

Later Life Lending



Because all our stories are different



Who are we?

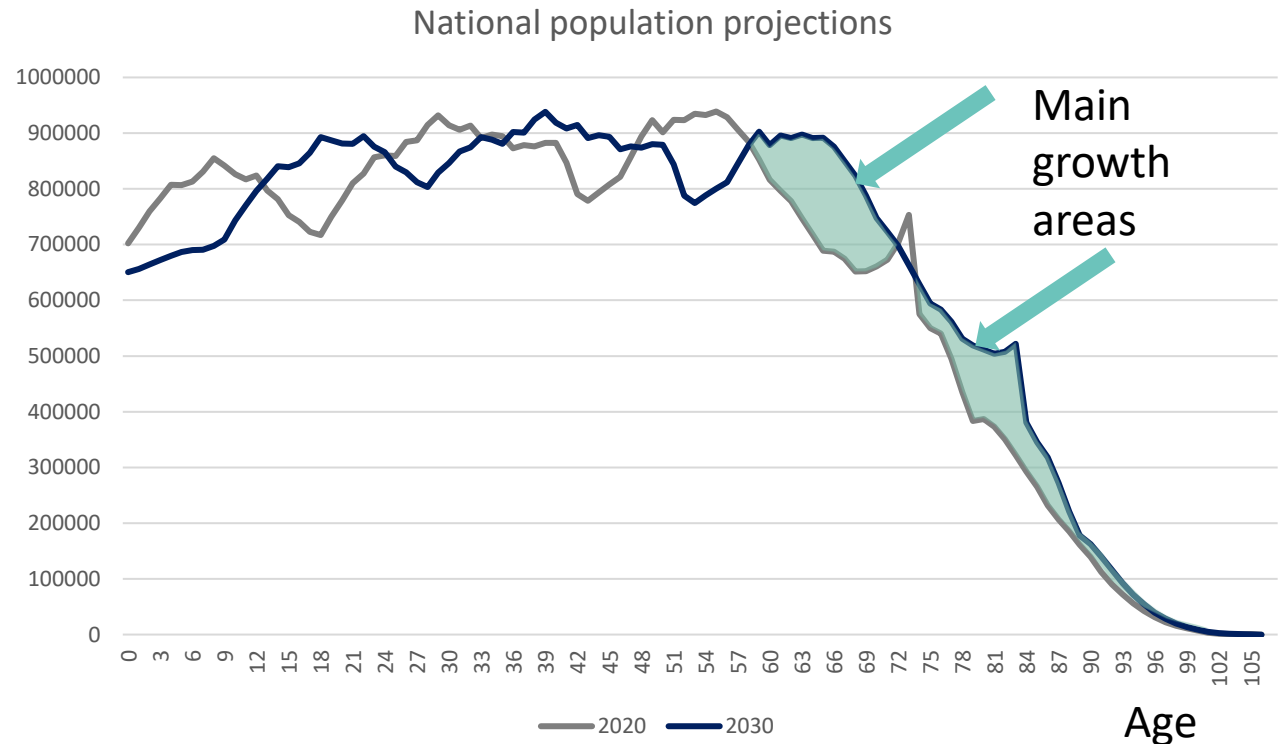
- We've been in business for over 125 years
- Family Building Society is a trading name of National Counties Building Society - helping homebuyers since 1896
- We were one of the first in the later life lending market



Growing number of older people in the UK

- Demographics:

- Baby boomer generation
- 20.9m adults are aged 55+
- Set to rise 13% to 23.7m by 2030

