



Your guide to
**Fixed Early
Repayment
Charges**

This document explains what Fixed Early Repayment Charges are and when they apply. More information can be found in your All You Need to Know and Offer of Loan documents. You can also speak to your adviser if there's anything you don't understand.

Keep this document in a safe place as it forms part of your mortgage with us.

What is a Fixed Early Repayment Charge (ERC)?

An Early Repayment Charge is a fee that's charged when you repay your lifetime mortgage earlier than the agreed term.

Fixed ERCs are calculated as a 'fixed' percentage of your loan amount, based on how long you've had your lifetime mortgage.

Usually a lifetime mortgage is repaid when you or the last surviving borrower dies or moves into long term care. However, you may need to repay your lifetime mortgage early if your circumstances change, so a Fixed ERC may apply (as explained in your Offer of Loan).

Think carefully before you decide to repay your lifetime mortgage early as there could be a substantial Early Repayment Charge.

Speak to your financial adviser to understand when an ERC applies and how much it will be.



Why do we apply an Early Repayment Charge?

We apply an ERC to recover any costs from setting up your lifetime mortgage, changes to interest rates or when reinvesting the money.

The amount of time Fixed ERCs apply are set and won't change. You'll find more information about this in your Offer of Loan.



Will a Fixed Early Repayment Charge always apply?

A Fixed ERC is not payable if any of the following apply:

- It's been over 15 years since your lifetime mortgage completed. For additional borrowing, please see the section 'How do Fixed Early Repayment Charges apply to additional borrowing?'
- If you move home and transfer your lifetime mortgage to a new property that's acceptable to us and we require you to repay a part of your lifetime mortgage as a result.
- At the time you make Optional Partial Repayments within the permitted limits. However, any Optional Partial Repayments you make won't reduce any Early Repayment Charges that you may pay if you repay your lifetime mortgage early.
- If at any time after the fifth anniversary of completion of the lifetime mortgage you move to another property and we can't transfer your lifetime mortgage because the new property isn't acceptable to us. This is based on our lending criteria at the time.
- If at any time after the fifth anniversary of the completion of the lifetime mortgage you sell your home and move into sheltered accommodation.
- If you repay after you (or if joint borrowers, the last surviving borrower) dies or goes into long term care.
- If the last surviving borrower of joint borrowers repays in the first three years after the first borrower dies or moves into long term care.

Is there a maximum Early Repayment Charge?

Each amount we lend to you has a maximum ERC that's calculated as a percentage of your loan amount. **Example 1** shows how this works overleaf.

Your Offer of Loan also provides details of this along with the Closing Administration Fee. You'll never have to pay more than the maximum amount shown in your Offer of Loan.

How do Fixed Early Repayment Charges apply to additional borrowing?

Additional borrowing has its own Fixed ERC and could be either a drawdown or a further advance on top of your initial loan.

The Fixed ERC for additional borrowing is based on current market conditions. This means the calculated percentages, how long they apply and the maximum ERC could be different to your initial advance. This is detailed in your additional borrowing Offer of Loan.

Example 2 provides further details of how this is calculated overleaf.

How do Fixed Early Repayment Charges apply to partial repayments on your lifetime mortgage?

Our Optional Partial Repayment feature allows you each year to:

- Repay up to 10% of the total amount borrowed (including additional borrowing)
- Make up to 12 repayments

However, an ERC will apply when making repayments above these limits.

Remember, any Optional Partial Repayments you make won't reduce any ERCs that you may pay if you repay your lifetime mortgage early.

Where you've taken additional borrowing and are paying a different interest rate for each loan, any Optional Partial Repayments up to the 10% limit will be allocated to the borrowing with the highest interest rate first.

If your Optional Partial Repayment limit is reached, any additional repayments you make will also be allocated to the borrowing with the highest interest rate.

Example 3 provides further details of this on page 4.

Additional information on Optional Partial Repayments can be found in your 'Offer of Loan' and 'All You Need to Know' documents.

How is a Fixed Early Repayment Charge calculated?

