

Equity Release Frequently Asked Questions



At Herrington Carmichael we receive many questions relating to equity release - with years of property market growth, we are seeing more cases of clients who have decided one way or another that they would like to release some equity from their property.

But, How does Equity Release work?

Most Equity Release borrowers have either paid off their mortgage or have only a small amount outstanding.

There are two main types of loan:

The most common form allows you to release wealth either in a single lump sum or by taking smaller withdrawals over time from a larger sum set aside by the lender at the outset. Some loans allow the borrower to repay interest monthly but almost always the most apparent difference between Equity Release and the mortgage many of us take to buy our house is that with Equity Release you make no repayments for the rest of your life. The amount you have borrowed and the interest on it is repaid either on your death or if you go into residential care, from the proceeds when the house is sold.

The other form of Equity Release is often referred to as a 'home reversion plan'. The lender buys some or all your house from you, but gives you the legal right to remain living in it. The percentages of the house that you and the lender own are agreed from the start; unless you borrow more, those percentages will stay the same for life and you can pass your share to your heirs in your Will. When the plan ends, usually on the borrower's death, the value of the house is divided in the proportions agreed at the outset.

Do I have to pay tax on the sum released?

No. How you use the money is entirely your choice and you pay no tax on the amount you have released.

Equity Release proceeds are put to numerous uses, boosting retirement income, home improvements, foreign travel, helping children financially, perhaps with a house deposit, estate and tax planning.

We are seeing an increasing number of borrowers who have taken our Equity Release loans several years ago, when interest rates were much higher, and are effectively remortgaging to another Equity Release loan, either at a lower interest rate or with more flexible features or terms, or indeed both.

Many people also took out interest only mortgages to buy their house several years ago, over terms up to twenty-five years or more. Those terms are now coming to an end and although the borrower has been paying the interest throughout, they do not have the means to repay the original amount they borrowed. Equity Release can be a potential solution to this.

Is Equity Release the right thing for me?

This is a huge financial decision and should be based on thorough and highly qualified professional financial advice. There are relatively few financial advisors who work in Equity Release.

As solicitors, we are not able to give any financial advice, but we work closely with a number of very experienced financial advisors and can put you in touch with them if you wish. They can discuss with you whether equity release is the right option, which sometimes it will not be, and if it is then which is the appropriate loan to take.

Do I need a solicitor?

Yes you will and very few solicitors work with Equity Release.

Every reputable Equity Release lender has signed up to a set of standards, and one of the principal ones is that every borrower must take independent legal advice to ensure they are aware of the terms, risks, rewards and obligations of the loan the financial advisor has recommended.

We have been working in Equity Release for several years and have specialist solicitors who are familiar with the requirements of different lenders. We know what lenders require and can anticipate any additional requirements a lender may have in any given client's circumstances. All this means that we can ensure money clears into your bank account as quickly as possible.

It also means that as our solicitors are very familiar with this type of work your file will not be moved down their to-do-list, so a more general solicitor can deal with something more familiar first.

What will this cost?

We will always look to charge by an agreed fixed fee. It does happen that sometimes a client's circumstances are more complicated, requiring more work for their loan to complete, and if so we will make you aware of any additional fees as early in the process as possible.

We are very experienced in dealing with many different circumstances and can identify early whether there is something in any given client's circumstances that may make their application more involved.

We have to meet with every client before we can submit the application for their loan. If it is difficult for a client to meet us in either our Wokingham or Camberley office then we can arrange to meet at the client's home or elsewhere. We do not charge for doing this.

What should I do next?

Feel free to get in touch to discuss your circumstances, we can advise the next steps that would need to be taken.

Private Client Team: +44 (0)118 977 4045 or enquire online



London
+44 (0)203 755 0557

Camberley
+44 (0)1276 686 222

Wokingham
+44 (0)118 977 4045



info@herrington-carmichael.com
www.herrington-carmichael.com