

50+ YOU and your HOUSE



A guide to flexibility, choice and financial independence for the over fifties



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your mortgage ...

What a Mortgage is

MOST people can only buy a property with the help of a loan usually from a bank or building society ("the Lender"). The loan is commonly called a Mortgage.

In order to protect the repayment of the loan the Lender insists on the borrower entering into a mortgage which ensures that the property cannot be sold or transferred without repayment or the Lender's permission.

The mortgage also gives the Lender the right to take possession and sell the property if the repayments are not kept up or if other conditions of the mortgage are breached.

This can only be done after the Lender has gone to Court and obtained an Order for Possession after following a strict procedure.

If you experience problems with repayment then you should contact your Lender to discuss the problem and also consider taking legal advice.

Mortgage lending is much more competitive now than at any time in the past. If you have had your mortgage for some time you may be able to negotiate lower interest rates by shopping around various lenders and moving your mortgage.

If you have an endowment mortgage it is advisable to check periodically whether or not your policies are on target to produce sufficient funds to enable repayment of the mortgage at the end of the terms

Paying off the Mortgage

BECAUSE they are for large sums of money most mortgages are repaid over a long period of time, often 25 years. So if you are over 50 you may be approaching the time when you have fully paid off your mortgage.

Either you or your solicitor will need to contact your lender to make sure they will send you a financial statement showing the amount of the final payment and to make arrangements to let you have



the title deeds ...

the title deeds and the formal discharge of the mortgage.

If you take your deeds away from the lender it is vital that you arrange for safe storage. Most solicitors will hold title deeds for clients without charge or for a nominal charge.

Some lenders offer a facility whereby they continue to hold the title deeds. In this case the mortgage will not be fully paid off and a nominal amount will remain outstanding.

If you do pay off your mortgage you need to remember that if your buildings insurance was effected through your lender you will need to make alternative arrangements to insure the property.

One thing to bear in mind when repaying your mortgage is that the lender will actively encourage you to maintain buildings and contents insurance through them. This may be more expensive than other options, particularly as some insurance companies offer competitive rates for people over 50.

Effects of Paying off your Mortgage

WHEN you have paid off your mortgage, it releases you from your monthly payments to the lender and increases your disposable income. Remember to cancel the standing order or direct debit to the lender.

You now own the whole value of your property free of mortgage and in later life having this valuable asset allows you flexibility, choice and financial independence.

Paying off a Home Equity Release Loan

HOME Equity Release Loans are different from other types of mortgage in that it may usually be intended that the loan is repaid on death or permanently leaving the property often to move into residential care.

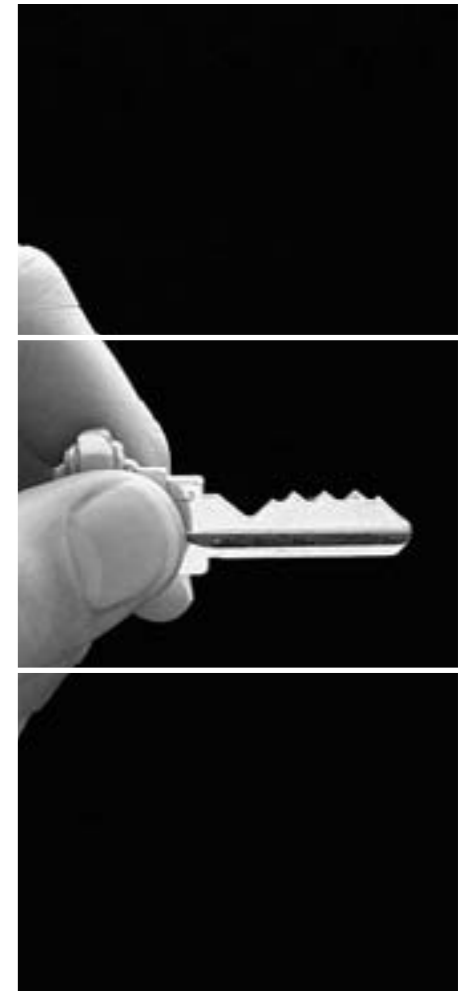
It is also different from other types of mortgage in that there should be provision to transfer the Equity Release mortgage to another property should you wish to move

It would only be in exceptional circumstances, perhaps where there has been a radical change of fortune, when you would consider paying off an Equity Release scheme on your existing property whilst still continuing to live there.

