OneFamily

LIFETIME MORTGAGES

Customer case studies

This is not a consumer advertisement. It is intended for professional advisers only.

There's lots of reasons why customers may choose to take out a lifetime mortgage – whether it's to pay off debts, improve the quality of their retirement or even to help their loved ones. The list is endless. But it's usually a customers' priorities and financial situation which informs the type of OneFamily Lifetime Mortgage that's right for them.

For example, some may want to take the maximum cash whilst others will be more concerned about protecting the equity left in their home; some may not want to make any repayments whilst others will want to make regular or flexible repayments. That's why our range of Lifetime Mortgages offer different options and features designed to suit your clients different situations.

To help you find the best possible solution based on your clients' circumstances; we have outlined some potential scenarios your clients might be facing, and which of our Lifetime Mortgage products would be best suited for each one.

If you'd like to understand the features of our Lifetime Mortgage in a little more detail, please speak to your OneFamily account manager or visit onefamily.com/mortgages/lifetime-mortgages

Voluntary Payment Lifetime Mortgage
Flexible repayments

Client scenario

Paul 72 and Charlotte 69, bought their home in Sussex 30 years ago for £80,000 which is now worth £280,000. They've recently retired and have worked out that their current pension pots may not see them through their retirement, as their house needs some improvements and they're keen to contribute to their daughter's wedding.

They don't want to move home and would therefore like to use some of the equity in their house to help them and their family.

They've worked out that if they borrowed £50,000 they could pay for their home improvements and daughter's wedding, and have a little left over to enjoy some holidays during the early years of their retirement.

Paul and Charlotte are happy with a variable interest rate however, they would like to pay back some of the loan; to ensure that they leave a sizeable inheritance to their two children. As they have only recently retired, they are unsure how much money they'll need to live off and would like the flexibility to be able to change these payment amounts in the future.

Product recommendation

A Voluntary Payment Lifetime Mortgage would be best for Paul and Charlotte. This gives them the option to pay back some of the initial loan amount, helping them to keep on top of the total amount owed. As long as their total repayments each year don't exceed more than 10% of the initial loan amount, they won't incur any early repayment charges.

This product also gives them the flexibility to reduce, or stop, their repayments as they want, depending on what they can afford each year.

Example payment plan

	Amount owed	Interest payable at 5.99%	Voluntary payment amount	Total loan outstanding
Year 1	£50,000	£3,079	£5,000	**£48,079**
Year 2	£48,079	£2,961	£5,000	**£46,040**
Year 3	£46,040	£2,835	£5,000	**£43,875**
Year 4	£43,875	£2,701	£5,000	**£41,576**

Five years after taking the product out, Paul and Charlotte decide to reduce their payments:

	Remaining Loan amount	Interest payable at 5.99%	Reduced repayment amount	Total loan outstanding
Year 5	£41,576	£2,562	£2,500	**£41,638**

The next year as they are now entering the later years of their retirement they decide to stop their payments

	Remaining Loan amount	Interest payable at 5.99%	Reduced repayment amount	Total loan outstanding
Year 6	£41,638	£2,563	£0	**£44,201**

Interest rate assumed to remain at 5.99% variable and voluntary payments assumed to be made on the last working day of each year.
The characters of Paul and Charlotte are fictional examples and the photos are posed by an actor.

Interest Payment Lifetime Mortgage

Keeping on top of the interest

Client scenario

Jean 64 and Jeremy 62 live in their home in Bristol which is now worth £450,000.

They bought their home on an interest only mortgage which is approaching the end of its term and they are worried about repaying the outstanding loan of £40,000, as they only have £30,000 in savings. They are also looking to retire in the next couple of years and would like to use some of their savings to enjoy the early years of their retirement.

They've decided that they would like to release £50,000 in equity from their home which will enable them to repay their mortgage and use £10,000 for holidays and home improvements without using up all their savings.

As Jean and Jeremy have had an interest only residential mortgage, they are concerned about the interest that will roll-up on a new Lifetime Mortgage. They will have a sufficient pension income and would like to use this to pay off the interest on their Lifetime Mortgage, however they would like the flexibility to stop these payments if their financial circumstances ever change.

Product recommendation

Jean and Jeremy could consider a One Family Interest Payment product, which enables them to pay back up to 100% of the interest each month. With this product they have the flexibility to stop their payments and switch to an Interest Roll-up or Voluntary Payment Lifetime Mortgage at any time.

Example payment plan

	Loan amount	Interest payable at 5.70%	Monthly Interest Repayment	Total loan outstanding
Year 1	£50,000	£2,856	£2,856	**£50,000**
Onwards	£50,000	£2,856	£2,856	**£50,000**

By paying 100% of the interest they can be sure their loan value will never exceed £50,000*.

During their term, Jean and Jeremy can stop making payments at any time, if their circumstances change. If for example, they stop making interest payments after 10 years, the interest will be added on to their loan on a monthly basis.

	Loan amount	Interest payable at 5.70%	Amount repaid each year	Total loan outstanding
Year 10	£50,000	£2,927	£0	**£52,927**
Year 11	£52,927	£3,097	£0	**£56,024**
Year 12	£56,024	£3,277	£0	**£59,301**
Year 13	£59,301	£3,470	£0	**£62,771**
Year 14	£62,771	£3,673	£0	**£66,444**
Year 15	£66,444	£3,889	£0	**£70,333**

Please note, the table above shows years 10-15 as an example only and the loan amount outstanding will increase until the loan ends.

Interest rate assumed to remain at 5.70% variable. The characters of Jean and Jeremy are fictional examples and the photos are posed by an actor.
*The initial loan amount may vary depending on the month and day of completion due to the variance in the number of days in a month when calculating the daily interest.

Interest Roll-up Lifetime Mortgage
Downsizing protection

Client scenario

Harry is 73. His wife Cath died a few years ago and since then he's lived alone in their home in Devon, which is worth £275,000.

He has a private pension and a state pension but is finding it hard to maintain his lifestyle on the income this provides. He has considered downsizing but he's decided that he's not ready to move from his home just yet.

To help subsidise his pensions, Harry would like to release some of the equity in his property and he's worked out that he would need to release £45,000 to make life a little easier. He would prefer not to have to make repayments, instead repaying the loan, and any interest incurred, when his property is sold. As he's unsure when he will sell his home, he is concerned about early repayment charges and would like to avoid this if possible.

Product recommendation

A OneFamily Interest Roll-up Lifetime Mortgage would be best for Harry as he won't have to make any repayments throughout the term of the loan. Instead the interest is added to the loan each month meaning Harry can enjoy his retirement without having to finance any ongoing repayments.

As with all OneFamily Lifetime Mortgages, an Interest Roll-up Lifetime Mortgage also offers 'Downsizing Protection'. This means that if Harry's circumstances change and he needs to sell his property after 5 years, he wont incur any Early Repayment Charges in the event he wants to fully redeem his loan when moving home.

Example payment plan

	Loan amount	Interest payable at 5.65%	Total loan outstanding
Year 1	£45,000	£2,609	**£47,609**
Year 2	£47,609	£2,761	**£50,370**
Year 3	£50,370	£2,921	**£53,291**
Year 4	£53,291	£3,090	**£56,381**
Year 5	£56,381	£3,269	**£59,650**

Interest rate assumed to remain at 5.65% fixed. If Harry decides to downsize after year five, his total loan amount outstanding will remain at £59,650 and we waive the early repayment charge of £1,350.

The character of Harry is a fictional example and the photo is posed by an actor.

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