

It is important to us that you fully understand the cost of releasing equity from your home and when Early Repayment Charges (ERCs) might be payable.

1. Making an early repayment

The loan can be repaid in full at any time. Partial repayments can also be made, providing the loan amount outstanding after the partial repayment is greater than the minimum initial advance.

The loan is designed to be repaid when the borrower(s) die or move into long-term residential care. If the mortgage is repaid at any time prior to either of these events taking place an early repayment charge (ERC) may be payable.

When won't we charge ERCs?

- When you move home and transfer this lifetime mortgage to the new property. This can only be done if the new property meets our lending conditions at the time. If the new property is of a similar or lower value, we may ask you to repay part of the amount outstanding on the mortgage, which could incur ERCs.
- You may make a partial repayment without incurring ERCs provided that:
 - The total amount of partial repayments received in a 12 month period (starting from the date that the initial advance completes) is no more than 10% of the advance amount.
 - No more than 6 partial repayments have been received within the past 12 months.
 - Each partial repayment must be £500 or more.
 - The partial repayment does not result in the amount owed (excluding any Early Repayment Charges payable) becoming less than the minimum initial advance.
 - If you have an interest serviced lifetime mortgage, you have stopped making monthly payments and the interest rate discount no longer applies.
- Repayment on the death, movement into long-term care, residential care or sheltered accommodation for a single borrower.
- For a joint life account, where one borrower dies or moves into long-term care. The remaining borrower may repay the lifetime mortgage within 3 years with no ERCs.
- For a joint life account upon death or entry long-term care of the remaining borrower.

All of the above are subject to terms and conditions.

When will we charge ERCs?

- When a mortgage is repaid or partially repaid for any other reasons than those stated above.

2. Why do we charge an ERC?

The Early Repayment Charge is calculated to recover costs that we incur when setting up the lifetime mortgage and the cost associated with the early termination of the loan.

3. How is the ERC calculated?

Heritage plans are available on either Fixed ERCs or Variable ERCs (variable ERCs not available for new customers). Your mortgage offer or key facts illustration will confirm which type your plan has.

Fixed ERCs

This is a fixed percentage of the outstanding balance. See below for the fixed percentages:

Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	Yr 12	Yr 13	Yr 14	Yr 15	Yr 16+
10%	9%	8%	7%	6%	5%	4%	3%	2%	1%	1%	1%	1%	1%	1%	0%

Variable ERCs (not available for new customers)

The charge payable is calculated based on:

- The size of the loan
- The estimated future term of the mortgage
- Any movement in the level of long-term interest rates

Long-term interest rates are measured using the FTSE UK gilt yield index, as published daily in the Financial Times. This index is used because it broadly reflects the expected term of our mortgages and provides an easily verified independent measure.

Your mortgage offer will include a Benchmark Interest Rate. The rate will be slightly higher than the current index to allow for the transaction costs incurred.

If the index at the repayment date is the same or higher than your Benchmark Interest Rate then there is no loss to us and no charge will be payable other than the redemption fee.

An ERC will be payable if the index is lower than your Benchmark Interest Rate. The calculation of this ERC is outlined below. It is an example based on the following situation:

Example calculation for a £40,000 initial advance

Rate adjustment – The difference between the Benchmark Rate on which the mortgage is based and the index rate at the date of repayment	$4.57\% - 4.07\% = 0.5\%$
Estimated term – The number of years remaining until the youngest surviving customer reaches age 90 (with a minimum of 5 years)	$90 - 80 = 10 \text{ years}$
Loan balance – For a full repayment this would be the balance on the mortgage on the day the customer repays (including all interest and charges)	£120,000
Redemption fee – This is paid to cover the administration costs of redeeming the mortgage	£125
The calculation – The ERC is calculated by multiplying: (Rate Adjustment x Estimated Term x Loan Balance) + Redemption Fee	$(0.5\% \times 10 \times £120,000) + £125 = £6,125$
(with a maximum of 25% of the Initial Advance) + Redemption Fee	$(25\% \times £40,000) + £125 = £10,125$
Total Early Repayment Charge	£6,125

This also applies for a partial repayment (above the amount allowed ERC-free). In this case it is the repayment amount, rather than the outstanding loan balance, to which the calculations apply.

☎ 0113 366 0599

✉ info@pureretirement.co.uk

🌐 pureretirement.co.uk

Company registered in England and Wales No. 7240896.

Pure Retirement Limited, 2200 Century Way,
Thorpe Park, Leeds, LS15 8ZB.

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