Retirement Interest Only mortgages.

cuRIOus about the potential?

Retirement Interest Only (RIO) mortgages are designed so borrowers can use the sale of their home to repay their mortgage balance, which will usually happen on death or following a move into long-term care. Whether your clients want to release equity without the cost of interest roll-up, maintain an existing interest only mortgage or take a new loan, our RIO mortgages can help. As a RIO mortgage doesn't allow the interest to be rolled up, your clients must be able to make the interest only payments for the life of the mortgage.

Who's ready for RIO?

A mortgage that works for a range of clients

RIO provides more choice for older borrowers who have reliable retirement incomes, including:

Retirement planners

Clients seeking a lifestyle or retirement planning option. These clients may want to continue or take out a new loan into or in retirement to make home improvements, fund lifestyle choices, or plan for their retirement.

Equity releasers

Clients wishing to release equity from their homes without the cost of interest roll up. These clients may want to release equity for home improvements, to help fund a holiday home or give their children and grandchildren a helping hand on the property ladder.

Existing interest only customers

Clients who have come to the end of their existing interest only mortgage without the ability to redeem the capital balance, yet can maintain interest only payments for the life of the mortgage.

How does RIO compare with other types of mortgage?

RIO is different to both a standard Interest Only mortgage and a Lifetime Equity Release mortgage. It is not a replacement for either but offers an alternative product solution. The following table illustrates how RIO compares:

	Leeds Building Society Standard IO Mortgage	Leeds Building Society RIO Mortgage	Interest roll up lifetime mortgage
Is there a fixed repayment term?	**Yes** The loan term is fixed from the outset.	**No** The loan is repaid on the occurrence of a specified life event (as defined in the FCA Handbook), such as death or moving into long-term care.	**No** The loan is usually repaid on death or following a move into long-term care.
Is there a maximum age at term end?	**Yes** The maximum age at the end of the mortgage is the borrower's declared retirement age or 70 years, whichever is earlier.	**No**	**No**
Is the borrower required to make monthly payments?	**Yes**	**Yes**	**No** Interest payments are added to the outstanding loan amount.
Is interest rolled-up?	**No**	**No**	**Yes**
How is the borrowing repaid?	Acceptable repayment strategies include: • Sale of mortgaged property • Sale of another property • Savings, pensions and/or investments	Proceeds from the sale of the mortgaged property.	Proceeds from the sale of the mortgaged property.
How is affordability/ the maximum borrowing amount calculated?	The borrowing amount is based on the borrower's ability to afford the mortgage interest payments, considering their income and expenditure and subject to a maximum loan to value (60%).	The borrowing amount is based on the borrower's ability to afford the mortgage interest payments for the life of the loan, considering the lower of either their current or future income, expenditure and subject to a maximum LTV (55%) For joint borrowers affordability will be assessed on the lowest earner to ensure ability of the surviving borrower to maintain payments.	The borrowing amount is based on the LTV, and determined by the borrower's age at application.

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Our criteria

- Up to 55% LTV
- Maximum of 2 applicants, both of whom use the property as their main residence
- Minimum age at application 55 years
- Maximum age at application 80 years
- No maximum term
- Available only on an interest only basis
- Capital raising for property and non-property related purposes is permitted for new RIO applications, subject to maximum LTV
- The repayment method must be sale of the mortgaged property

Repayment method

The monthly mortgage payments will consist only of interest on the amount borrowed. The borrower is required to make these payments each month for the life of the mortgage.

The loan will be repaid from the proceeds of the sale of the property on the occurrence of a specified life event, as defined in the FCA Handbook, such as death or moving into long-term care.

Where there are joint borrowers the life event is triggered by the surviving borrower and/or last borrower residing in the property.

Income assessment

Affordability will be assessed on the applicant's ability to maintain mortgage payments for the life of the mortgage, using the lower of the following:

- Current income which can be evidenced
- Projected income in retirement, including any transferrable pension benefits, which can be evidenced

For joint borrowers affordability will be assessed on the lowest earner to ensure ability of a surviving borrower to maintain payments.

Retirement age is defined as either the applicant's stated retirement age or 70 years, whichever is earlier. When in retirement, employed or self-employed income will not be used to assess affordability.

Acceptable income types include:

- Earned income pre-retirement - employed or self-employed
- Pension income, including state and private pensions, annuities and appropriate income drawdown plans and SIPPs.
- Transferrable pension benefits
- Rental income
- Income from savings and investments
- Dividends (dividends from self-employed work are not acceptable, however if your client is a shareholder and receiving dividend payments, but not actively involved in the business these are acceptable)

Important: income must be sustainable for the life of the mortgage.

Leeds Building Society

www.leedsbuildingsociety.co.uk/rio

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