

# Lifetime No Service Loan

You do not have to make any regular repayments with this kind of lifetime mortgage.

The loan only needs repaying when your home is no longer your main home and is sold. When the property is sold, for example, after your death, the bank or building society will take the original amount of the loan (the capital), plus all the interest that has accumulated, from the proceeds of the sale. What is left over will depend on how the value of your house has altered over the same period. However, you can start making repayments earlier if you want to - first the interest and then the loan. You also have the option of repaying the whole loan and interest due.

This loan is usually only available to homeowners who are 60 years or older. If the property is in the name of more than one person, a joint application should be made by all the owners.

We hope these questions and answers may help you understand more about this type of loan.

## Q1. How much can be borrowed?

The amount you can borrow depends on your age and the value of your home. Usually this ranges from £3,000 up to 55% of the current value of your home.

## Q2. What can the money be spent on?

The Home Improvement Trust helps facilitate funding for repairs, improvements or adaptations to your home. Lenders may be willing to make advances for purposes other than property repairs.

The Trust also manages the national Houseproud Scheme working in partnership with local authorities across England, Wales and Scotland, providing a safe, easy way to get those essential jobs done professionally and with the minimum of fuss. They, together with local Home Improvement Agencies (HIAs), can advise on and inspect the work that needs to be done.

## Q3. How much will it cost each month?

On a month by month basis you do not need to pay anything. However, the amount you borrow attracts interest each month. We have shown in the table overleaf an illustration of how the cost of a loan builds up over a period of years.

## Q4. Is security required?

Yes - the amount of the loan and interest outstanding will be secured by a first Legal Charge on your property.

## Q5. When does the loan and interest have to be repaid?

There is no fixed period - you only need to make repayment in full when your home is no longer your main home and is sold.

## Q6. How is the loan repaid?

Usually out of the proceeds of the sale of your home. However, if you wish, you can make repayments off the interest and then the capital, whenever you like. Any repayments will have the effect of reducing the amount that you owe to the lender. The outstanding balance (any amount you still owe) will continue to attract interest until the loan has been repaid in full. You can repay the whole loan and interest at any time, with no extra charges, except in the first year when there would be a charge of 2% of the original loan.

## Q7. What is the rate of interest that is added to the loan?

The rate will be variable and may be slightly above the current mortgage rate. The Formal Offer will confirm the actual rate which will apply when you take out the loan. You will be notified when the interest rate varies.

**Q8. Are medical checks needed before taking out a loan?**

No evidence of your state of health is required if you are 60 or older.

**Q9. How much will be taken out of the sale proceeds to repay the loan?**

The original loan plus all the outstanding interest due to date of repayment. The amount will depend on the level of interest rates over the period of the loan - rates may go up or down over the period. It is important to understand that the amount to be repaid will depend on how much interest rates have moved over the duration of the loan.

The amount left will depend on how the value of your home has altered over the same period. Prior to completing a mortgage application form, you will be provided, at no cost to you, with a detailed **Keyfacts Illustration** by the lender with the details of the actual rate applicable in accordance with the requirements of the Financial Services Authority.

The table below is an example of the amount repayable at point of sale, which includes the amount borrowed, plus interest which is added to the outstanding amount at the end of each period, usually a month, until the loan is repaid - this is compound interest.

**It is important to note that these are illustrations only. As an example we have used an interest rate of 5.74% per year (APR 6.0%) - these rates may vary between lenders and over time may go up or down.**

Length of Term	Capital Borrowed (Capital borrowed plus compounded monthly interest)			
	£3,000	£4,000	£5,000	10,000
5 years	£4,022	£5,363	£6,703	£13,407
10 years	£5,392	£7,190	£8,988	£17,976
15 years	£7,230	£9,640	£12,050	£24,101
20 years	£9,694	£12,925	£16,157	£32,314

**Q10. Are there any other costs involved?**

Yes - there will be specially negotiated and affordable costs to cover legal and administration fees, itemised separately in the formal **Keyfacts Illustration**. If you use your local authority, perhaps through their Home Improvement Agency, to manage the job for you, this may incur a fee. These costs can be included in the loan, so you do not have to use any savings. If you take out a loan your home must always be fully covered by buildings insurance. If the insurance is not arranged by the lender they may make a one off charge of £30.

A variety of loan options is available, not only are they affordable and tailored to meet the needs of older people, but they all carry **Guarantees of No Repossession and No Negative Equity** subject to the property being your main home.

The aim of the Home Improvement Trust is to help older people remain safely and independently in their own homes, helping to prevent poor health and reducing the need for residential care.

For further information on other loan options, the Home Improvement Trust, the Houseproud Scheme or your local Home Improvement Agency please ring our: **Freephone Helpline: 0800 783 7569** or **email: info@houseproud.org.uk**

**The Home Improvement Trust™**

Registration No. 3293800 a not for profit company limited by guarantee.

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**CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY OR OTHERS TO INHERIT YOUR HOME. IF YOU ARE IN DOUBT, SEEK INDEPENDENT LEGAL AND FINANCIAL ADVICE.**

If your home ceases to be your principal residence, then your home may be repossessed if you do not keep up repayments on your mortgage.