

A HELPING HAND FROM HODGE



# The Underwriting Guide

Making life easier, so you can get on with what's important  
Looking after your clients





## Later life mortgage lending since 1965

We've been a key part of the mortgage market for more than 50 years and in that time we've built up a wealth of experience and earned a strong and solid reputation.

### Did you know we created the very first equity release product in the UK?

Today we offer one of the broadest ranges of later life mortgages to suit almost any need.

We're focused on lending to older borrowers and understand there's no such thing as a typical retirement these days, our innovative products are designed to suit a variety of needs and circumstances.

At Hodge we take pride in our work and do the very best to help you.

We're friendly, easy to talk to and take the time to understand you and your client's needs. We're committed to supporting you and building awareness and understanding of the later life market.

We believe together, we can make a difference to later life borrowers.

Doing the right thing is at the heart of everything we do, 79% of Hodge is owned by the Hodge Foundation, a charity supporting welfare, medical, academic and education causes for many years.

This is the driving force of the business, the knowledge that by helping our advisers and clients to find the perfect products, we're also helping good causes which are important to us.

Quite simply, we're not a conventional business, **we are Hodge.**





This guide has been created to help make your life easier, it'll help you find answers to some of the most common things you ask us and help you with things like how to apply and what to send us based on your clients income streams.

**What's included:**

- 1 50+ & RIO Mortgage product details
- 2 Retirement Mortgage product details
- 3 Case studies
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Want to skip straight to what you need to know?  
Click on the page you want and our downloadable PDF will take you straight there



Keep an eye out for useful hints & tips throughout this guide high-lighted with a





# Our Residential Interest Only Mortgages for over 50s

Affordability based, interest only mainstream residential mortgages for borrowers age 50 and over who are looking to take out a mortgage while approaching or during retirement. Full monthly interest payments required, the 50+ has a term from 5 years to 41 years and requires a repayment vehicle (see page 9) whilst the RIO has no end date and is repaid on death or entry into long term care.

## 50+ Mortgage

## RIO Mortgage

### 70% LTV

Apply from age 50-88

<b>Rates</b>	2 yr variable	2.95% or 3.25% (fee free)	3.10% or 3.35% (fee free)
	2 yr fix	2.99% or 3.30% (fee free)	3.20% or 3.45% (fee free)
	5 yr fix	3.40% or 3.55% (fee free)	3.50% or 3.65% (fee free)

\*rates correct as of 13/12/19  
to check current rates please visit [www.hodgeforintermediaries.co.uk/products/55-mortgage/#product-summary-panel](http://www.hodgeforintermediaries.co.uk/products/55-mortgage/#product-summary-panel)  
**SVR 4.70%**

### Product Fee £0 and £995 options available

A choice of paying in advance, on top of the loan or as part of the loan

Loans from £20,000 to £1,500,000

- Purchase
- Remortgage
- Additional Borrowing



### Want to source?

Find 50+ and RIO Mortgage using: Air Sourcing, Mortgage Brain, Trigold or 27 Tec

**50+**  
Minimum equity £100,000  
Minimum property value £120,000

**RIO Mortgage**  
No minimum equity  
Minimum property value £100,000  
No repayment vehicle required

10% overpayments allowed from day 1





# Our Equity Release Interest Only Mortgage for over 55s

Affordability based, interest only equity release mortgage for borrowers age 50 and over who are looking to take out a mortgage when approaching or during retirement - full monthly interest payments required, no end date \*equity release qualification required to recommend this mortgage.

## The Retirement Mortgage

LTV's 52% Age 50-70

47% Age 71-75

42% Age 76+

Apply from age 50-85

Rates

2 yr fix	4.05%
5 yr fix	4.45%

\*Ability to convert to roll-up after age 80 subject to 5yrs payments (youngest borrower)

SVR 4.70%

\*rates correct as of 11/03/19 to check current rates please visit [www.hodgeforintermediaries.co.uk/products/retirement-mortgage/#product-summary-panel](http://www.hodgeforintermediaries.co.uk/products/retirement-mortgage/#product-summary-panel)

### Product Fee £995

A choice of paying in advance, on top of the loan or as part of the loan



Loans from £20,000 to £750,000

- Purchase
- Remortgage
- Additional Borrowing

No minimum equity requirement  
Minimum property value £100,000

No repayment vehicle required - repaid on death or move into care

10% overpayments allowed from day 1

#### Want to source?

Find The Retirement Mortgage using:  
Air Sourcing, Assureweb, Exchange, Iress or Synaptic





# Real examples of who we've helped...



## John & Anne Whetherby, both aged 55 Used the RIO Mortgage to repay their existing interest only mortgage

They'd originally planned to sell up and downsize when the time came to repay but, with a year to go they just weren't ready so decided to look for an alternative.

