



A guide to extending your mortgage proposition

How residential and lifetime mortgages can work together to grow your business



This is intended for intermediaries only and has not been approved for customer use.

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Introduction

Adapting your business to the new normal



In this short guide, we explain how lifetime mortgages, one of the most popular forms of equity release, can work alongside residential mortgages to support your business and your clients. And how simple it is to offer this solution to clients through a referral service.

COVID-19 has had a huge impact on the economy, employment and the lives of millions of people worldwide. And the effects on the broader economy and the mortgage market in particular, are going to be felt for some time.

After all, the lockdown's impact on valuations and viewings resulted in mortgage approvals hitting a record low of 9,300 in May 2020¹ which is almost certainly still affecting your cash flow.

It isn't all bad news though – with a post-lockdown boom in mortgage approvals¹ in July 2020, experts are saying it's likely to continue increasing as a result of latent demand to move house over lockdown and the stamp duty holiday.

Plus, the market has adapted well in the current circumstances, with lenders introducing remote valuations more widely and all parties embracing more remote channels of communication.



Mortgage approvals hitting a record low of **9,300** in May 2020¹

¹ This is Money, "Mortgage lending soars 40% to pre-COVID levels as stamp duty cut helps housing market bounce back", September 2020



But with the outlook constantly changing from rising unemployment, lenders being more cautious and the increasing demands on the Bank of Mum and Dad (or Gran and Grandad!) - now is a great time to reconsider the growing collaboration between lifetime mortgages and other mortgage products.



Read the rest of this guide to understand how equity release referrals can generate more residential mortgage business, helping you protect and grow your business while also supporting your clients and their families in these unprecedented times.

How equity release can support every Mortgage Broker's business

Like most Mortgage Brokers, residential mortgages have probably served you well over the years. However, as well as sticking to what you know, the need for businesses to adapt to the new normal has never been greater. To help support your clients and cash flow, you need to be able to do two things:

1 Facilitate the larger deposits now demanded by mortgage lenders

With the difficulties of lockdown still fresh in everybody's minds, even first-time buyers want spacious homes with outside space. However, an increasing number of clients are struggling to fund larger deposits as high LTV mortgage deals have become harder to find, especially for those with less than 10% to put down. At the same time, lenders have reduced their risk appetite for higher LTV products and are more conservative in their underwriting approach. Caught by this double whammy, even more young people than ever are turning to the Bank House of mum and dad for help with a deposit.

Bank House of mum and dad (or Gran and Grandad!) to help with your clients home deposit



Nearly 25% of house sales are reliant on financial help from their family when buying a home*



Most parents will dip into their savings to help out but is now a good time to do so - and what about those not in a position to do this at all?



Releasing equity provides a tax-free alternative with less impact on their own lifestyle or retirement plans.

* Mortgage Strategy, 'Reliance on bank of mum and dad growing: L&G' September 2020

2 Give clients more ways to do business with you

Pay off debts and expiring interest-only mortgages:

It is estimated that 60,000² interest-only mortgages are due to expire by 2020, and many will struggle to pay off the outstanding capital sum. Releasing cash from their home can help people to pay this off without having to sell up and move on.

Equity release has been and could be a solution for people to clear existing debts without having to sell their beloved home. So far in 2020, 44% of people³ who took out equity release did so to reduce their debt burden.



60,000²
interest-only
mortgages
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2020



Be sure to contact any clients with an expiring interest only mortgage so you are there to support them

Help divorcing couples: Equity release is a great way to help divorcing couples to split the equity in their home, enabling one to stay there and the other to apply for a mortgage to buy a new home as quickly as possible.



More than **16,000** men and **12,000** women
over the age of **55** divorced in 2018¹

¹ ONS report, 'Divorces in England and Wales' 2019

Fund a deposit for a holiday home abroad: On a happier note, releasing equity from their existing property can also be the ideal way for clients wishing to buy a holiday home abroad to raise the required deposit in advance of a mortgage application.

² UK Finance IOM 2020 vision

³ Key Group Market Monitor, July 2020

Other ways it can help your clients: The flexibility of equity release means that referrals can generate an additional income for your business, even when the clients or a relative doesn't need a residential mortgage.

