

Seniors Money Mortgages (Ireland) DAC Guide to Switching to a Fixed Rate Lifetime Mortgage

Seniors Money Mortgages (Ireland) DAC (“Seniors Money”) provided a Variable Rate Lifetime Loan to its customers who took out their Lifetime Loan prior to 2020.

Seniors Money through its retail division, Spry Finance, currently provides a Fixed Rate Lifetime Loan to new customers. Details can be found at www.spryfinance.ie.

The purpose of this guide is to explain how existing variable rate customers can switch to a fixed interest rate Lifetime Loan.

Can I switch from my existing Variable Interest Rate to a Fixed Interest Rate?

Yes, you can. Existing variable rate clients who wish to switch to the new fixed rate product can do so by applying for a new Lifetime Loan through Spry Finance, Seniors Money Mortgages (Ireland) DAC’s retail division, and using the proceeds to repay their existing variable rate loan.

We will work with you to assess whether this is a suitable option for you. Because it involves fixing the interest rate for life, we will want to be sure that you fully understand the implications of your decision.

What do I need to consider first?

If you are eligible to switch from a Variable Rate Lifetime Loan to a Fixed Rate Lifetime Loan you will need to consider:

Existing Variable Rate Lifetime Loan - You will need to use the proceeds from a new Fixed Rate Lifetime Loan to replace your existing Variable Rate Lifetime Loan. It is important to first understand your current Variable Rate Lifetime Loan fully as this will help you decide if it makes sense to switch loan types. We will work with you to prepare a personalised **Indicative Switching Statement** outlining the overall impact of switching from your existing Variable Rate Lifetime Loan to a Fixed Rate Lifetime Loan.

Moving to a Fixed Rate - If you decide to switch to a Fixed Rate Lifetime Loan **you will not be contractually entitled to go back onto your existing Variable Rate Lifetime Loan in the future**. The total amount payable on your loan may increase. In addition, you may have to pay an **Early Repayment Charge (“ERC”)** if you decide to move to a Fixed Rate Lifetime Loan and later want to repay it early. The estimated cost of this charge should be weighed against the potential benefits that could be made by switching from your existing Variable Rate Lifetime Loan to a Fixed Rate Lifetime Loan.

Loan-to-value (LTV) ratio - A loan-to-value ratio is how much you owe on your lifetime loan in relation to how much your house is worth. We will consider the LTV ratio and your age when you make your application to switch to a fixed rate Lifetime Loan. You will need to meet our current LTV criteria in order to switch to a fixed rate Lifetime Loan. An up-to-date valuation will be needed to get an accurate current value of the property.

Switching Costs - Unfortunately, there are costs involved in switching from a Variable Rate Lifetime Loan to a Fixed Rate Lifetime Loan. These costs are outlined below and should be carefully weighed against the potential benefits that could be made by switching from your existing Variable Rate Lifetime Loan to a Fixed Rate Lifetime Loan.

How do I go about this?

The following is a summary of the process involved.

- In the first instance, **contact the New Loans team at Spry Finance on (01) 5822 570** to discuss your wish to consider switching your existing Variable Rate Lifetime Loan to a new Fixed Rate Lifetime Loan.
- Through Spry Finance, our retail division, we will take your details and prepare a personalised **Indicative Switching Statement** for you outlining the overall impact of switching to a fixed rate and send it to you. This will take your current loan balance, your current age and our estimate of your current property value and outline to you the overall impact of switching to fixed rate.

We will endeavour to send you this statement within 10 working days.

The process will then follow one of two options depending on your specific financial needs and circumstances, as follows:

Option 1: Switch to a Fixed Rate Lifetime Mortgage with Additional Lending

1. If having reviewed the Indicative Switcher Statement, you then decide to proceed to switch to a Fixed Rate Lifetime Loan and borrow additional funds, we will conduct a detailed **Fact Find** with you to fully understand your financial needs and objectives. These may have changed since you took out your original Lifetime Loan with us. This will involve **meeting with one of our Client Consultants**.
2. We will then prepare a **Statement of Suitability** for you outlining the implications of your proposed switch and your request for additional lending.
3. If the proposed switch is suitable for you, and you wish to proceed, we will ask you to complete a **New Lending Application Form**.
4. On receipt of a completed Application Form, we will then commission an **Independent Property Valuation** to ensure that your new loan, including the additional lending, can be funded by the current value of your property. If the current value of your property is not sufficient to support the new loan, then you will not be able to switch from a variable rate to a fixed rate loan and/or borrow additional funds.

The amount of time taken to complete steps 1-4 will depend on your availability to meet with a Spry Finance Client Consultant and, if you proceed, your availability to meet an Independent Valuer. You should allow a minimum of 2 weeks for these steps.

