

Lifetime Interest-only Loan

This loan option is available to homeowners who are 60 years or over. If the property is in the name of more than one person, a joint application should be made by all the owners. Only the interest is payable each month, which does not include any payment off the loan, so a smaller loan would attract a lower monthly payment. You continue to pay interest until the property is sold. The actual amount you borrow (the capital) does not reduce and is repaid when your home is no longer your main home and is sold.

When the property is sold, the bank or building society will take the amount of the original loan, plus any outstanding interest, from the sale proceeds to repay the loan.

You can start paying off what you have borrowed whenever you like. You will have to pay interest on the amount you still owe until you have repaid the loan. 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. After the first year you may also choose to make additional repayments at any time, without penalty, and these would have the effect of reducing your future interest payments.

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, income and the value of your home. Usually this ranges from £3,000 up to 55% of the current value of your property. The lender will need to be sure that you have sufficient monthly income to meet the interest repayments you will have to make, and still have enough to cover your day to day living expenses.

Q2. What can the money be spent on?

The Home Improvement Trust helps facilitate funding to carry out repairs, improvements and adaptations to your home. Lenders may be willing to make loans 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 and inspect the work that needs to be done.

Q3. Is security required?

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

Q4. Are medical checks needed before taking out a loan?

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

Q5. How much will it cost in interest each month?

This will depend on how much you borrow and the interest rates the lender is charging at any given time. We have shown in the table overleaf, an illustration of the monthly interest cost of different amounts borrowed. Prior to completing the mortgage application form you will be provided, at no cost to you, with a detailed **Keyfacts Illustration** by the lender with details of the current rate in accordance with the requirements of the Financial Services Authority.

As an example we have used an interest rate of 4.99% per year (APR 5.2%) - these rates may vary between lenders and over time may go up or down.

Loan	Capital Borrowed (Monthly interest payments)			
	£3,000	£4,000	£5,000	£10,000
Monthly Interest	£12.48	£16.64	£20.80	£41.59

Q6. How is the loan repaid?

Usually out of the proceeds of the sale of your home when it ceases to be your principal residence. However, if you wish, you can make payments off 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. How much will be taken out of the sale proceeds to repay the loan?

The original loan plus any outstanding interest to the date of repayment.

Q8. Are there any other costs involved?

Yes - there will be specially negotiated affordable costs to cover legal and administration fees, itemised separately in the **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. For any loan your property 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 applicant or joint applicants being aged 60 or over and the percentage of loan to the value of the property.

The aim of the Home Improvement Trust is to help older people to 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.
7 Mansfield Road Nottingham NG1 3FB. Tel: 0115 934 9511 Fax: 0115 934 9501

Website: www.houseproud.org.uk

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.