John had a drawdown pension worth £300,000, Anne, a personal pension worth £100,000 and they were entitled to a full state pension. This allowed them to pass affordability checks post-retirement as well as pre, something which is essential for the RIO Mortgage and they were approved for a £100,000 loan with us.

For the full story visit [www.hodgeforintermediaries.co.uk/case\\_study/mr-mrs-wetherby-repaying-existing-interest-only-mortgage](http://www.hodgeforintermediaries.co.uk/case_study/mr-mrs-wetherby-repaying-existing-interest-only-mortgage)

## Tabitha Monk, age 69 Faced repossession of her home



Tabitha had been in touch with her mortgage adviser and was extremely distraught to learn her mortgage provider was about to start court proceedings against her for the repossession of her home. Extending the term of the mortgage was not an option as she couldn't meet her current lender's age and affordability criteria. Her mortgage adviser contacted Hodge to discuss the circumstances and we were able to help.

A mortgage of £155,000 was approved over a 10 year term, this meant Tabitha's previous mortgage was fully paid off and she was able to stay in her home without worry, making interest only repayments on her 50+ Mortgage with us.

For the full story visit [www.hodgeforintermediaries.co.uk/case\\_study/ms-monk-facing-potential-repossession](http://www.hodgeforintermediaries.co.uk/case_study/ms-monk-facing-potential-repossession)



# Is your client eligible?

We want to say yes, there are a few easy checks you can make before applying to see if your clients circumstances fit.



Are they aged 50-88 at the time of applying?

Our 50+ offers a term from 5 years up to 41 years.

Our RIO Mortgage has no end date.



Do they have a good level of income?

Want to see if their income works? Visit our affordability calculator [www.hodgeforintermediaries.co.uk/affordability-calculator](http://www.hodgeforintermediaries.co.uk/affordability-calculator)



Is their main residence in England, Wales or mainland Scotland and worth at least £100,000?

You can check whether a property type is eligible using our handy check sheet: [www.hodgeforintermediaries.co.uk/product-resource/55-mortgage/55-property-eligibility](http://www.hodgeforintermediaries.co.uk/product-resource/55-mortgage/55-property-eligibility) or refer by e-mail to [info@hodgelifetime.co.uk](mailto:info@hodgelifetime.co.uk)





# Here's what you need to know before you apply



Submit a Decision in Principle (DiP) or full application by post or to our mortgages mail box



Or complete a DiP online  
[hodgeforintermediaries.co.uk/dip-application/](https://hodgeforintermediaries.co.uk/dip-application/)



If the application is successful send us any supporting documents we request for the full application process as soon as you can to help speed things up

## What we do

- Once we receive the DiP, our Administration team ensure it's eligible. Any queries are referred to our Underwriting team
- An Experian credit check is carried out while our credit underwriters carry out a full review of the DiP along with an affordability calculation
- **We will aim to respond within 5 business hours** - it's important for us to carry out thorough checks at this stage to make sure we offer your client terms which suit their needs and, most importantly, don't offer them something they can't afford

## What next

- If the DiP is approved, we'll email you the Key Facts and explain what you'll need to do next to progress the application - this will include giving you full details of any supporting documents your client will need to supply
- If it's declined or more information is needed to make a decision, you'll get a call from one of our underwriters
- The property valuation is instructed and accepted applications are passed to your dedicated credit underwriter who carries out a full review of all documents. They'll contact you directly if more information is needed
- Once the valuation has been received and accepted by the property underwriters the file is passed back to your credit underwriter for final review
- If everything is satisfactory you'll receive an offer by email which will include a copy of the valuation



## Essentials

- All supporting Customer Due Diligence documents must be certified copies or original documents
- Application Form declarations must be signed and dated by both advisor and applicant(s)
- Direct Debit Form must be signed and dated (business bank accounts are not acceptable)
- For loans above £250k last full 2 months bank statements for all applicants' accounts (showing income/outgoings)



**We'll do everything we can to accept your client's case, which is why our review process is so thorough. Keeping you in the loop is important to us so your dedicated underwriting executive will be available to answer any questions throughout the process**



# Borrowing criteria

Some conditions of the loan apply to the 50+ Mortgage, the RIO Mortgage and the Retirement Mortgage, namely what they can and can't be used for:

## Clients can ✓

- Buy or re-mortgage the home they live in the majority of the time
- Renovate their home
- Consolidate their debts

## Clients can't ✗

- Pay their taxes
- Clear gambling debts
- Buy a timeshare
- Pay off a right-to-buy loan
- Use the money to inject cash into a business
- Buy a property with shared ownership

