Lifetime mortgages

LV= Equity Release system improvement FAQs

Q: Why are changes being made to my customer's lifetime mortgage?

A: We needed to make some system improvements regarding how we administer your customer's lifetime mortgage. The changes we've made are as a result of these improvements. We've made sure that any changes will not put your customer in a worse position than before.

Q: How do I know which changes will apply to my customers?

A: The changes are different depending on which product your customer is on. Below are details of when each product was available to new business to give you an idea. However, ultimately, it will depend on your customer's terms and conditions.

Lifetime Mortgage Drawdown+ (available to new business from 05/08/2020 to present)

Lifetime Mortgage Lump Sum+ (available to new business from 12/01/2016 to present)

Lifetime Mortgage Lump Sum (available to new business between 25/10/2008 and 12/01/2016)

Flexible Lifetime Mortgage (available to new business between 30/06/2008 and 30/06/2020).

Q: Will my customer be worse off because of these changes you've made?

A: No these changes won't make your customer worse off. There is no action you or they need to take. We are required to inform your customer of these changes.

Q: What is changing for Flexible Lifetime Mortgage customers?

A: A few things are changing for Flexible customers.

We are changing when interest is charged up to.
 Customers will only be charged interest up until the day before the total debt is repaid, instead of the day it is repaid.

- The way interest is calculated each year will be slightly different. This means that Section 8 in the original Offer document will not match the annual statements sent going forward by a small amount. Any negative figures are off-set by interest being charged for one day less when the total debt is repaid.
- We are changing which withdrawal a repayment is applied against, from the most recent to the oldest. This means that if an early repayment charge applies, it could be lower if the oldest withdrawal attracts a lower early repayment charge.
- Additional borrowing after the cash facility is exhausted, will be in the form of a single loan amount, not an increase to the cash facility.
- We have also improved the format of the annual statements which we send out each year on the anniversary of the mortgage.

Q: What is changing for Lifetime Mortgage Lump Sum customers?

A: A few things are changing for Lump Sum customers.

- We are changing which withdrawal a repayment is applied against, from the most recent to the oldest.
- We are changing when interest is charged up to.
 Customers will only be charged interest up until the day before the total debt is repaid, instead of the day it is repaid.
- The way interest is calculated each year will be slightly different. This means that Section 8 in the original Offer document will not match the annual statements sent going forward by a small amount. Any negative figures are off-set by interest being charged for one day less when the total debt is repaid.
- We have also improved the format of the annual statements which we send out each year on the anniversary of the mortgage.



Q: What is changing for Lifetime Mortgage Lump Sum+customers?

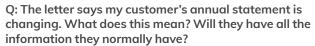
A: A few things are changing for Lump Sum+ customers.

- We are changing when interest is charged up to.
 Customers will only be charged interest up until the day before the total debt is repaid, instead of the day it is repaid.
- The minimum repayment amount a customer can make is reducing to £50.
- We are changing the circumstances when early repayment charges won't apply if the lifetime mortgage is repaid in full. This includes downsize protection and 10% ERC free repayments, if those aren't already included in the customer's T&Cs
- We are clarifying the process which applies to move home and transfer the lifetime mortgage.
- The way interest is calculated each year will be slightly different. This means that Section 8 in the original Offer document will not match the annual statements sent going forward by a small amount. Any negative figures are off-set by interest being charged for one day less when the total debt is repaid.
- We have also improved the format of the annual statements which we send out each year on the anniversary of the mortgage.

Q: What is changing for Lifetime Mortgage Drawdown+customers?

A: We are extending the current 10% ERC free repayments terms to all Drawdown+ customers. So all customers will be able to make repayments immediately, without waiting the 12 months, have unlimited repayments up to 10% and a minimum £50 repayment.





A: The format has been simplified, particularly for customers who have taken more than one loan under their mortgage. The statement will still have all the key information needed including the total amount borrowed, total amount owed, total cost to repay the loan, interest rates and amounts charged plus details of any repayments made in the last year.

Q: The letter says that my customer's interest calculation is changing, what exactly does that mean?

A: The difference is around how the new system calculates interest on a leap year. Our previous system worked out the interest based on the number of calendar days between two mortgage anniversary dates. Our new system works out a daily interest rate based on the number of days in each calendar year, from an anniversary date to the end of that calendar year (31 Dec) then from the beginning of the next calendar year (1 Jan) to the next anniversary date.

Example

If the anniversary date is 1 June 2020, there are 214 days to 31 December and 2020 was a leap year, so the daily interest rate is worked out as 214 of 366 days. From 1 Jan 2021 to 31 May is 151 days, so the daily interest rate is worked out as 151 of 365 days.

Q: The Lump Sum+ letter gives details of how to make a repayment, does my customer need to make a repayment?

A: No, the repayment details are just for information. As we've made repayments without an ERC more flexible, we wanted to give customers the information of how they can make a voluntary repayment if they want to.

Q: I had an application in progress for additional borrowing for my customer, what is happening to that application?

A: If the case does not complete before the migration, we will move the case onto the new system for you. You will get the automated system emails when this is in progress. The case will then complete on the new system. We'll be in contact directly with all advisers which are affected on any in flight cases and the specific impacts for that case.

Q: I have started the process for additional borrowing with a customer, but not submitted the application yet. Can I still submit the paper application form?

A: All business should be done via the Equity Release Portal now that additional borrowing is available. We will only accept paper additional borrowing applications until 20th August 2021.

Q: How do I submit additional borrowing applications on the Portal?

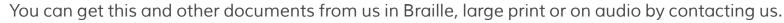
A: When you are logged into the Equity Release Portal, you need to select "Application Search" on the top banner and then "Existing Customer". Once you have the search fields, you must enter all four to be able to access the case. The fields are case sensitive.

Q: If I can't find my answer in this document, who should I contact for assistance?

A: If you still have any queries, please give us a call on **0800 028 8974** or email us at **EquityReleaseServicing@LV.com**. We'll be happy to help.







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