advisor's Fee

Our typical fee is £1495 on completion.

## What are the alternatives?

- ✓ **Downsizing your property**
- ✓ **Moving to a less expensive property**
- ✓ **Seeking financial assistance from friends or family.**
- ✓ **Identifying if you are entitled to means tested bene its.**
- ✓ **Applying for a traditional mortgage or loan.**
- ✓ **Home improvement grants.**

# Products Available

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## Lifetime Mortgages

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- **Roll Up:** This plan requires no interest payments to be made to the lender as all interest is compounded until the property is sold, the surviving borrower goes into care or dies.
- **Interest Only:** The borrower can choose to pay the interest charged by direct debit to the lender thus avoiding the loan to increase. Some lenders allow you to pay back some of the capital regularly to reduce the loan.
- **Regular Income Plan:** This is where the borrower does not require a lump sum, but wishes to supplement their income by receiving a regular income from an Equity Release Plan.
- **Draw Down:** This is similar to the Roll Up plan. However, with the draw down lifetime mortgage, you can access your money more flexibly. Rather than just receiving a lump sum, you have the option to release your cash over time, as and when you need it. Because you only pay interest on the cash you have taken, these plans can often prove to be more cost-effective.



# The Process

## 1. Research

Equity release will not suit everyone and it may be that there are other options more suitable for your circumstances. We encourage you to research the market first before making any decisions.

## 2. Family

We encourage all our customers to talk to their family members or those who might be affected in the future if you decided to take out an equity release policy.

## 3. Advisor

As your Advisor we will discuss all the options available to you. We will take the time to help you understand the products available and explain all the risks and benefits of each product.

## 4. Apply

When you have decided on your product, we will complete and send the application to your chosen Lender. At this point you should have your Solicitor's details ready and a cheque for the valuation fee.

## 5. Valuation

The independent valuation will take place at a convenient time for you and ensures that the offer made by the Lender for the amount you can borrow reflects the value of your home.

## 6. Solicitors

A solicitor is required as part of the process. We can arrange this for you, if you don't have your own.

## 7. Offer

The Lender will make you an offer of an amount you can borrow. You, your Solicitor and Advisor will receive an 'Offer Letter' with confirmation of the amount.

## 8. Legal

You sign a Mortgage Deed & Certificate, witnessed by a solicitor to confirm that everything has been explained to you full. This documentation is then sent to the lender for them to carry out essential checks.

## 9. Cash

The funds will be release to your solicitors, who will in turn transfer them to you in a lump sum.



# Your Security



The Equity Release Council is the industry body for the equity release sector. Born from an expansion of the remit of SHIP (*formely Safe Home Income Plans*) the Equity Release Council represents the Lenders, qualified Financial Advisors, Lawyers, Intermediaries and Surveyors who work in the equity release sector.

**As members, we abide by a strict code of conduct which ensures that:**



#### **To Remain**

Customers have the right to remain in their property for life provided the property remains their main residence.



#### **Clear Presentation**

Customers will be provided with fair, simple and complete presentations of their plans. This means that the benefits and limitations of the product together with any obligations on the part of the customer are clearly set out in the literature. It should include all costs that the customer has to bear in setting up the plan as well as the tax implications, their position on moving house and the effects of changes in house values on their loan.



#### **No Negative Equity**

All Equity Release Council plans carry a 'no negative equity' guarantee i.e. you will never owe more than the value of your home.



#### **Your Solicitor**

The customer's legal work will always be performed by the Solicitor of his or her choice. In all cases, prior to the completion of the plan the Solicitor will be provided with full details of the benefits the client will receive. The Solicitor will be required to sign a certificate to the effect that the plan has been explained to the client fully and that they understand the risks and benefits of the plan.



#### **ERC Certificate**

The Equity Release Council certificate will clearly state the main cost to the householder's assets and estate e.g. how the loan amount will change, or whether part or all of the property is being sold.



#### **Moving House**

Customers have the right to move their plan to another suitable property without any financial penalty.

# Don't Just Dream It, Do It

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Talk to one of our Equity Release advisers today.

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# Our promise to you

- ✓ If we do not believe equity release is suitable for you, we will advise you of that and help to identify other suitable solutions.
- ✓ Once we understand your circumstances, we will discuss all the options available to you including equity release.
- ✓ Ultimately our role is to provide you with the right financial advice that helps you to fully understand before you agree, and gives you the peace of mind that the decision you have made is the right one.
- ✓ If we do not believe equity release is suitable for you, we will advise you of that and help to identify other suitable solutions.
- ✓ We will explain the products in full including all the benefits and risks to you.
- ✓ Your financial security is guaranteed as we only source products by lenders who are members of the Equity Release Council. As members ourselves we adhere to a strict code of conduct and are passionate that these products are sold correctly and only when they suit the individual's circumstances.
- ✓ We can arrange to meet you at our offices or in the comfort of your own home. Our appointments are available at times that suit you.

**Ultimately our role is to provide you with the right financial advice that helps you to fully understand before you agree, and gives you the peace of mind that the decision you have made is the right one.**



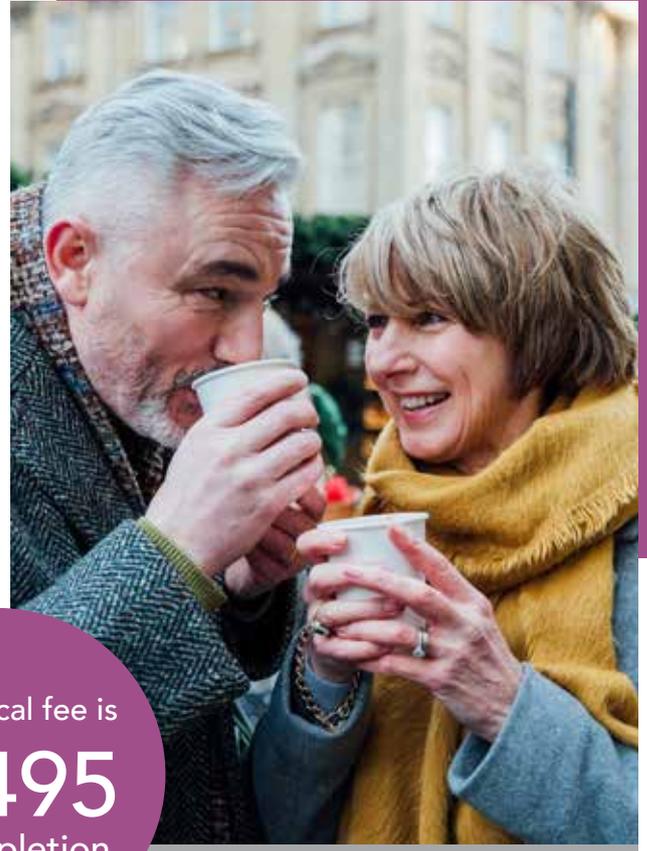
## **Michael Usher**

Founded Michael Usher Mortgage Services in 1993 but has been a Financial Advisor since

1998. Born and bred in Frimley, Michael is a well-known and respected member of the local community. As one of only a handful of qualified equity release Financial Advisors in the local area, he has a passion to ensure that the local community receives the right advice and are not just sold a product.

# A sample of our lenders:

An equity release product will reduce the value of your estate, it will not be suitable for everyone and may affect your entitlement to state benefits. To understand the features and risks please ask for a personalised illustration.



Our typical fee is  
**£1495**  
on completion.

All your initial consultations are **FREE**.

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equity release

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