

Equity Release Early Repayment Charge Factsheet (Gilt 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 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 15 year gilt rate.

Making an Early Repayment

Your mortgage is designed to be repaid when the last named person on the mortgage moves into long term care or passes away. If the mortgage is repaid before these events then an ERC may be payable.

Circumstances in which the ERC does not 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 the Flexible Repayment Option outlined as:
 - You're able to make a maximum of 12 overpayments at a minimum of £250 per repayment per year
 - You can pay up to 10% of the initial mortgage amount per year
 - Any further payments outside of the above criteria would attract an early repayment charge
- After the youngest borrower(s) 90th birthday
- If you are required to repay part of the mortgage because:
 - You're moving home and want to transfer your mortgage to a new property subject to the new property meeting the prevailing property eligibility criteria; or
 - You want to add someone to your mortgage e.g. on a 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 borrower passes away
- For the Flexible Lifetime Mortgage, if we decline a withdrawal from the Cash Withdrawal Option

How is the ERC calculated?

The Equity Release range has mortgages that have Fixed ERCs and Variable ERCs. Your mortgage offer or key facts illustration will confirm which ERC basis is applicable.

The ERC will never exceed 25% of the capital repaid.

Below outlines how Fixed ERCs and Variable ERCs are calculated.

Fixed ERCs

Fixed ERCs are calculated as a fixed percentage of the capital repaid. The type of mortgage chosen will determine the ERC to be paid. Your mortgage offer or key facts illustration will confirm which ERC basis is applicable.

For 5 year ERCs

Year 1	Year 2	Year 3	Year 4	Year 5
5%	4%	3%	2%	1%

For 8 year ERCs

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8
5%	5%	5%	5%	4%	3%	2%	1%

Variable ERCs

The charge payable is calculated based on:

- The size of the mortgage
- The estimated future term of the mortgage
- Any movement in the level of long-term interest rates

Long-term interest rates are measured using the FTSE UK gilt yield index, as published on the Hodge website (hodgebank.co.uk/intermediaries/mortgages/equity-release/). This index is used because it broadly reflects the expected term of our mortgages and provides an easily verified independent measure. Your mortgage offer will include a Benchmark Interest Rate. The rate will be slightly higher than the current index to allow for the transaction costs incurred.

If the index at the repayment date is the same or higher than your Benchmark Interest Rate then there is no loss to us and no charge will be payable other than the redemption fee. An ERC will be payable if the index is lower than your Benchmark Interest Rate. The calculation of this ERC is outlined below.

Variable ERCs have a combination of the fixed ERC scale as outlined in the above section which is a fixed percentage of the capital repaid.

PLUS the variable aspect of the early repayment charge. This is calculated to reflect the cost of the mis-match that arises if you repay your mortgage earlier than expected.

This part of the charge is calculated using the formula set out below:

$$\text{VERC} = (90 - \text{current youngest age}) \times (\text{fall in 15 year gilt rate}) \times \text{balance repaid}$$

	Example calculation for £50,000 initial advance
Estimated Term The number of years remaining until the youngest named person on the mortgage reaches age 90 (with a minimum of 5 years)	90 – 80 = 10 years
Rate Adjustment The difference between the Benchmark Rate on which the mortgage is based and the index rate at the date of repayment	4.50% – 4.00% = 0.50%
Balance repaid For a full repayment this would be the balance on the mortgage on the day you repay including all interest and charges	£120,000
Redemption fee If the loan is being repaid in full, a repayment administration fee of £180 will payable in all cases	£180
Variable ERC calculation (90 – current youngest age) x (fall in 15 year gilt rate) x balance repaid + Redemption Fee	(10) x 0.50% x £120,000) + £180 = £6,125
25% Charge cap The maximum you would be charged for this scenario being 25% of the initial advance) + redemption fee	(25% x £50,000) +£180 = £12,680
Total Variable Early Repayment Charge payable	£6,125

This also applies for partial repayments outside of the amount allowed ERC-free. In these circumstances, it is the repayment amount, rather than the total balance, to which the calculations apply.

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



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