## There are 8 borrower criteria need-to-knows for all three product types

- 1 There can be a maximum of two borrowers
- 2 The application age of a borrower is minimum of 50 and maximum of 88
- 3 Your client must have been a UK resident for at least three years with indefinite leave to remain in the UK
- 4 They can't have more than one satisfied CCJ up to the value of £250 in the past two years, or more than two satisfied CCJs up to £500 in past six years
- 5 Clients can have a maximum of two months' arrears in the past three years and a maximum of one in the past 12 months on secured loans. None of those arrears can be within the past six months. A maximum of three months' arrears in the past year on unsecured loans is allowed
- 6 Bankruptcy, IVA or a debt management program are acceptable providing they've been discharged for at least six years
- 7 Clients can't have more than one satisfied default of up to £250 in the past two years or more than two satisfied defaults up to £500 in the past six years. No more than two defaults of less than £100 allowed for mail order or communications debts
- 8 Unsatisfied CCJs, previous home repossession or those in need of guarantors are unacceptable criteria

# Additional criteria



Understandably, the criteria which needs to be met when taking out a 50+ Mortgage or Retirement mortgage can seem extensive, it's important to have all the facts:



A proof of deposit is required on all purchase applications unless it's going to be funded wholly from the sale of your client's current property



To remortgage a property your client needs to have owned the property for at least six months prior to the re-mortgage application date



For purchased properties, the vendor must have been the registered owner for at least six months prior to the purchase date and loan-to-value must be based on the lower purchase price or valuation



All loan repayments will be made by direct debit only and drawn on single or joint bank account in the borrower's name or names. For loans over £250k the last two months bank statements will be required for all applicants



Online bank statements are acceptable just so long as they're full statements and the name, account number and bank branding are all clearly visible. We're also happy to accept copies of documents but for ID verification documents we do require certified copies



If income comes from overseas assets, then your client won't be eligible



# Affordability

Interest rate stress test – Stressed rate 7.7%

## 50+ Mortgage

With the 50+ Mortgage, the borrower's income must exceed their outgoings over the term of the mortgage and this basic assessment is applied over the specified mortgage term

The loan must remain affordable based on the income of a survivor in the event of the death of their spouse or partner. That won't be applied if the loan term ends before the oldest borrower's 75th birthday. Otherwise it'll be applied over the term of the mortgage

## RIO Mortgage

As with the 50+ Mortgage, the borrower's income has to exceed their outgoings over the term of the mortgage. However, this will be applied over the borrower's lifetime which is assumed to be age 95

In terms of the first death stress test, the loan must be affordable based on the income of the surviving partner after the death of their spouse which is applied to the term of the mortgage

## Retirement Mortgage

Just like the RIO Mortgage, the borrower's income must be more than their outgoings over the term of the mortgage for the borrower's lifetime, usually up to age 95

The first death stress test is the same as with the RIO Mortgage but applied up to age 80



**Want to check if affordability works?**

Visit our affordability calculator

[www.hodgeforintermediaries.co.uk/affordability-calculator](http://www.hodgeforintermediaries.co.uk/affordability-calculator)



# Acceptable repayment options

The RIO Mortgage and the Retirement Mortgage don't require repayment strategies as the mortgage will be repaid once the mortgaged property is sold after the customer dies or moves into long-term care.

The borrower can use more than one repayment strategy and it's important to note the total value of the repayment strategies must be more than the balance of the loan at inception

Repayment strategy options for the 50+ Mortgage	Valuation	Evidence needed
Sale of your client's mortgaged property	The current property value minus this mortgage	The borrower must provide an outline of what their downsizing plan could be. See application form for further details
Sale of another property	The current equity	We'll need to see the full address and postcode of each property along with statements of outstanding mortgages
Realisation of investments	The projected maturity value based on mid-growth assumption	Statements of investment holdings and valuations need to be provided but income from the nominated portfolio cannot be considered for affordability purposes.
Existing endowment policy	Your client's current portfolio	Statement dated in the last 12 months



# Sources of income - employed & self employed

In some cases we may decline or reduce the eligible amount % we'll accept from an income source. However as a rule of thumb we've compiled the following to give you as much guidance as possible when it comes to income types and what we need as evidence.

