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Myth Busting Equity Release

If you think equity release mortgages, otherwise known as lifetime mortgages are best avoided, it's time to think again.

Perceptions are changing evidenced by significant market growth and demand in recent years. Despite this, there are still myths that need dispelling around equity release.

Myth 1 - You'll have to stay in the same property for the rest of your life.

With most lifetime mortgages, you're able to move home and transfer your mortgage to the new property providing it meets the lender's terms and criteria. A partial repayment may be required.

Myth 2 - You'll leave debt to your family and loved ones

Providing the terms and conditions are met, no debt is left to your estate and you'll never owe more than the value of your home once sold upon death or permanently moving into long-term care.

Myth 3 - Equity can't be released if there's an outstanding mortgage

You can apply for a lifetime mortgage providing you pay off your existing mortgage balance. This can be done either through the equity you release or through your savings. Of course, using equity release to repay an existing mortgage could cost you more in the long-term.

Myth 4 - It's unsafe and unregulated

Lifetime mortgages are regulated by the FCA. Also the Equity Release Council (ERC) was established in 2012 to provide consumer protection specifically for this market. Members must adhere to its standards of conduct and practice.

Myth 5 - It's not possible to reduce the outstanding debt

There are products that offer you the option to make partial repayments with no early repayment charges. The amount that can be repaid is usually up to a fixed amount each year. Some products also offer fixed early repayment charges that apply for a set time period so any repayments after this won't have a charge.

There are also products available that allow you the option to pay monthly interest. Although, this will not reduce the amount borrowed, the debt simply will not increase as much as it would if you let the interest roll up over the lifetime of the mortgage.

Myth 6 - You won't be able to leave your property as an inheritance

A lifetime mortgage is designed to be repaid by selling the property after you move into permanent long-term care or pass away. Once the loan has been repaid, any money left over can go to your beneficiaries.

Also, some products let you ring fence a portion of your home's equity to leave as an inheritance for loved ones.

Myth 7 - You'll lose ownership and control of the property

With lifetime mortgages, you'll be the owner of your home for as long as you want to live there. This is in the same way as you would for a regular mortgage providing you meet the conditions of the lifetime mortgage.

Myth 8 - You'll owe more than the value of your home

As part of adhering to the ERC Statement of Principles, all members must now feature a 'No Negative Equity Guarantee', which means you'll never owe more than your home is worth once sold, even if if this is less than the amount owed. This applies upon death or permanently moving into Long-term care. The guarantee only applies when you meet the product's terms and conditions.

Notes:

- Taking out a lifetime mortgage will reduce the value of your estate
- Taking a lifetime mortgage may effect your entitlement to state benefits
- Consolidating other debts could cost you more in the long-term.
- This factsheet is for information only and does not constitute advice.