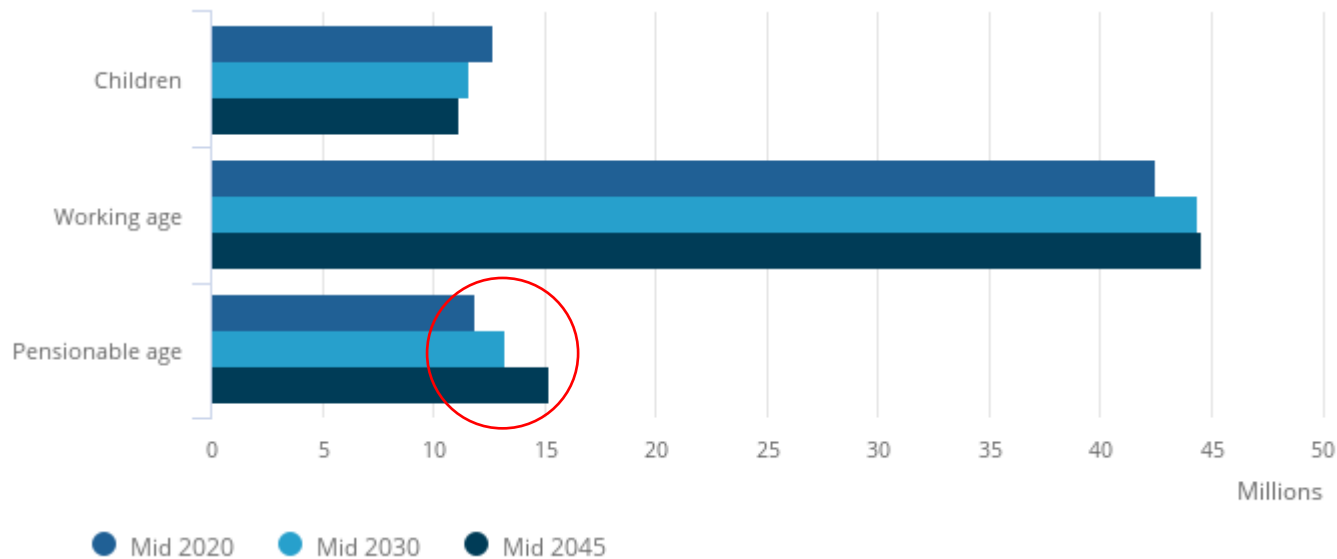


Source: Office for National Statistics – National population projections

Growing number of older people in the UK

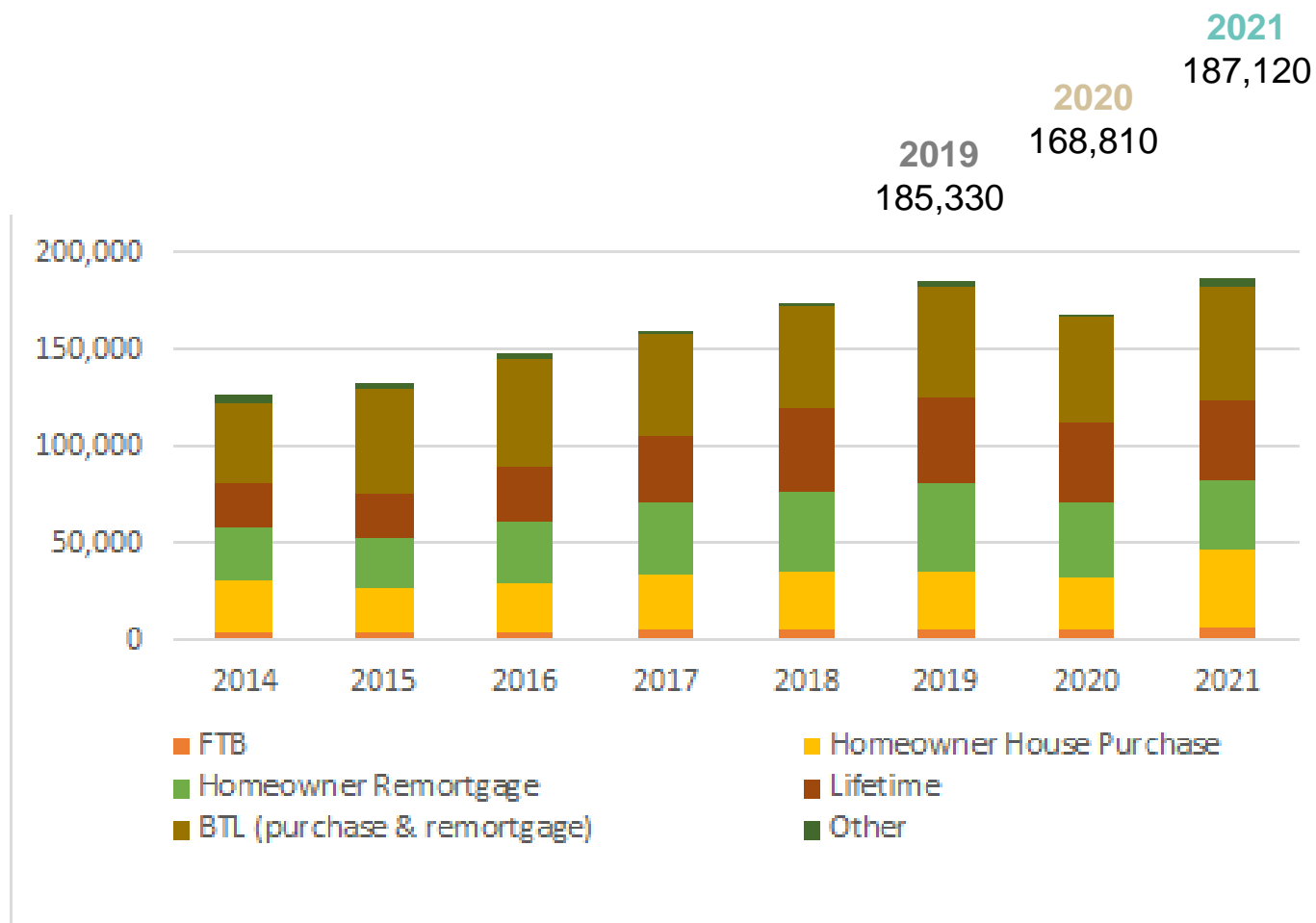
- More people at older ages
- Set to increase even further by 2045, in part because of the baby boomers from the 1960s now being aged around 80 years as well as general increases in life expectancy.