You would need to obtain full details of the cost and implications of repayment before making a decision.

If you have used an Equity Release scheme as a tax saving vehicle, rising house prices may lead you to consider repaying the existing scheme in order to take out a larger loan. The extra cash can then be transferred to your family as a potentially exempt transfer.

You should always obtain specialist advice when considering taking out or repaying any type of Home Equity Release scheme. ■





your funds ...

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Releasing funds from the house

Your home as a financial asset

NOT only is your house the place where you live it is also likely to be your most valuable single asset. This is especially true if you have paid off your mortgage or owe the lender a very small amount. Of course, you may never even have considered moving and are quite happy to stay in your present home. Even so, it is still possible you may want to unlock some of the value.

Living it up while you still can!

NOW that you are retired and may have fewer financial and family commitments it may be the time to plan that special holiday you have always talked about, that dream cruise or the trip to visit relatives far away.

Alternatively, you may prefer to spend your money on your home. You may want to add a conservatory, new bathroom or even a sauna to your existing home. Other things you might want a lump sum for include a new car, caravan or boat to help you enjoy your increased leisure time.

A new mortgage

YOU probably have some savings but you may not wish to use these, preferring to keep them for a rainy day. You can raise a lump sum from the value of your house by taking out a new mortgage. If you have not fully paid off your existing mortgage you may be able to obtain a further advance.

The advantage of this type of mortgage compared with the equity release schemes often advertised for older home owners is that you repay the loan as you go along. You will have a clearer idea of your financial position and, by reducing the amount owed, retain more of the value of your house.

Remember if you are thinking of taking on more borrowing there will be costs involved in taking out a new loan – lenders' fee, survey fees and legal fees. Don't automatically use your previous lender. It is always worth shopping around for the best available deal in a competitive market.



your retreat ...

Buying and owning a second property

PEOPLE become owners of second properties for a number of reasons – THESE INCLUDE:

- ❖ Inheriting a property from a deceased relative
- ❖ Buying a holiday home here or abroad
- ❖ Buying an investment property to rent out, renovate or resell
- ❖ Buying for a child starting university
- ❖ Buying an elderly parent's property to release funds or exercise their right to buy

LEGAL POINTS

Raising the money

IF you are buying your second property you may be doing so because you have capital available from savings, inheritance or the sale of a business. If on the other hand you are taking out a mortgage you should be aware that the interest rates and other terms are likely to be different from buying your main home and you need to shop around. Another alternative is to

raise the money on your main home and use this to purchase the second property.

Procedures

IF you are buying in England and Wales the procedures and legal stages will be as set out in Chapter 3.

Procedures outside England and Wales vary enormously and you should obtain advice from a local lawyer at an early stage. There are firms specialising in advising British Nationals buying property abroad, especially in France and Spain.

Tax

YOU should always take professional advice on your particular circumstances. For example, there are differences in the tax treatment of husbands and wives and of unmarried couples. If you rent your property out, all rental income less expenses may be subject to Income Tax and again you should take advice on this before going ahead.



your right ...

RIGHT to buy refers to the right of certain tenants to purchase the property they rent from the landlord, usually but not always, a local authority or housing association.

The price paid is often considerably less than the market value as there is a discount calculated on the length of time the purchaser has rented the property. The discount or part of it is usually repayable if the house is sold within a specified time, often three years.

Advantages

THE main advantage is that the use of the discount means that immediately you have made a gain and should you decide to sell after three years, the sale will be at market value and usually significantly higher than the purchase price. In other words, exercising your right to buy is a good investment.

Because you own the property you have more control over what you do with it, and can spend money on improvements and decoration. You now own a significant asset, which is likely to

increase in value. This gives you flexibility and security in later life. It also comprises something you may wish to leave to your family after your death.

Disadvantages

AS a home owner you will now be responsible for all repairs and maintenance.

You may also miss out on future improvements planned by the local authority or other landlord, such as, double glazing or roof replacement. You will need to take into account the annual insurance cost of buildings insurance.

You may find that you are liable to pay a contribution to maintain footpaths, passageways and communal gardens. This is especially important to look at if you are buying a flat or maisonette as the maintenance charges on these cover the building as well and might be more expensive than you thought. The purchase, even at a discount, needs to be financed and this will either be by you committing to a mortgage or using your