Inevitably, the current crisis means that unemployment and unsecured debt will rise. With the ability to make regular interest repayments or voluntary capital repayments without penalty (subject to criteria), equity release may be the most suitable option for those wishing to offer financial support to family members in their time of need, make home improvements or boost their retirement income.



The Key Partnerships average referral payment
in 2019 was **£1,536** for every case that completed

How do I introduce the concept of equity release to my clients?

If you have any clients who:

- Are struggling to raise a mortgage deposit and have parents or grandparents who might help
- Are divorcing and are aged over 55
- Have come to or are coming to the end of an interest only mortgage

Simply explain the concept of equity release: *"That it's a way for homeowners over the age of 55 to access the cash tied up in their property to help themselves or their families."*

Feel free to use the facts in the **Key Partnerships mythbuster** shown later in this guide, if they have any initial reservations. Then if they sound interested, there's no need for you to go into any detail. Simply suggest that they have a **no-obligation chat** with your associates at Key Partnerships to see if equity release is appropriate for them.

Read on to find out how the equity release sector is growing fast in the mortgage market and how you can take advantage of it.

Be part of UK's increasingly growing market in the mortgage sector

Equity release has evolved rapidly in recent years, becoming a mainstream later life planning option. **In fact, the value of the equity release market in H1 2020 is £2.1bn⁴ despite the current socio-economic conditions.** The market has remained resilient, demand remains strong and now more than ever, there is a focus on providing the right type of advice for customers.



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The economic fundamentals behind equity release growth

Over 55s in the UK who bought in the 80s or 90s have seen the value of their homes skyrocket,⁵ while the residential mortgage market is valued at £1.5 trillion in 2020.⁶ Notably, this demographic is largely cash-poor and property-rich, creating the potential for substantial and sustainable growth in the equity release market. Modern, flexible equity release plans offer complementary lending solutions to your existing residential mortgage clients and can extend their lifetime value to your business. The income you earn from referring clients to us could become an important and growing part of your future cash flow.



Over 55s in the UK who bought in the 80s or 90s have seen the **value of their homes** skyrocket, and the residential mortgage market is valued at **1.5 trillion** in 2020.⁶

⁴ Key Group Market Monitor, July 2020

⁵ This is Money, "Baby boomers are raiding housing wealth to boost their retirement incomes - but will slowing house prices end the equity release rush?", February 2020

⁶ Financial Conduct Authority, "Commentary on Mortgage lending statistics", June 2020

Equity release products are now better than ever

If you ever thought that equity release wasn't a good idea, a lot has changed over the last few years. First and foremost with a lifetime mortgage (the most popular form of equity release), not only are rates far more competitive than in the past, your clients can rest assured that they'll remain the owner of their home for as long as they wish to.

All plans which meet the Equity Release Council standards come with a No Negative Equity Guarantee - your clients can never owe more than the value of their home, and therefore won't risk leaving loved ones with additional equity release-related debt to repay.

Modern lifetime mortgage plans are also highly flexible. They now come with options ranging from inheritance protection, allowing clients to protect a percentage of their home's future value for the benefit of loved ones, all the way through to plans that allow clients to pay off interest, make capital repayments without penalty and access flexible drawdown facilities.

Who's eligible for equity release?

There are very few exclusions for equity release referrals.

Your clients simply have to be:

- Youngest client aged 55 or over and UK residents
- Owners of a property in the UK worth at least £70,000

If they meet these simple criteria, they can potentially release between



- 5 and 55% of their home's value, based on their age, health and lifestyle



Find out the true facts around the equity release market as we dispell the myths in the next chapter.

The Equity Release Mythbuster

Dispelling the myths around equity release

THE MYTHS ABOUT EQUITY RELEASE 	THE FACTS ABOUT EQUITY RELEASE 
The interest rates are really high	Interest rates are now as low as AER 2.2% fixed ⁷ for the life of the product
Your clients won't be able to leave an inheritance	Some plans allow clients to protect a percentage of the future value of their home to leave as an inheritance
The client can't repay any of the interest or capital on the loan	Many plans provide the flexibility for clients to make voluntary repayments whenever they like to repay some or all of the interest each month or even repay some of the capital.
They're really difficult to take out	Some loans can be made in as little as 11 days, with some offers given out within hours. And the client doesn't have to go through affordability checks, meaning any repayments are completely voluntary - unlike residential mortgages or retirement interest only mortgages (RIOs).

