

Mortgages

Bank of Ireland  
Personal Banking



# Life Loan

[www.boi.ie/mortgages](http://www.boi.ie/mortgages)



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## **Enhance your quality of life by unlocking the value of your home**

Many Irish people, aged 65 and over, can look to the value of their home as a great comfort. However, unless you are prepared to sell and trade down to a lower-value property, this value is effectively locked-in. It will, of course, benefit your next-of-kin when you've gone – and that's a reassuring thought. But if you want to continue living in your own home it can be difficult to access this capital and use it in your own lifetime.

This won't be a problem if you have a good income. If, however, you are living on a tight budget you'll know that many of life's little pleasures have to be very closely managed, even foregone. An alternative is to borrow but this may not be an option if you don't have the income to support the repayments required on a standard loan, while age may also render you ineligible.

Bank of Ireland Mortgage's Life Loan acknowledges the above difficulties and provides homeowners, aged 65 and over, with access to a lump sum that can be used for the things that your current income just won't allow.

The lump sum is secured on your home and can be used for any purpose, for example to visit family or friends abroad, to redecorate or extend your home, to buy a new car or to help a son or daughter get their first step on the property ladder. The choice is entirely yours.

Life Loan is the first product of its kind in Ireland and was developed with the assistance of people aged 65 and over. It is unique because, unlike a standard loan, you don't make regular repayments. In addition, there's no need to sell or move home in order to raise funds.

### **How Life Loan Works**

In summary, Life Loan allows you to use your house as security for a loan which you can use for any purpose you wish without making regular repayments.

# Life Loan Map - A step-by-step guide



1. Call in to your local BOI Branch for a copy of your Life Loan Information Pack.



2. Familiarise yourself with Life Loan.



3. Consult your family and solicitor about your decision to take out a Life Loan.



4. Arrange an appointment through your local BOI branch to meet with a Life Loan Consultant.



5. Have a chat with your Life Loan Consultant about financial options available to you.



6. Complete the Application Form and submit to your Life Loan Consultant along with the relevant documentation.



7. Your Life Loan Consultant will organise a valuation report on your property.



8. Your Life Loan Consultant sends you a 'Letter of Offer' and two additional forms which will give you all the relevant details and conditions of your Life Loan and interest rate details. The two forms need to be sent back to your consultant. A copy of this letter and a pack is also sent to your solicitor.



9. You read over the Letter of Offer and the material that comes with it. Once you are satisfied, in consultation with your solicitor you sign and return the Letter of Offer.



10. Your solicitor will satisfy the Bank's legal requirements.



11. The Bank sends your cheque to your solicitor who will arrange to give it to you.

## Your Questions Answered

The following are answers to the questions most likely to come to mind about Life Loan.

### Who can apply for a Life Loan?

Anybody aged 65 and over, owning his or her own home. Where joint homeowners apply, both must be aged 65 or over. You do not have to be an existing Bank of Ireland customer to avail of our Life Loan. Where an application is made in joint names, the property must be jointly owned.

### How much can I borrow with a Life Loan?

The amount that you can borrow depends on your age and the value of your property and is outlined in the table below. In the case of joint applicants, the amount that you can borrow is determined by the age of the younger applicant.

Note: Should you not borrow your maximum amount initially, you would normally have to wait a minimum of 5 years before applying for any increase.

Age	Amount that you can borrow*
65 – 69 years	20% of the current value of your property
70 – 74 years	25% of the current value of your property
75 – 79 years	27.5% of the current value of your property
80 years and over	30% of the current value of your property

\* Any outstanding mortgage or charges on the property must be repaid.

For example, a couple aged 75 and 73 who own a property valued at €300,000 in Galway City can apply for a Life Loan of up to €75,000, or 25% of the current value of their property.

### Two restrictions apply:

- The minimum amount that you can borrow is €20,000 while the maximum amount is €400,000.
- The minimum property value against which a Life Loan is advanced is:

	Dublin	Cork/Limerick/Galway Cities	Elsewhere
Minimum Value	€400,000	€250,000	€200,000

## When is a Life Loan repayable?

In the normal course of events, no repayment occurs until one of three things happen:

- You sell your home
- You leave your home for a period of six months or more, or
- You die

Where the Life Loan is taken out in joint names, in the normal course of events it becomes repayable when the surviving borrower either sells the home, leaves the home for a period of six months or more, or passes away.

