

Fair Value Assessment

Information for Distributors

50+



Introduction

Our approach to meeting the Products & Services Outcome and Price & Value Outcome – Information for distributors of the Product.

This summary document is being provided to you to fulfil our responsibilities under PRIN 2A.4.15R and PRIN 2A.3.12 R (2). -

It is designed to support your compliance with your responsibilities under PRIN 2A.3.16 R and PRIN 2A.4.16 R. You are ultimately responsible for meeting your obligations under 'The Consumer Duty'.

This information is intended for intermediary use only and should not be provided to customers.

1. Summary of our assessment

We have assessed that:

- Our 50+ product range continues to meet the needs, characteristics, and objectives of customers in the identified target market
- The intended distribution strategy remains appropriate for the target market
- The Product provides fair value to customers in the target market (i.e. the total benefits are proportionate to total costs).

2. Product characteristics and benefits

The Hodge 50+ mortgage is a residential mortgage for individual or joint borrowers who are at least 50 years old at the point of application, who are either a current residential property owner or are preparing to purchase a residential property. The product features and criteria are designed to support these needs.

For 50+ products, value is derived from product attributes, such as:

- The product being portable
- Offering legal fee assistance for re-mortgaging
- The Hodge Early Repayment Promise (ERP) that allows ERC free redemption in full at any point when the customer sells their property
- The annual flexible repayment option allowance
- The ability to apply for contract (mid-term) variations.

Full eligibility criteria can be accessed on our intermediary website via **this link**.

3. Target market assessment and distribution strategy

This target market assessment matrix segments the target customers for the Product, recognising their different needs to enable you to tailor the services you provide when you distribute the Product.

3. Target market assessment and distribution strategy (continued)

The Product is not designed for customers who:

- Are under the age of 50 at the point of application
- Require an undefined term
- Are purchasing a property to let
- Are credit impaired borrowers
- Require a part and part mortgage
- Do not meet our lending or property criteria

| Customer Circumstances | Distribution Strategy | Customer Needs and Objectives |
|--|---|--|
| <p>Individual or joint borrowers who are at least 50 years old at the point of application, who are either a current residential property owner or are preparing to purchase a residential property.</p> <p>Customers either borrowing in, or into, retirement and therefore relying on current pension in payment or future predicted pension income to support the mortgage affordability.</p> <p>Borrowers requiring either an Interest Only or Capital Repayment mortgage with the flexibility of no upper age limit at the end of the term.</p> | <p>Available through Intermediary* channels only.</p> <p>Available through advised sale only.</p> | <p>Providing borrowers with the opportunity to defer the repayment of their existing mortgage until later in retirement, usually to coincide with downsizing from a larger home.</p> <p>Borrowers looking for a possible alternative to equity release.</p> <p>Customers considering raising additional funds for purposes such as improving their home or gifting to family members.</p> <p>Borrowers with income to service a mortgage past retirement age (borrowing either in or into retirement).</p> |
| <p>*Intermediary distribution through:</p> <ul style="list-style-type: none"> • Networks and their Appointed Representatives • Mortgage clubs • Directly authorised mortgage intermediaries. <p>All intermediaries must be registered to place business with us and have the appropriate regulatory permissions.</p> | | |

4. Customers with characteristics of vulnerability

50+ customers are generally either borrowing in, or into, retirement and therefore relying on current pension in payment or future predicted pension income to support the mortgage affordability. It's likely to include some customers with characteristics of vulnerability or who will experience vulnerability over time.

Age can also have an impact given the death stress calculation used within affordability where the term is beyond the age of 82, which ensures that any borrowing remains affordable once employment has ceased. It also ensures that, with a joint loan, the borrowing remains affordable by the surviving party (on death of the first borrower). The death stress can, therefore, impact on either the amount of loan requested or the maximum term available and therefore 50+ will not be suitable for everyone. This is why specialist mortgage advice should be obtained.

We considered the needs, characteristics, and objectives of customers with characteristics of vulnerability at all stages of the design process for this Product to ensure the Product meets their needs.

We have also tested the Product, at outset and throughout the lifecycle of the Product to assess whether it will meet the identified needs, characteristics, and objectives of the target market, including customers in the target market who have characteristics of vulnerability.

4. Customers with characteristics of vulnerability (continued)

We have in place a framework to achieve good outcomes for vulnerable customers, which includes:

- Education and training for our staff to ensure they have the appropriate skills and experience to recognise and respond to the needs of vulnerable customers
- Suitable customer service provision and communications including regular review of customer feedback and testing of communications to ensure they are clear and not misleading
- Flexible policies, where appropriate, to support vulnerable borrowers
- Monitoring to ensure we continue to meet and respond to the needs of customers with characteristics of vulnerability.

Intermediaries should continue to comply with your obligations to ensure that you treat customers in vulnerable circumstances fairly.

Please get in touch if you need any further information about how we support the needs of all our customers in relation to the Product.

5. Our assessment of value

We have developed a comprehensive and robust assessment process which evaluates several aspects of our business to determine the value of our mortgage product. This analysis is used to ascertain whether the Product delivers fair value for customers.

The outcomes of the assessment process are presented to the Product Committee, allowing for challenge and further investigation before we sign-off the outcomes and share the summary of our assessment with you.

Our fair value assessment has considered the following:

| Benefits | Price | Costs | Limitations |
|---|--|--|---|
| The range of features that the Product provides monitoring of how customers utilise the features, the quality of the Product, the level of customer service that is provided and any other features that the Product may offer. | The interest rates, fees and charges customers pay for the Product, comparable market rates, advice fees paid to intermediaries and non-financial costs associated with operating the Product. | The cost of funding and servicing the Product. | Any limitations on the scope and service we provide or the features of the Product. |

Results of our assessment

Based on the information detailed above and full review of all key considerations it is our conclusion that, at this time the 50+ mortgage continues to deliver fair value for customers in the defined target market for the Product.

We will continue to monitor in line with our obligations and commitment to supporting you to deliver good customer outcomes and should our conclusion change we will inform you accordingly.

We appreciate every case is as unique as the mortgages we provide so if you've got a case with a story, get in touch today, we'll work with you and be your voice at Hodge to help you get the most for your customer.

Contact our BDM's today: 0800 138 9109



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