

Lending Into Retirement

The undernoted criteria must be applied when considering client proposals that will extend either into retirement or attaining the age of 75.

This criteria applies primarily to Residential Mortgages. For BTL mortgages, servicing will continue to be measured against rental income as per our BTL policy, but we must also consider the dependence upon personal circumstances and income to cover associated risks e.g. rental voids, repairs and maintenance etc. The maximum term criteria will also apply against BTL mortgages.

The following criteria will apply where any applicant will be beyond their 75th birthday at term end.

Standard Lending Into Retirement:

- Maximum LTV: Capital and Interest 80%; Interest Only 60%; Part & Part 60%
- From the point of retirement, or 75th birthday, whichever is due first, only 'retirement' income will be permitted from that day for the purpose of evidencing affordability - no 'working' income will be allowed
- No projected income will be allowed where retirement (or age 75) is still more than 5 years away. All income must be evidenced.
- A single asset may not be suitable as a means of both servicing and repaying the mortgage
- The maximum term allowable will be assessed on an individual basis using all appropriate information and data available to us i.e. Interim Life Tables published by the ONS
- All parties to an application will be required to receive Independent Legal Advice in the event of any applicant being aged 75 or over at point of application.

RIO:

- Number of applicants: 2 (maximum) affordability assessment is per applicant
- Age of **all** applicants: 55 (minimum) **and** in retirement
- LTV: 50% (maximum)
- Loan Size: £30,000 (minimum) to £1m (maximum)
- Term: 5 years (minimum) No maximum
- Property Value: £100,000 minimum
- Repayment of Loan will be from the sale of the property upon the latest occupant vacating it i.e. death or moving into residential care facility Affordability for joint applicants must be proven against each applicant individually to ensure each has the ability to service the loan in the event of the other applicant's death. All income must be proven as sustainable for the term of the mortgage

Use the [Retirement Affordability Calculator](#) to check affordability passes before submitting your application

Acceptable Retirement Income – 3 months bank statements must be provided

Acceptable Source	Income Allowed	Evidence Required
State Pension	100%	DWP confirmation letter or latest P60 – no more than 12 months old
Annuity Income	100% - if guaranteed	Last 3 months advice slips or latest P60, plus confirmation from annuity/scheme provider
Defined Benefit Pension Scheme	100% - if guaranteed	As above
Defined Contribution Pension Scheme Pot (or Money Purchase/Personal Pension Scheme)	% of Current Fund Value may be used as an annual income based on remaining term to age 100 i.e. 40 years = 2.5%, 20 years = 5%	Portfolio details – must comprise a reasonably well spread of listed funds/FTSE companies

SIPP	As above	As above
Investment Income e.g. ISA's, Managed Portfolios, Investment Bonds	As above	As above
Rental Income	50% of latest years net surplus income/net profit	Most recent years tax return (or financial accounts if using net profit), property portfolio schedule
Working Income	Not allowed post retirement/age 75	

Acceptable Interest Only Repayment Vehicles

Acceptable Vehicle	Percentage Allowed	Evidence Required
Personal Pensions with a 'guaranteed' fund value i.e. defined benefit schemes	100% of actual/projected tax free cash	Latest annual statement from Pension Company confirming the fund value & available lump sum drawdown amount
Personal Pensions where final value will be based on underlying investment performance i.e. contribution schemes	Up to 75%* of actual/projected tax free cash (Where projections are based on a range of investment performance, the middle projection rate is to be used.)	Latest annual statement - no more than 12 months old - from Pension provider detailing projection at retirement
SIPP	Up to 75%* of <u>current</u> value – no projections allowed	Portfolio details – risk analysis not required but must comprise a reasonably well spread of listed funds / companies
Endowment Plan	90% of projected value	Latest annual statement - no more than 12 months old
Government Backed e.g. NS&I investments	100% of <u>current</u> value	Latest annual statement - no more than 12 months old
Other Investments e.g. ISA's, Investment Bonds, Managed Portfolios	Up to 75%* of <u>current</u> value – no projections allowed (subject to underwriter assessment)	<ul style="list-style-type: none"> Portfolio valuation no less than 12 months old Evidence of the source, e.g. portfolio of stocks and shares; and Applicants to confirm their intention to retain the capital for repayment
UK Property – not main residence	Value of <u>current</u> unsecured equity after applying a 30% haircut to current market value	Asset & Liability profile. Latest Mortgage Statement (if applicable).

* Maximum %age may be reduced based on such things as type of scheme or investments

For 'Downsizing' Product Only:			
UK Property – main residence	Minimum Equity £250k required	Examples of property available for downsizing in planned retirement area	Lower equity levels can be considered by Underwriter if appropriate to the geographical area; or if other viable assets are in place