Where one of the above three events occur, the property must be sold to repay the Life Loan, unless there are other sufficient resources to pay off the outstanding debt. The sale proceeds will first be used to repay the Life Loan and the remainder will revert to you or your estate.

Other circumstances in which Life Loan will be repayable are:

- If you do not comply with any of the terms and conditions contained in the Bank's Mortgage or Offer Letter
- If you provide the Bank with any materially misleading or incorrect information
- If any steps are taken to make you bankrupt, or if any other creditor takes legal proceedings against you
- If any part of your home is pulled down or damaged, reducing its value
- If you sell or part with possession of your home (e.g. by way of a lease) without the Bank's consent
- If your home is compulsorily acquired
- If your solicitor does not put the Bank's security in place

The complete terms and conditions will be set out in the Bank's Letter of Offer. You must engage a solicitor to explain these to you before you proceed with a Life Loan.

## How much does a Life Loan cost?

The interest rate on a Life Loan is fixed for the first 15 years, so you know upfront what the cost will be. The fixed rate will be based on available market rates. When the 15 year period ends there will be an option to choose either another fixed rate or a variable rate. These rates will also be determined by market rates at that time.

Interest will be calculated on a daily basis and will be applied to your Life Loan account, in the normal manner, on a quarterly basis. See the working example on page 9 which shows the amount of interest payable over a range of timescales, up to and including 15 years.

You will receive an annual statement regarding your Life Loan account.

## What are the benefits of a Life Loan?

- If you are living on a tight income a Life Loan could offer you the chance to do the things that you may not currently be in a position to do
- Financial pressure is taken off your family, if they are currently supplementing your income
- The money raised can be spent exactly as you wish
- No repayments are necessary until the Life Loan becomes due for repayment
- As the interest rate is fixed for the first 15 years you know exactly how much is owed at any point in time

## Are there any drawbacks to a Life Loan?

- The Life Loan must be repaid in the circumstances set out on page 5, the three principal events being:- once you either sell your home, leave your home for a period of six months or more, or you die
- As you would expect, the Life Loan will reduce the value of your estate. As a result your next-of-kin will receive less inheritance than they would have had you not released equity from your home. For this reason you may wish to involve your family or anyone else likely to be affected by your decision
- Customers in receipt of a non contributory pension and who leave the proceeds of their Life Loan on deposit to supplement their income may erode their entitlement to their non contributory pension. In these circumstances, we would recommend customers seek independent financial advice and clarify their entitlement with the Department of Family and Social Affairs

- As no repayments are made during the term of the Life Loan, a significant proportion of the amount to be repaid may comprise of interest

### **What additional costs are likely with a Life Loan?**

- A valuation of your home will be required. This needs to be completed by a surveyor from our Life Loan panel. The valuation will provide an up to date assessment of how much your home is worth. This may cost you in the region of €200
- It will be necessary to engage a solicitor of your choice and the fees involved will vary depending on the amount you borrow and the agreement you reach with your own solicitor

### **What security is required when I take out a Life Loan?**

- A first legal mortgage or charge on your property is required
- Your property must be adequately covered in terms of home insurance

### **If I take out a Life Loan from Bank of Ireland Mortgages can I subsequently decide to repay the loan in full or to make a part repayment?**

Yes. Life Loan can be repaid in whole or in part at any time. However, because the interest rate is fixed for the first 15 years, you may have to pay an additional repayment sum if Life Loan is repaid in circumstances other than the sale of your home, your leaving your home for a period of 6 months or more, or your death. If you think this may occur then Life Loan may not be the best option for you. Further details on the additional repayment sum which is payable in certain circumstances are set out on page 12 under the Consumer Credit Act notices.

### **Do I need independent financial advice?**

We would strongly recommend to customers that they obtain independent financial advice as it is important that customers fully inform themselves on all the financial options available to them. In the event that customers do decide to proceed with the Life Loan option, it is also important that they fully understand both the terms and conditions and the drawbacks associated with it.

