

# Equity Release Early Repayment Charge Factsheet (SWAP rate)

A lifetime mortgage is a long term commitment and is not intended to be paid off early. This factsheet explains more about the Early Repayment Charges applied in the unlikely event that you want to redeem part or all of your mortgage. The fee is calculated to recover the costs we incurred in setting up your mortgage.

These charges apply to the Flexible and Lump Sum Lifetime Mortgage. The type of mortgage you have chosen will determine the early repayment charge to be paid.

Your mortgage offer or key facts illustration will confirm which ERC basis is applicable. This factsheet covers mortgages with a fixed early repayment charge and those that have a variable early repayment charge based on the 25-year swap rate.

## Early Repayment Charge – Summary

If a product has a **fixed early repayment charge**, the following charge will be applied:

In years one to four of the mortgage, this charge is 5% of the capital repaid and it falls to 4% in year five, 3% in year six, 2% in year seven and 1% in year eight.

If the product has a **variable early repayment charge**, the following charge will be applied:

In years one to four of the mortgage, this charge is 5% of the capital repaid and it falls to 4% in year 5, 3% in year six, 2% in year seven and 1% in year eight.

### PLUS

**Variable Early Repayment Charge** – We put in place fixed rate funding to match the duration of your fixed rate mortgage. This charge is calculated to reflect the cost of the mis-match that arises if you repay your mortgage earlier than expected. This charge is calculated using the formula set out below:

$$VRC = (90 - \text{current youngest age}) \times (\text{fall in 25 year swap rate}) \times \text{balance repaid}$$

The 25 year swap rate is the basis on which our long term funding is determined. The rates are quoted on our [website](#).

Swap rates are set at the start of each month and we guarantee the VRC amount for 2 weeks from the calculation date.

For the Flexible Lifetime Mortgage, if you withdraw additional funds using your Cash Withdrawal Option, a new swap rate will be set for each withdrawal made and a separate VRC will be calculated for each withdrawal.

The Early Repayment Charge shall never exceed 25% of the capital repaid.

The following examples illustrate how the Early Repayment Charge is applied in practice.

### Example 1

Mr and Mrs A were both 65 years old when they borrowed £25,000. 10 years later they decide to downsize to a smaller property nearer to their grandchildren. The cash released on downsizing is sufficient to pay off their lifetime mortgage in full. As Mr and Mrs A are selling their property and moving out permanently, no Early Repayment Charge applies when they pay off their debt.

### Example 2

Mr B was 60 years old when he retired and borrowed £40,000. He continues to work for his old employer occasionally, and wants to use this income to reduce his lifetime mortgage balance. Mr B is allowed to repay up to £4,000 (10% of the initial loan amount) each year, in 12 instalments, without incurring an Early Repayment Charge. Our product summary document provides more information about this Flexible Repayment Option.

## Circumstances in which the Early Repayment Charge does not apply

No Early Repayment Charge will apply:

- If you sell and permanently vacate your property and repay the mortgage in full
- If you make repayments in accordance with the terms of our Flexible Repayment Option
- After the youngest borrower's 90th birthday
- If you are required to repay part of the mortgage because:
  - a. you are moving home and want to transfer the mortgage to your new property; or
  - b. you want to add someone to the plan e.g on re-marriage.
- After the last borrower moves permanently into residential long-term care on the grounds of medical or other specialist advice
- After the last applicant dies
- For the Flexible Lifetime Mortgage, if we decline a withdrawal from your Cash Withdrawal Option.

## What if I need help to calculate the Early Repayment Charge?

For a guaranteed redemption figure, please contact us and we will be happy to help.

### Example 3

Miss C was 65 years old when she borrowed £50,000. 3 years later, she wins the lottery and decides to repay her lifetime mortgage from her winnings. By this time, the balance has increased to £60,000 and the 25 year swap rate has fallen by 0.25%. She will incur the following charge:

- The Early Release Fee of £1,500 ( $5\% \times £50,000$ ) plus
- The Variable Repayment Charge of £3,300 ( $(90-68) \times 0.25\% \times £60,000$ ).

### Example 4

Miss C was 65 years old when she borrowed £50,000. 3 years later, she wins the lottery and decides to repay her lifetime mortgage from her winnings. By this time, the balance has increased to £60,000 and the 25 year swap rate has fallen by 1%. She will incur the maximum Early Repayment Charge of £12,500. (25% of the capital repaid).

### Example 5

Mr and Mrs D were both 70 years old when they borrowed £25,000 on a Flexible Lifetime Mortgage. The 25 year swap rate at the time was 3.25%. After 3 years, they exercised their Cash Withdrawal Option and borrowed a further £10,000. The swap rate at the time was 3.5%.

After 10 years, they decide to repay their loan. The swap rate is now 3%, and the balance on their initial cash sum is £45,000 and the balance on their additional withdrawal is £23,000.

They will incur the following charge:

Variable Repayment Charge on the initial cash sum: £1,125 ( $(90-80) \times 0.25\% \times £45,000$ ) plus;

Variable Repayment Charge on the cash withdrawal: £1,150 ( $(90-80) \times 0.5\% \times £23,000$ )

**If you are repaying your loan in full, a Repayment Administration Fee of £180 is payable in all cases.**

This is a Lifetime Mortgage. To understand the features and risks, ask for a personalised illustration.



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