

Seniors Money Mortgages (Ireland) DAC Guide to the Early Repayment Charge

Applicable to Fixed Rate Lifetime Loans only

Because it is a fixed rate product, if you make any loan repayments on a Fixed Rate Lifetime Loan before you are required to, this will lead to unexpected costs for Seniors Money. **An Early Repayment Charge (“ERC”) may arise if you repay some or all of the loan within 10 years of taking it out.**

Time limit to the ERC

The ERC only applies to repayments made during the first 10 years*.

- Any repayments made after 10 years are exempt from an ERC
- For repayments made within 10 years, the ERC only applies to the remaining period to 10 Years

Example: A loan repaid 6 years after taken out will incur 4 years of ERC

*In addition, if you are aged 78 or older when the loan commences, no ERC will arise after your 88th birthday. This means that if you are aged 80 when the loan is taken out and you repay it 3 years later, the ERC would only apply to the remaining 5 years to your 88th birthday.

No ERC if interest rates are higher

No ERC will arise if interest rates when the repayment is made are higher than (or equal to) rates when the loan was taken out. This is determined by comparing:

- A. The 10 year Irish Government Bond rate at the time you took out the Lifetime Loan, with
- B. The Irish Government Bond rate at the date you are making the full repayment for the period for which the ERC is payable (or the nearest comparable rate most favourable to you)

If **B** is higher than or equal to **A** no ERC is payable.

ERC Exemptions

Partial repayments

To give you some flexibility, you will be allowed to make some partial repayments without incurring the ERC, but limited as follows:

- Minimum of €500 per partial repayment
- Maximum of four partial repayments per year
- Maximum total per year not to exceed 10% of the amount originally borrowed (excluding interest)

Any partial repayments in excess of the above limits may be subject to an ERC.

Full loan repayments

No ERC will be charged when a loan is repaid in full or in part due to one of the following events:

- Death of last nominated resident
- Move to permanent long term care of last nominated resident
- Full repayment within 3 years of the death or move to permanent long term care of first nominated resident
- Sale of the property
- Repayment following demand by us in certain circumstances

How the ERC is calculated

The ERC is calculated by multiplying three numbers by each other:

- i. The amount of the loan including accrued and unpaid interest (after any exemptions) that the ERC is chargeable on
- ii. The difference in interest rates between the date the loan commenced and the date it is repaid
- iii. The number of years remaining to the 10 year ERC time limit or shorter limit if applicable

In the example shown below, €75,000 was originally borrowed at a fixed interest rate of 5.50% p.a. The client is repaying the loan after 5 years, and has not made any previous repayments. Interest rates are lower at the time of repayment so an ERC is payable:

Interest Rate Test

A 10-year Irish Government Bond Rate at loan commencement:	-0.0094%
B 5-year Irish Government Bond at date of full repayment:	-0.5333%
Difference in the bond rates:	0.5239% (ii)
B is lower than A so an ERC <u>is</u> payable.	

Chargeable Amount

Loan balance at date of full repayment:	€98,797	(assumes no previous loan repayments)
10% exemption from ERC:	(€7,500)	(i.e. 10% of amount originally borrowed)
ERC chargeable on:	€91,297	(i)
ERC chargeable for:	5 years	(iii)

ERC Payable

(i) €91,297 x (ii) 0.5239% x (iii) 5	= €2,392
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Contact

If you have a query about any other aspect of your Fixed Rate Lifetime Loan please contact the Seniors Money Customer Care team on (01) 641 5400.

January 2021

For all Lifetime Loans

WARNING: WHILE NO INTEREST IS PAYABLE DURING THE PERIOD OF THE MORTGAGE, THE INTEREST IS COMPOUNDED ON A MONTHLY BASIS AND IS PAYABLE IN FULL IN CIRCUMSTANCES SUCH AS DEATH, PERMANENT VACATION OF OR SALE OF THE PROPERTY.

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

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

For Fixed Rate Lifetime Loans

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

If your Lifetime Loan is being used for debt consolidation purposes:

WARNING: THIS NEW LOAN MAY TAKE LONGER TO PAY OFF THAN YOUR PREVIOUS LOANS. THIS MEANS THAT YOU MAY PAY MORE THAN IF YOU PAID OVER A SHORTER TERM.