### **Do I need a solicitor?**

Yes. It is a condition of the loan that all borrowers obtain independent legal advice.

## **Can I avail of a variable rate for Life Loan?**

Life Loan is based on a fixed rate for 15 years rolling over to a fixed/variable rate option for the remainder of the term. This is applicable in all circumstances.

## **Can my family agree not to sell our home and just pay off the loan?**

In the event of one of the repayment circumstances occurring, your home does not necessarily have to be sold. If your family have sufficient funds available to repay the loan and interest, they can hold on to the family home. In these circumstances we recommend that you seek independent tax and financial advice.

## **Do I need to have a will made?**

Yes, if you have not already made a will you will need to do so before availing of Life Loan. The Bank will also require the names and addresses of your executors, next-of-kin and beneficiaries. The reason for this requirement is that, in circumstances where the repayment event is due to death or having left the property for a period in excess of 6 months or more, you would not or may not, be in a position to make arrangements for the repayment of the loan. In such circumstances, the Bank will most likely require the co-operation of the executors, next-of-kin and/or beneficiaries in order to effect repayment. The Bank understands that the requirement for this information may be of concern to you, and would like to assure you that contact will not be made with executors, next-of-kin or beneficiaries, unless or until a repayment event occurs or is suspected and there is a real need to make contact with these persons. The Bank fully appreciates the sensitivities surrounding this requirement and at all times will endeavour to be discreet in its dealings and communications with such persons.

## **Can I apply for an increase in my Life Loan?**

The product is not designed to track upward movements in property value, and likewise there is no clawback should properties decline in value. Customers who wish to increase their borrowings using Life Loan normally have to wait a minimum of five years before they can submit a second application. This rule also applies in circumstances where customers do not maximise their borrowings for their age category in their first application. Therefore customers may wish to consider waiting until they reach the next age category in order to maximise their borrowings. In addition, customers who do not avail of the maximum loan amount during the first application may find that they do not qualify in five years time for a further advance because their circumstances have changed.

## **If it's my birthday and I move into a new Life Loan category, can I increase my Life Loan?**

People close to an age threshold (e.g. less than a year) when seeking a Life Loan should consider waiting if they wish to maximise their entitlement.

## Working example of Life Loan

A couple aged 75 and 73 own a home worth €250,000. They take out a Life Loan in October 2006 at an APR of 5.8%\*. One of the couple passes away in 2009 and the other moves permanently into a retirement home in December 2020.

The amount that the couple could borrow in November 2006 is €62,500 (€250,000 x 25%).

Based on a rate of 5.99% (APR 5.8%)\* the total (including the interest) due at the end of each year between the years 2007 and 2021 would be as follows:

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
€66,329	€70,392	€74,704	€79,280	€84,137	€89,291
<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
€94,761	€100,566	€106,727	€113,265	€120,203	€127,566
<b>2019</b>	<b>2020</b>	<b>2021</b>			
€135,381	€143,674	€152,476			

\* This APR is used for indicative purposes only and is subject to change.

In December 2021, the outstanding balance would be €152,476 which comprises the original loan of €62,500 plus the accumulated 15 years' interest of €89,976.

## How your Life Loan is repaid

No loan repayments are required during the term of the loan. Instead, the interest accumulates and is added to the loan balance.

Eventually, the original loan plus the interest will be paid back in full from the proceeds of selling your house. If the sale proceeds are less than the amount of the loan at that time, the Bank will not look to you or your estate to make up any shortfall between the proceeds of sale and the balance owed on Life Loan. Any surplus between the sale proceeds and the amount required to pay back the loan remains with you or your estate.

## Monitoring your Life Loan

To help you to monitor your Life Loan, we will send you a statement each year showing you details of the transactions that have taken place on your Life Loan during the previous full year.

If you have any queries on any aspect of your Life Loan at any stage please contact your branch who will be delighted to help you.

## Additional Considerations

In order to allow us to establish whether your property represents adequate security for a Life Loan, and to allow us to calculate exactly how much you may be able to borrow, we will need to carry out a valuation.

This valuation will be carried out by a valuer from our panel.

## Our commitment to you

We are conscious that the decision to take out a Life Loan from Bank of Ireland Mortgages is a big one and one that should not be taken lightly.