Income type	Criteria	Evidence	Eligible amount
Employment income	This will be included in affordability assessments up to your client's expected retirement date. While acceptance of employment income beyond age 70 is subject to underwriter discretion, and up to a maximum age of 80	Two month's payslips and the most recent P60.  Additional P60s may be requested if we need to verify additional regular and guaranteed income	100% and 50% for bonuses and regular overtime
Self-employment income	The lower of the last year's net profits/dividends, or the average of the previous two years for a sole trader  For directors of Limited Companies, it would be the lower of the last year's dividends & salary paid, or the average of the last two years. While for partnerships it'll be the lower of the last year's drawings or the average of the last two	An Accountant's Certificate or SA302 and tax year overviews (if the customer submits own tax return)	100%



If for any reason we need to decline or reduce % income amounts, we'll let you know and you can discuss reasons why with one of our underwriters



# Sources of income - pensions & benefits

Income type	Criteria	Evidence	Eligible amount
State pensions and certain state benefits	Can be based on amounts being paid or expected future entitlement, state benefits are eligible if payable indefinitely	DWP statement/letter confirming eligibility or for state pension two months bank statements	100%
Pensions in payment	This can include annuities, personal pensions or company pensions	Annual statement confirming amount of income, plus evidence of index-linking and spouse's entitlements if relevant	100%
Drawdowns and unvested pensions	<p>For drawdown funds and unvested defined contribution pension schemes, we will use 5% of the fund value as the annual income, or 7% if the applicant is aged over 70, as a sustainable amount</p> <p>We will assume the full fund value is inheritable by a spouse</p> <p>For unvested defined benefit schemes, we will use the actual future income amount as confirmed by the pension provider</p>	<p>Defined benefit schemes - statement of income payable at retirement</p> <p>Drawdown and defined contribution schemes - statement of fund value plus any annual contributions</p>	<p>100%</p> <div data-bbox="1883 1062 2056 1241" data-label="Image"> </div> <div data-bbox="1599 1235 2136 1458" data-label="Text"> <p><b>Unsure of anything? Give us a call on 0800 731 4076, we're always happy to help</b></p> </div>



# Sources of income - other income types

Income type	Criteria	Evidence	Eligible amount
Collective investments	<p>Collective investments will be eligible based on the level of sustainable income which can be withdrawn from these funds</p> <p>The sustainable income is calculated as 5% of fund value or 7% of fund value if the applicant is aged 70+</p>	Statement of fund values	80%
Rental income	<p>Income earned from residential property income, commercial rental income, Ltd company residential income and holiday rental income is all eligible, based on the net amount</p> <p>In the event of death, it's assumed income will pass 100% to spouse. Income assumed to be index-linked</p>	Portfolio details, last year's SA302 and tax year overview or via an Accountant's Certificate	75 to 90%
Spousal or maintenance income	This must be enforced by a court order or legal agreement and needs to have been in place for 12 months. We'll be unable to accept if this is the only form of income	Court order or legal agreement with evidence of payments	90%
Sub-contractor income	This type of income must be derived from a current contract which needs to be at least a six-month contract. Your client will need to have at least a 12-month history of contracting.	Contract (daily rate x5 x40 weeks) used to calculate the acceptable amount	100%



# Don't just take our word for it, see what advisers who've done business with us think

"Your underwriters are really good at looking for ways to help us as brokers to place business with you.

It's a can do attitude as opposed to what can we do to get this off my desk. This continues all the way through the underwriting process to the offer.

Even when we have hit issues and potential brick walls the underwriters have looked at ways that they can help rather than rejecting the case."

"Hodge offers a really good option for clients later in life especially when coming to the end of interest only mortgage, I like the Manual underwriting thought it was a very personal one to one service"

"Your staff are always really friendly and really helpful, we also like the fact that we have one underwriter for each case and that we can email them direct."

"I was very happy with the service and can offer nothing but praise for the underwriter I dealt with.

You were very knowledgeable and easy to speak to and explained everything really well, which was what I needed based on this being my first later life mortgage case.

"I'll definitely be using you again, I really liked the human touch, being able to speak with the same underwriter who took full ownership."



## Your business development team:

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Our mortgages are currently offered in England, Wales and Mainland Scotland

[www.hodgeforintermediaries.co.uk](http://www.hodgeforintermediaries.co.uk)



[mortgages@hodgelifetime.co.uk](mailto:mortgages@hodgelifetime.co.uk)



0800 731 4076



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- 1** Use our online affordability calculator and check if your client might be eligible:  
[www.hodgeforintermediaries.co.uk/affordability-calculator/](http://www.hodgeforintermediaries.co.uk/affordability-calculator/)
- 2** Apply for a decision in principle on-line and we'll aim to respond within 5 business hours:  
[www.hodgeforintermediaries.co.uk/dip-application/](http://www.hodgeforintermediaries.co.uk/dip-application/)
- 3** Send us a full application form, either electronic or paper to [mortgages@hodgelifetime.co.uk](mailto:mortgages@hodgelifetime.co.uk) or via post



Please provide as many supporting documents as possible to speed up the application process, we're happy to accept copies of documents but for ID verification documents we require certified copies

For all guides, application forms and supporting documents please visit:  
[www.hodgeforintermediaries.co.uk/resources/](http://www.hodgeforintermediaries.co.uk/resources/)

