



With 12.5% of homeowners between 65 and 74 still having a mortgage should lenders impose a maximum arbitrary age?

Each month Mortgage Introducer takes a look at the bigger issues. This month: Should lenders impose a maximum age limit?

This is a tough one to answer. Looking back though two things last month got me thinking about our national obsession to own property and borrow money against the security. I hit the big 50 and for the first time research in Saturday Telegraph was relevant to me. Findings from the recent retirement survey carried out in February by Aviva suggests that 12.5% of 65-74 year olds still have a mortgage and I wondered if by the time I retired whether I would be in that camp. The answer is possibly yes as I fall into a fast changing demographic group who are both living longer and expecting a greater quality of life. Many of us are now having children later – 40 is the new 30, or in my case 50 is the new 40, meaning our attitude to the housing ladder have changed, indeed the good old “down-sizing” option at the end of the mortgage term is not necessarily available.

The breakdown of relationships later in life when the children have fled the nest will have seen the formation of new relationships and possibly a new mortgage to boot. The flexible approach to underwriting that we have seen during the late 90’s and early 00’s has allowed these mortgages to be written well beyond retirement.

I suspect that the appetite for “interest only” mortgages that have never been converted especially in areas such as the South East, which when combined with recent turbulence on stock markets, has contributed to the number of mortgages still outstanding after retirement.

There is also the growing trend especially more recently for parents to help their siblings to get onto the housing ladder. Research suggests that the average age of a first time buyer who has bought a house without the help of parents is now almost 37 years old emphasising the ongoing financial impact of siblings well beyond what used to be called the “empty nester” life stage. Deposits of 25% or more have been required to get the best deals and these deposits are being raised on the parent’s or grandparent’s property – the impact of the credit crunch on the equity release market will certainly put

more pressure on relatives to divert money from repaying debt to supplying deposits.



David Copland,
managing director,
Pink Home Loans

Young at heart and carefree at 65! The former part is more evident than ever but alas the latter part maybe not so as the cost of living into old age does not diminish that greatly, particularly if you still have a mortgage or other debt to service. The traditional norm of retirement at 65 is in reality more of an ideal than certainty these days and as unpalatable as it maybe for some, it is more likely that retirement will coincide with the biblical three score years and ten.

It has always seemed to me a little absurd that here you are working eight days a week and on the turn of an event; your 65th birthday you were and are potentially consigned to the scrapheap of has-beens, unless you had planned some time in advance your strategy to fill those beckoning endless days. What a waste of experience! Naturally, for those who are self-employed it is an entirely different matter altogether.

So given it is now a generally recognised fact that state retirement age is increasing and due to the diminution of the strength of our pensions industry and infrastructure, it is inevitable more people will look to work beyond 65 either part-time or full time to supplement their income. Then there is the impact of European legislation and here employers need to recognise their obligations and become more innovative, and dare I say lateral thinking, in the opportunities a flexible, experienced and skilled work-force could present.

Where that leaves us is a very interesting conundrum. We have an ageing population reliant on a diminishing pool of support but which is a vital and vibrant segment of society with a tremendous untapped asset base in more than just property wealth and who could, and should, continue to make a positive contribution.

So, other than the equity release style of lender, why is there such an antipathy towards supporting this area of the populous – just because you are 65 does not mean you become an alien! That said traditional lenders, who have stuck to their values of mutuality, still have an ability to think

outside the box - albeit unfairly constrained on occasions by the dictates and pressures of regulation.



Dale Jannets,
sales and
marketing director,
AToM

en 65 and 74 still having a maximum arbitrary age?

month: Should lenders impose a maximum age limit?

The short answer to this, in my humble opinion, is no. With work patterns changing dramatically as the population ages, many of the traditional rules seem a little anachronistic and need to be updated.

The baby boomers are the first generation to really benefit from advances in preventative medical science and are therefore able to work longer.

Couple this with the fact that many jobs are service orientated or desk based and there is no reason to suggest that people are less able to do a job at 65 than 35 if they so choose.

In fact, as pension funding issues become more apparent, many more people will find themselves working longer.

Age, therefore, should no longer be a barrier to borrowing. It is, as always, affordability that is key.

As long as there is an income in place it should tie in initially with the client’s own anticipated retirement age.

If the term is to go past this then evidence of anticipated pension income is taken into account.

It should equally not be the case that applicants are offered mortgages up to the age of 65 if, for example, they have said that they intend to retire at 55, unless of course anticipated pension income is sufficient after that time.

There are, however, various concerns around the reality of an anticipated retirement age, as well as potential issues regarding the more elderly persons state of mind, so the question therefore is whether there is actually a level where it is prudent not to lend beyond?

What lenders most want to avoid is the damaging situation from a PR point of view of having to turf an elderly borrower out of their property.

However, if sensible underwriting is adhered to in each case, together with a “reality check” around the type of

work done and retirement age carried out, then many potential issues could be avoided.



Andrew Montlake,
director,
Coreco

How old is old? Not only are more people reaching 65, they’re living well beyond it. Medical advances in the UK, coupled with improved working and living conditions, are leading to an ageing population. In just twenty five years to 2008, the numbers of people of pensionable age rose by 1.5 million. Demographic forecasts point to the percentage numbers rising rapidly upwards, with the over 65s making up to 23% of the population, from the current 16%, by 2033. House prices too mirror these strong numbers, with average costs rising almost six fold over a similar 25 year period, from £30,000 to over £180,000.

It’s this combination that means for many mortgage lenders and brokers, the traditional view of old age is having to change. The normal practice that lenders will want mortgage loans repaid by normal retirement age is being tested. While some ageing borrowers are working longer, it’s clear that with the past sustained house price increases to 2007 increasing numbers are going to be entering their retirement with mortgage commitments. The key to the ‘Treating Customers Fairly’ principle explicitly laid down by the Financial Services Authority is going to lie with lenders taking a careful look at individual circumstances and considering an all encompassing approach of incomes. It may include a careful examination of other assets and future income.

Ensuring that the borrower can afford the loan will always remain the priority of the responsible lender, but calculating future retirement income in clear terms is a challenge, especially if a product is being taken out a good number of years from the expected date of retirement.

Declining to lend to the borrower solely on the basis of age will marginalise an ever increasing percentage of the population, and fail to address the essential problem of calculating how borrowers’ mortgage commitments could be met long into retirement.

In an aging society where people are working for longer, there is and will continue to be, without doubt, more and more people looking to remortgage their property.



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