Fixed ERCs are calculated as a percentage of your initial loan amount. The percentages that will apply to your initial loan each year are as follows:

Number of years you have had a lifetime mortgage	1-5	6-8	9	10	11	12	13	14	15	16
Percentage of initial loan to pay as an ERC	9%	8%	7%	6%	5%	4%	3%	2%	1%	0%

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Example 1: Shows how a Fixed ERC is calculated using the percentages in the table above. A personalised illustration of this can also be found in your Offer of Loan.

Alan and Emily take out a lifetime mortgage with an initial loan of **£100,000**. After **7 years**, they decide to repay their lifetime mortgage in full.

The Early Repayment Charge is **8%** of their initial loan.

A Closing Administration Fee of **£125** is charged when repaying your lifetime mortgage in full.



£100,000 × 8% = £8,000

The Early Repayment Charge is **£8,000** plus the **£125** Closing Administration Fee.

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Example 2: Shows how a Fixed ERC is calculated on a lifetime mortgage where additional borrowing has been taken. This example assumes that the Fixed ERC for this additional borrowing is the same as the initial loan.

Bill took an initial loan of **£100,000**. After 5 years he takes additional borrowing of **£50,000**. 5 years later, Bill decides to repay his lifetime mortgage in full.

The ERC is calculated based on Bill having the initial loan amount of **£100,000** for **10 years** and additional borrowing of **£50,000** for **5 years**.

Using the percentages in this document, the Fixed ERC is calculated as follows:



Initial Advance of **£100,000** would be repaid at Year 10 at **6%** of loan amount

£100,000 × 6% = £6,000

Additional borrowing of **£50,000** would be repaid at Year 5 at **9%** of loan amount

£50,000 × 9% = £4,500

Bill's total Early Repayment Charge would be **£10,500** plus the **£125** Closing Administration Fee.

Example 3.1: Shows how a Fixed ERC is calculated on partial repayments above the 10% limit.

Lesley and Joan take out a lifetime mortgage for **£100,000** and after **3 years** decide they want to reduce their balance by **£15,000**.

The first **£10,000** is within the 10% limit so an ERC doesn't apply.

The remaining **£5,000** is above the **10%** limit meaning an ERC will apply.

The partial repayment has occurred within year 3 of the lifetime mortgage, so based on the percentages in this document, the ERC is calculated at:



9% of loan amount:

£5,000 × 9% = £450 Early Repayment Charge

Lesley and Joan's ERC would be **£450**

Example 3.2: After paying £15,000, 3 years later, Lesley and Joan decide that they want to repay their lifetime mortgage. This is 6 years after they took their initial loan.

The **£5,000** overpayment that they already made in **Example 3.1** will be deducted from the amount used to calculate their ERC:



£100,000 initial loan – **£5,000** overpayment = **£95,000** subject to an Early Repayment Charge

Lesley and Joan's Early Repayment Charge would now be calculated on a loan amount of **£95,000**

£95,000 loan x 8% = £7,600

Where can I get further information on Fixed Early Repayment Charges?

If you require any further assistance on how Fixed ERCs affect your lifetime mortgage or how they're calculated, please speak to your adviser who'll be able to help you.

How will you keep me informed about Early Repayment Charges?

Each year we'll send you a lifetime mortgage statement which will tell you how much your ERC would be at that time. It also includes your initial loan and any additional borrowing that you have taken.



Easier to read information

Please call us on **03330 048 444** if you are visually impaired and would like this document in Braille, large print, audio tape or CD.

We're here to help

If you have a lifetime mortgage and are considering repaying it, please contact us to find out the exact amount of your Early Repayment Charge and how to make this repayment.

There are a number of ways you can get in touch.

Write to us at:

**Customer Services, Legal & General Home Finance,
PO Box 17225, Solihull, B91 9US**

Call our Customer Services team on:

03330 048 444

Lines are open 8.30am to 5.30pm, Monday to Friday.
Call charges will vary. Calls may be monitored and recorded.

Email us at:

customerservices@landghomefinance.com

If you're contacting us by email please remember not to send any personal, financial or banking information because email is not a secure method of communication.

For further information visit:

legalandgeneral.com/lifetimemortgages

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