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Case Studies: Lending into Retirement

At The Mansfield Building Society, our personal approach to underwriting allows us to be flexible in common sense situations. That's why we take a pragmatic approach when lending to borrowers in, or fast approaching, retirement.

With an ageing population, coupled with the increasing cost of property, the average age of the first time buyer is rising and a growing number of people are borrowing beyond normal retirement age.

We reflect this in our criteria with capital repayment and interest only mortgages available up to age 85 (maximum 70% LTV when the mortgage is repaid between age 70 and age 85).

These case studies show how we've helped retired borrowers.

Purchasing a house to support son's affordability

In order to support their son buying his first home, a couple were looking to take out a mortgage with him to purchase a property valued at £101,950 over a term of 15 years with the intention that the property would eventually be transferred to the son.

The couple were able to provide a 25% deposit meaning a loan amount of £77,263 was taken out on a capital repayment basis using the son's PhD income to support the affordability assessment. With the oldest applicant aged 60, the Society was able to offer the three of them a mortgage, taking the oldest borrower to age 75 at the end of the term.

Remortgaging to interest only with property downsizing on a high value property

A married couple with the main applicant aged 70 were looking to remortgage in order to access the equity in their property during retirement to provide a gifted deposit to their daughter so she could purchase a house. The loan amount was £243,800 on an interest only basis with property downsizing as the repayment strategy.

With a loan to value of 32% over a term of 10 years, it made the main applicant aged 80 at the end of the mortgage. The borrowers approached their high street lender who provided their existing mortgage but they would not lend beyond the age of 70. Our individual approach meant we were able to assess affordability, taking into consideration the borrowers' pension income.

The borrowers appreciated that downsizing to a smaller home would be better for their lifestyle as they got older but wanted to enjoy a bigger house as much as possible for the time being.

Home improvements and debt consolidation

A single borrower aged 60 at the time of application required a mortgage of £70,000 over a term of 20 years with a 25% LTV. After the repayment of the current mortgage the remaining funds were to be used to consolidate some unsecured debts and to carry out home improvements.

We assessed both the borrower's employed income and expected income into retirement and calculated that affordability would improve, together with the borrowers financial circumstances and standard of living, once all sources of pension income were drawn and the unsecured debt consolidated.