5. We will also conduct a **Consumer Credit Register** check as we are required to do under the Credit Reporting Act 2013.
6. Then, if the switch is suitable and the current value of your property supports the new loan, we will issue you with an **indicative non-binding Loan Offer**.

Steps 5 and 6 will be completed within 10 working days of receiving the Independent Valuation.

Option 1 - The Legal Steps

If, at this stage, you wish to proceed, you are required to take **Independent Legal Advice**.

7. Seniors Money will send a **Loan Pack** to your chosen solicitor containing Seniors Money Lifetime Loan documentation. This loan pack will contain the following:
 - Instruction Letter
 - Copy of the Loan Offer
 - Execution copy of the Loan Agreement
 - Execution copy of the Mortgage Deed
 - Any ancillary legal documentation for execution, e.g. Family Home Protection Act 1976 and the Civil Partnership and Certain Rights and Obligations of Cohabitants Act 2020 including statutory declarations of the borrowers and all required consents of a non-owning spouse or civil partner.
8. **Your solicitor will meet you** to go through the loan offer letter, and loan terms and conditions. If you are satisfied to proceed with the new loan offer, your solicitor will require you to sign the mortgage documentation and will return it to us.
9. You will be required to provide your **Title Deeds** to Seniors Money if these are not already held by us.
10. Upon confirmation from your solicitor, we will **change the rate** on your Lifetime Loan from a variable rate to a fixed rate and provide your solicitor with the additional loan amount.

The amount of time taken to complete steps 7-10 will depend on your availability to meet with your solicitor and the time taken to execute the legal documentation. You should allow a period of a minimum of 2 weeks for these steps.

11. Once we receive confirmation from your solicitor, we will issue you with a **confirmation of your new fixed interest rate** within 10 working days.

Option 2: Switch to a Fixed Rate Lifetime Mortgage without Additional Lending

1. If having reviewed the Indicative Switcher Statement, you decide to proceed, we will arrange a phone call for you with one of our Client Consultants. The purpose of this call is to ensure that you fully understand the impact of switching to a fixed rate and to answer any questions you might have in relation to the process.
2. If you then wish to proceed, we will ask you to complete a **Lifetime Loan Switching Form**.
3. On receipt of a completed Lifetime Loan Switching Form, you will be required to arrange and pay for an **Independent Property Valuation**, completed by a Seniors Money approved valuer, to ensure that your new fixed rate loan can be funded by the current value of your property. If the current value of your property is not sufficient to support the new loan, then you will not be able to switch from a variable rate to a fixed rate loan.

The amount of time taken to complete steps 1-3 will depend on your availability to speak with our Client Consultant and the time taken to arrange an independent property valuation. You should allow a period of a minimum of 2 weeks for these steps.

4. Then, if you wish to continue, and the current value of your property supports moving your existing loan to a fixed rate, we will issue you a **Lifetime Loan Amendment Form**.

Option 2 - The Legal Steps

If, at this stage, you wish to proceed, you are required to take **Independent Legal Advice** from your chosen solicitor:

5. Seniors Money will send a **Loan Amendment Pack** to your solicitor containing the following:
 - Instruction Letter
 - Copy of your Original Lifetime Loan Agreement
 - Lifetime Loan Amendment Form
6. **Your solicitor will meet you** to go through the documents and explain how the switch will impact your existing loan conditions. If you are satisfied to proceed with the switch, your solicitor will require you to **sign the Lifetime Loan Amendment Form** and will return it to us.
7. You will be required to provide your **Title Deeds** to Seniors Money if these are not already held by us.
8. Upon confirmation from your solicitor, we will **change the rate** on your Lifetime Loan from a variable rate to a fixed rate and provide you with a letter confirming the change.

The amount of time taken to complete steps 5-8 will depend on your availability to meet with your solicitor and the time taken to execute the legal documentation. You should allow a period of a minimum of 2 weeks for these steps.

What are the costs involved in switching?

The costs involved in switching are the same as those for a new loan. These are as follows:

Indicative Switching Statement No charge

Interest rate: 6.45% per annum fixed rate, added to your loan monthly.
Annual Percentage Rate (“APR”) 6.84% (assuming a loan amount of €75,000 over a term of 15 years).

Rate is as at date of this Switching Guide but may change before the switch application is completed.

Switching fee: **Option 1 – Switch with Additional Lending €1,500 – payable if the rate switch with additional lending proceeds.**

This fee covers the cost of an independent property valuation (€225) and a contribution to the costs incurred by Seniors Money in switching your loan (€1,275).

You can choose to pay the Set-Up Fee by cheque, credit transfer **OR** the fee can be included in your Lifetime Loan. Where possible, we recommend that you pay this fee by cheque or credit transfer to avoid it being subject to compounding interest. If you decide to include the fee in your Lifetime Loan you are borrowing the fee, and the part of your loan balance associated with the fee will grow over time as indicated in the table below (assumes fixed interest rate of 6.45% p.a. throughout the life of the loan):

Year	Total Amount Payable	Interest Payable
0	€1,500	-
5	€2,080	€580
10	€2,871	€1,371
15	€3,961	€2,461
20	€5,464	€3,964

Option 2 – Switch without Additional Lending - No set up fee.

