

Interest Servicing with Heritage Lifetime Mortgages

Frequently Asked Questions



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What is an interest serviced lifetime mortgage?

An interest serviced lifetime mortgage offers customers an interest rate discount if they choose to make monthly payments on their lifetime mortgage, with the option to stop making the monthly payments at any time. The interest servicing option can be selected when applying for an initial loan. Interest servicing is available on both lump sum and drawdown Heritage lifetime mortgage plans.

What is the minimum interest payment a customer can make?

An interest rate discount will apply if they make monthly payments of at least 25% of the

monthly interest. After the lifetime mortgage has been set up, the amount of the monthly payment cannot be changed, but they can choose to stop making the monthly payments at any time.

What is the difference between an interest serviced lifetime mortgage and a mandatory payment lifetime mortgage?

The table below illustrates the key differences between interest serviced and mandatory payment lifetime mortgages.

	Interest serviced lifetime mortgage	Mandatory payment lifetime mortgage* (for example, Payment Term Lifetime Mortgage, PTLM)
Monthly interest payments	Optional monthly interest payments that can stop at any time. Once payments are stopped, these cannot restart.	Mandatory monthly interest payments are required for an agreed payment term.
Customer characteristics	Customers with some income for monthly interest payments. Unlikely to pass a full mortgage affordability assessment.	Pre-retirement customers with a good income and able to pass a full mortgage affordability assessment.
Rates and pricing	Interest rate discount	Potentially, higher LTVs than other options.
Risks	The customer's interest rate will increase if the monthly payments stop.	The customer's home is at risk if they do not maintain the monthly payments during the agreed payment term.

*Please note that Pure Retirement does not offer mandatory payment lifetime mortgages.

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What interest rate discounts are available on interest serviced Heritage lifetime mortgages?

You can access our [interest servicing tables](#) and [calculator here](#).

Is interest servicing available on cash releases and further advances?

If a customer has taken an initial interest serviced lifetime mortgage and applies for additional borrowing (whether that's as a cash release or a further advance), they will have the option to service the interest on their additional borrowing and receive an interest rate discount if they make monthly payments of at least 25% of the monthly interest.

As with our other lifetime mortgages, interest on their additional borrowing will be charged at the prevailing interest rate at that time, which may not be the same as their initial loan.

Will my client need to undergo an affordability assessment?

Pure Retirement will not assess your client's ability to afford the monthly payments as they can be stopped at any time. Advisers should carry out suitable assessment of affordability to support their interest serviced product recommendation and should also ensure that customers are aware that the interest rate will increase if monthly payments are stopped.

How will a customer make monthly payments?

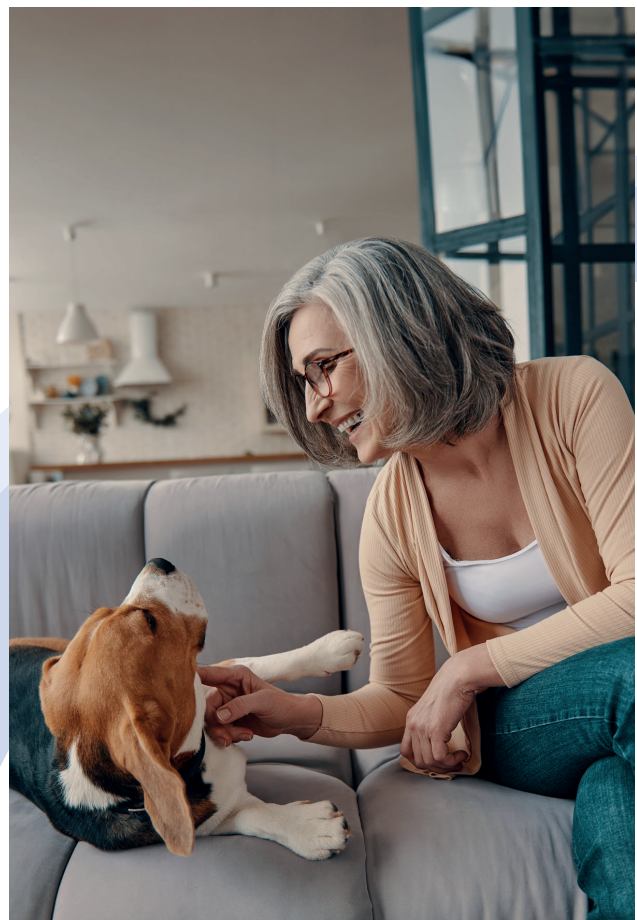
Monthly payments will be made via direct debit on the first day of each month. Depending on the date their lifetime mortgage completes, the first monthly payment may be more or less than their regular monthly payment. We will write to the customer after completion and confirm the amount and date of their first and subsequent payments.

Can a customer take a payment holiday?

Customers can take up to three months payment holiday in every 12-month period from their completion date. If they miss more than three monthly payments in any 12-month period from their completion date, the interest rate will increase as the discount will no longer apply for the remainder of the lifetime mortgage.

Can a customer stop making monthly payments?

Customers can stop making monthly payments at any time, but once stopped they are unable to be restarted and the interest rate will then increase as the discount will no longer apply. Any unpaid monthly interest will be added to the loan each month and rolled up for the remainder of the lifetime mortgage.





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What happens if a customer misses monthly payments?

If they miss more than three monthly payments in any 12-month period from their completion date, then the interest rate will increase as the discount will no longer apply for the remainder of the lifetime mortgage. We will allow customers to make up a missed payment within the month that it is due via a suitable alternative payment method, for example a one-off card payment.

Can a customer make partial repayments in addition to the interest servicing payments?

Interest servicing customers who are making regular monthly payments and receiving the interest rate discount will not be able to make additional partial repayments – however, customers who have stopped making regular monthly payments will instead be able to make partial payments of up to 10% each year of the amount borrowed without paying any early repayment charges. Please refer to Heritage Early Repayments Charges guide for more information.

Can a customer change the amount of their monthly payment after completion?

After the lifetime mortgage has been set up, the monthly payment amount cannot be changed, but they can choose to stop making the monthly payments at any time.

Will the discounted interest rate apply after death or entry into long-term care until the lifetime mortgage is repaid from the sale of the property?

Providing the customer(s) has/have been making monthly payments as per the terms of the Heritage interest servicing plan, at the point of the last remaining borrowers death or entry into long term care, the account(s) will remain on the discounted interest rate until full redemption, regardless of whether the customer's estate decide to continue making the monthly payments or not.

How can interest servicing meet client needs?

We have a variety of scenarios where an interest serviced lifetime mortgage could support a customer's later life. Please view our [client scenarios](#).



Providing solutions for your future

Pure Retirement Limited, 2200 Century Way,
Thorpe Park, Leeds, LS15 8ZB
www.pureretirement.co.uk

Interest servicing with Pure Retirement meets the Equity Release Council's core product standards for lifetime mortgages. Not available on Heritage Freedom.

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