The number of people of pensionable age is projected to grow the most UK population by life stage, mid-2020 and mid-2045



The later life lending landscape

Volume of mortgage lending to borrowers over age 55 by product



Source: FBS analysis of UK Finance data

The later life lending landscape

- Despite the Covid-19 pandemic, the volume of mortgage lending to over 55's has remained strong
- There were 187,120 new mortgages to borrowers over 55 completed in 2021, with **total lending of £28.1 billion**
- 2021 saw the highest volume of lending to over 55's since 2014



The later life lending landscape

- Nearly 4 out of every 5 mortgages for older borrowers are standard mortgages
- Lifetime mortgages have stagnated in popularity as more standard options have become available
- The stamp duty holiday drove an increase in borrowing for homeowners of all ages, yet new purchases for over 65s remained strong in Q4 2021

Annual mortgage lending to borrowers over age 55, by product

	2019	2020	2021	Annual change (20-21)
Number of house purchase loans:	48,330	43,460	63,650	46.5%
Number of mortgage refinances:	90,130	82,060	77,980	-5.0%
Number of new equity release loans: (lifetime mortgages)	44,170	41,280	41,400	0.3%
Total volume of mortgages	185,330	168,810	187,120	10.8%
Gross mortgage lending (£ million)	23,800	23,090	28,100	21.7%

The later life lending landscape

- Most older borrower lending is to people aged up to 60, who are well served with standard mortgage options from smaller lenders (i.e. not the big 6)

NEW LATER LIFE MORTGAGE LENDING VOLUMES, BY AGE OF MAIN BORROWER

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
55 – 59	22,150	21,820	14,690	18,570	20,790	22,940	23,200	21,580	20,080
60 – 64	11,000	11,150	7,920	9,740	10,970	11,760	11,740	11,050	10,720
65 – 69	6,840	6,650	4,680	6,010	6,360	6,480	6,280	6,080	6,270
>=70	9,340	8,600	5,350	7,380	8,130	7,540	6,820	7,060	7,520

The later life lending landscape

- Many borrowers are taking loan terms that extend well into their 70's

NEW HOMEOWNER LENDING VOLUMES BY AGE MORTGAGE TERM ENDS

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
<55	32,950	29,200	20,460	26,200	32,170	30,480	31,530	27,710	25,940
55 – 64	120,770	105,040	71,990	93,570	115,730	115,180	123,690	109,690	100,600
65 – 74	140,640	122,890	80,320	111,290	140,050	153,290	160,170	141,420	128,820
>=75	5,170	5,000	3,560	4,920	5,560	6,150	6,680	5,990	5,000

The later life lending landscape

- Retirement Interest-Only (RIO) mortgages are not making much headway, in part due to the affordability test

VOLUME OF NEW MORTGAGES TO BORROWERS OVER AGE 65, BY REPAYMENT TYPE

	2019-Q4	2020-Q1	2020-Q2	2020-Q3	2020-Q4	2021-Q1	2021-Q2	2021-Q3	2021-Q4
Retirement Interest Only (RIO)	346	336	245	276	405	356	406	424	408
Lifetime	9,840	8,860	5,620	7,920	8,860	7,860	7,180	7,330	7,950
Interest-only	828	765	513	617	624	664	636	707	646
Capital and Interest	1,749	1,594	1,120	1,382	1,586	1,632	1,570	1,563	1,439

What's driving the increase in later life lending?