The Bank has a team of Life Loan Consultants in place throughout the country. All Life Loan Consultants are experienced mortgage consultants and have been comprehensively trained to give you best advice about Life Loan, in addition to any alternative financial options available to you.

## Summary terms and conditions

As with all lending products, terms and conditions apply. Please read the following summary terms and conditions to see if this product is appropriate for you – many of these are standard and include: -

### Customers taking out a Life Loan must:

- Be Irish residents
- Be sole owners of the property on which the loan is secured
- Be sole occupiers of the property on which the loan is secured
- Have a credit history that complies with Bank of Ireland Mortgages standard credit criteria
- Obtain independent legal advice
- Make a will and appoint an executor/executrix (where there are two or more applicants, there is a requirement for an independent/third party executor)
- Maintain the property to a reasonable standard

## **The property on which a Life Loan is advanced must:**

- Be your principal private residence and be located in the Republic of Ireland
- Be freehold or, if leasehold, the lease must have an unexpired term of at least 99 years from the date you take out a Life Loan
- Be jointly owned if you are married or living with a partner
- Comply with all planning and building regulations
- Be self-contained and have an independent front door
- Be freely marketable as determined by an independent valuer
- Be adequately covered by home insurance with the interest of Bank of Ireland Mortgages noted
- Have good marketable title confirmed by your solicitor

## **The following property types are excluded:**

- Properties lacking essential services
- Properties constructed in whole or in part in a manner unacceptable to Bank of Ireland Mortgages
- Properties subject to onerous restrictive covenants or title conditions
- Properties which form an integral part of a larger property or business e.g. farms, pubs, shops
- Tenanted properties
- Basement studio apartments or flats
- Properties that form part of a retirement home development
- Properties already subject to a mortgage unless that mortgage is to be paid off on the draw down of Life Loan

The complete terms and conditions will be set out in the Bank's Letter of Offer. You must engage a solicitor to explain these terms to you before you proceed with a Life Loan.

This is an information brochure and is of no legal effect.

## Consumer Credit Act Notices

Legal fees (excluding costs associated with Bank of Ireland Mortgage's legal investigation of title for the purpose of the mortgage) are payable by the borrower to his or her solicitor. The amount will depend upon the arrangements made between these parties.

Valuation fees are payable by the borrower to a valuer from our Life Loan panel. The valuation will provide an up to date assessment of how much your home is worth. This may cost in the region of €200.

In the case of a fixed rate loan, in the event of early repayment of the loan in whole or in part for any reason, or conversion to a variable interest rate, or other fixed rate within the initial fixed rate period or any further or subsequent fixed rate period, the borrower will be liable to pay a sum to be calculated in accordance with the following formula:  $(\text{Amount} \times (R-R1) \times \text{Time})$  divided by 36,500 and for the purposes of this formula, the variables are defined as follows: 'Amount' means the average balance of the amount repaid early or converted from the date of repayment or conversion to the end of the fixed rate term, allowing for any repayment. 'R' means the cost of funds for the Bank for the fixed rate period as incorporated in the existing interest rate applying to the loan. 'R1' means the interest rate available to the Bank for funds placed in the money market on the date of early repayment or conversion for the remainder of the relevant fixed rate period. 'Time' means the number of days from the date of early repayment or conversion to the end of the relevant fixed rate period.

Bank of Ireland Mortgage Bank is a tied agent of New Ireland Assurance Company plc, trading as Bank of Ireland Life.

**WARNING: YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR ANY OTHER LOAN SECURED ON IT.**

If your mortgage is at any time at a variable rate, please note:

**WARNING: THE PAYMENT RATE ON THIS HOUSING LOAN MAY BE ADJUSTED BY THE LENDER FROM TIME TO TIME.**

**WARNING: PURCHASING THIS PRODUCT MAY NEGATIVELY IMPACT ON YOUR ABILITY TO FUND FUTURE NEEDS.**

**WARNING: YOU MAY HAVE TO PAY CHARGES IF YOU PAY OFF A FIXED-RATE LOAN EARLY**

Bank of Ireland and Bank of Ireland Mortgage Bank, trading as Bank of Ireland Mortgages are regulated by the Financial Regulator.