However, you will be required to arrange and pay for an **Independent Property Valuation**, completed by a Seniors Money approved valuer.

Loan Variation Fee: **€500 - Applies to all future variations following any current switch.**
Payable for any variations during the life of the loan, e.g. adding or removing a borrower, changes to the registered security or title, etc.

You will also be liable for any 3rd party costs incurred by Seniors Money when any variation is required during the loan (e.g. legal fees). The 3rd party costs will be calculated at the time of the variation and we will provide you with details of these costs at the time.

Loan Redemption Fee: €100 – Payable upon full repayment of the loan.
This fee contributes to the costs arising when discharging a loan, e.g. legal or registration fees incurred by Seniors Money in redeeming the mortgage.

Early Redemption Charge (“ERC”): Because the new product is a fixed rate product, if you make any loan repayments 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 additional loan within 10 years of taking it out.**

Time limit to ERC:

The ERC only applies to repayments made during the first 10 years of your new fixed rate loan*.

- 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 at Loan Redemption:

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.

Early Redemption Charge (contd.):

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 6.45% 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:	2.500%
B 5-year Irish Government Bond at date of full repayment:	2.000%
Difference in the bond rates:	0.500% (ii)
B is lower than A so an ERC is payable.	

Chargeable Amount	
Loan balance at date of full repayment:	€104,020 (assumes no previous loan repayments)
10% exemption from ERC:	(€7,500) (i.e. 10% of amount originally borrowed)
ERC chargeable on:	€96,520 (i)
ERC chargeable for:	5 years (iii)

ERC Payable	
(i) €96,520 x (ii) 0.500% x (iii) 5	= €2,413

In addition to the above fees payable to Seniors Money, the borrower is responsible for paying any fees charged by their own solicitor for advising on the transaction.

Lending Criteria:

The lending criteria and terms and conditions associated with the Fixed Rate Lifetime Loan are set out at www.spryfinance.ie/lifetimeloans.

Other Matters:

As with your existing Variable Rate Lifetime Loan, you will be required to continue to maintain and insure the property and pay any property and related taxes.

If you have an existing home insurance policy, it may be possible to keep this policy therefore, you should consider whether, and how the existing insurance policy will be maintained.

Frequently Asked Questions:

Can I borrow additional funds from Seniors Money under my existing variable rate loan agreement?

Unfortunately, you can't borrow any more money under your existing Seniors Money variable rate loan agreement because the new funding we have is only available for the new fixed rate product. We don't have funding to lend extra amounts under the old variable rate product, as has been the case since we stopped offering that variable rate product back in 2012.

As part of switching to a Fixed Rate Lifetime Loan, you may be able to borrow additional funds from us. The new Fixed Rate Lifetime Loan would be for the amount of your current loan balance (which is the amount you originally borrowed from us plus the interest that has built up on that loan to date), in addition to the extra amount you want to borrow.

This new consolidated loan would be at our fixed rate interest and would also be subject to the additional switching charges as set out in this document. It would also be subject to a new application and approval as set out in this guide.

Can I leave my old loan as it is then and borrow the extra amount under the new fixed rate product?

Unfortunately not. As both products are funded from different sources, and both require a first ranking mortgage charge, you can only have one loan product with us, either your existing variable rate loan or a new fixed rate loan.

Can I switch from my existing Fixed Interest Rate to a Variable Interest Rate?

Unfortunately not. We do not have funding currently to enable fixed rate customers switch to a variable rate.

Contact Details:

If you would like to discuss moving from your Variable Rate Lifetime Loan to a new Fixed Rate Lifetime Loan, please phone the Spry Finance New Loans team on (01) 5822 570.

If you have a query about any other aspect of your Variable Rate Lifetime Loan, please contact the Seniors Money Customer Care team on (01) 261 5400.

You can find out general information about switching residential mortgages on the Competition and Consumer Protection Commission website.

<https://www.ccpc.ie/consumers/money/mortgages/>

16 January 2023

For all customers switching from a Variable Rate Lifetime Loan to a Fixed Rate Lifetime Loan:

WARNING: IF YOU SWITCH FROM A VARIABLE RATE LIFETIME LOAN TO A FIXED RATE LIFETIME LOAN YOU WILL NOT BE CONTRACTUALLY ENTITLED TO GO BACK TO THE VARIABLE RATE LIFETIME LOAN IN THE FUTURE.

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 Variable Rate Lifetime Loans:

WARNING: THE COST OF YOUR MONTHLY REPAYMENTS MAY INCREASE.

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

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.