An ageing population



Changes to pensions



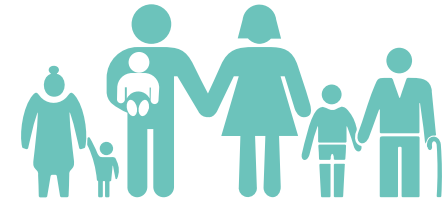
Maturing Interest-Only mortgages



People working well beyond 'normal' retirement age



Increase in house prices



50+ still have borrowing needs

- Bank of Mum & Dad... or Granny & Grandad
- BtL purchase
- Holiday homes

But.... 50+ struggle to borrow

- Age: term rules => Catch 22
the older you are the shorter the mortgage term available
- High street banks see a bigger risk
- Banks don't underwrite manually – 'computer says no'



An ageing population

- There are over 12.5 million people aged 65+ in the UK
- 18.5% of the population are 65+ with 2.5% of the population being 85+
- 1/3 of babies born today are expected to celebrate their 100th birthday
- Nearly 1/5 mortgage customers have an Interest-Only mortgage
- Mortgage debt for over 65+ increasing from £20.1bn (2017) to £39.9bn by 2030

Lending into retirement –the opportunity

900,000 Interest-Only mortgages need repaying - many at retirement age

Lifetime mortgages are the primary vehicle for borrowers over 65s, but they're not right for all and can be costly



What are people looking for?



Most popular advisor Residential searches (Top 25)

This report shows the top 25 most popular Residential searches over 3 months (1st November 2021 to 31st January 2022) performed by advisors.

Category	Criteria	Search Volume
→	Applicant Age Limits: Maximum Age at End of Mortgage Term	Very High
	Policy Soft Footprint on Credit Search?	High
	Property Flat/Maisonette Maximum LTV (Standard)	High
	Employment Employment: Minimum length of time in current job (months)	High
→	Applicant Age Limits: Maximum Age at Term End Without Pension Proof (max retirement age)	High

2 of the top 5 searches on Criteria Brain relate to maximum age at end of term



Our key areas

- Lending in and into retirement
- No credit scoring
- Flexible underwriting with individual lending decisions

Our criteria

Many cases we see are from high street customers in their mid to late 60's who have come to the end of the line with the lender and will have good income in later life.



We offer huge flexibility by lending into retirement with higher maximum ages than most lenders:

- Owner Occupier repayment mortgages, up to a maximum age of 95 at the end of term.
- Owner Occupier Interest-Only and Buy to Let mortgages, up to a maximum age of 89 when the loan commences.



We take into account earned income up to the age of 70, or age 75 for professionals, pension pots, fixed pensions and Ltd Co directors salary / dividends.



We accept rental and investment income too.

Our criteria

80%
LTV

We can consider lending in later life up to 80% LTV



Parents in retirement can assist their children's borrowing potential with a JMSO mortgage



We offer RIO mortgages for applicants over 65



All cases are manually underwritten, with no credit scoring. We listen to each clients' story and assess each application on a case-by-case.

Case study 1



Mr and Mrs A set up and ran their own successful business as a care home for 20+ years.

They have since retired from the day-to-day running of the business and this is looked after by their children.

They are in their early 80s themselves and currently have an outstanding IO mortgage that is coming to expiry, and would like an alternative to equity release.

The clients are still the majority shareholders of the business and in receipt of a state pension.

Solution:

We were able to use the clients' share of profit from the business and their pension to facilitate the £350,000 remortgage on an Interest-Only basis for a further 9 years so they could remain in their family home.

Case study 2



Mr G retired early but had invested his income over the years into a SIPP and also into BtL properties to provide a secure retirement.

He owns his own main residence unencumbered and wanted to release equity from this to gift to his son so that he could see him benefit from his assets rather than wait until he passed away, and for him to inherit it.

Solution:

We could use the clients net profit from his BtL portfolio that could be evidenced on a SA302, and we used 80% of the value of his SIPP over the term of the mortgage.

He was able to raise £200,000 in order for his son to be able to buy his dream home rather than a starter flat that he would have looked to sell within the next few years in order to upsize.

Complex or unusual case? Try us!

THE
FAMILY
BUILDING
SOCIETY

Midlands
and the
South West

Central
London

East of
England

North of
England,
Yorkshire &
North East

North & West
outskirts
of London

West of
the M25



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