Your client could be thrown out of their home	One of the best things about equity release is that the client can always stay in the home for as long as they want to. That's because all plans which meet the Equity Release Council standards come with a No Negative Equity Guarantee, which means that customers can never owe more than the value of their home.
The client will lose ownership of their home	This is simply not true - if your client chooses a lifetime mortgage, they will retain full ownership of their home. So they'll still benefit from increases in the housing market, just like a residential mortgage.
It'll mean the client can never move home	All plans which meet the Equity Release Council standards are portable, subject to lender criteria, and some lenders now allow clients to pay off their lifetime mortgage in full, without incurring an early repayment charge if they wish to downsize to a property outside of their lending criteria.
The loans are inflexible	Not true, clients can agree an initial amount they may borrow, but don't have to take it all out in one go. So should they need cash in the future, it's easily accessible through their home.

Read on to see how referring to Key Partnerships can help your business grow and your clients.

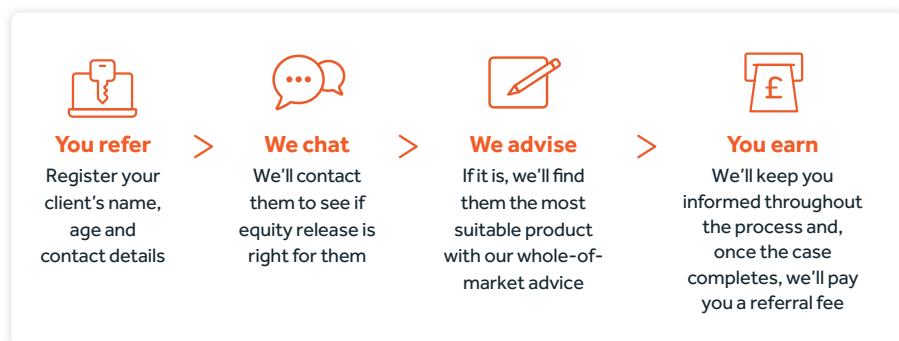
⁷ This is Money, "Low rates, more product choice and greater flexibility: Is it time to take a look at equity release?", September 2020

Making equity release part of your offering

Don't worry if you aren't qualified to give equity release advice – simply refer your clients to the experts

If you want to make the most of this market opportunity but don't want to go to all the work of becoming equity release qualified, referrals are a risk-free way for you to start making equity release work for your business today.

If you have a client who would like to find out if equity release could work for them, simply submit a referral to us by providing your client's name, age and contact details and we'll do the rest - it's that simple!



And if the case completes you'll receive a referral fee – the average referral fee we paid out in 2019 was **£1,536**, and an increased possibility of arranging a residential mortgage for any related clients.



We've helped over 1 million people - in later life to decide whether equity release is right for them, and that's also why we've had over 14,000 5 star rated Trust Pilot reviews.

Join 8,000 professionals -

who are benefiting from equity release referral commission payments of £1,536 (average in 2019) and tools and resources to support their business available on our Marketing Hub.



Insights - to identify client opportunities

- Tailored content for your business type
- Regular articles and blogs
- Webinars and videos



Sales tools - to break down barriers

- Lead verification tool
- Remaining equity calculator
- Retirement income tool
- Commission calculator



Marketing - to open up client opportunities

- Help you build marketing campaigns
- Personalised marketing materials
- Ready-made customer-facing leaflets, posters, flyers and letter and email templates



Guides to working remotely

- 17 tips to work from home
- Telephone based advice
- Keeping clients informed in a socially distanced world



Equity release could be beneficial for mortgage brokers

Let's work together to help your clients and your business benefit from the opportunities equity release could bring.

Find out more today

If you'd like to know more about extending your mortgage proposition to include equity release referrals, simply:



Email **refer@keypartnerships.co.uk**



Call **0800 138 1663**



Find out more and register at
www.keypartnerships.co.uk