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Equity release referrals

Your best practice guide to referring business

Getting referrals right – your guide to best practice

As the equity release market continues to grow, so does the opportunity for you to build equity release referrals into your business.

Getting qualified to advise on equity release yourself might not be the right thing for you or your business just now, but that doesn't mean you can't get involved in the market.

Identifying clients who could potentially benefit from equity release and referring them to a trusted partner could allow you to significantly develop the referrals aspect of your business.

Add a new dimension to your business

Within the equity release sphere there are both lifetime mortgages and home reversion plans. However home reversions plans account for less than 1% of sales in recent years*. This guide therefore focuses on best practice for referring lifetime mortgage customers.

This guide is designed to help you to better understand how equity release referral works and how you can take advantage of this growing market.

From finding the right clients and partners, to setting up a referrals process in your business and agreeing commission terms, you'll find everything you need to get started.

- What is a lifetime mortgage?
- Recognising the right clients.
- Your roles and responsibilities.
- Choosing the right equity release partner.
- Doing your due diligence.

*Equity Release Council: Spring 2019 Market Report

What is a lifetime mortgage?

A lifetime mortgage is a form of equity release that allows people aged 55 and over to free up money from their home without having to make any monthly repayments.

It is a life-long loan secured on the customer's main residence and is calculated as a percentage of the value of their property. By taking out a lifetime mortgage, a homeowner can draw a lump sum or regular smaller sums from the value of their home, while remaining in their property.

- **Lump sum products** typically involve a larger withdrawal up front, which might be used for bigger expenditures such as clearing debts or making significant home improvements.
- **Drawdown** allows people to access an initial loan and set up a reserve facility so they can draw on their remaining housing wealth in instalments. It can give them an additional source of income as well as help with meeting one-off costs.

Compound interest is charged on the loan over the customer's lifetime and repaid by the sale of the property when the customer dies or moves into long-term care, subject to the terms and conditions of the provider. It is important to note that this will reduce the amount of inheritance they are able to leave. The customer's tax position and eligibility for state benefits may be affected. A lifetime mortgage may not be suitable if the customer has savings they could use or if they wish to sell all or part of the property or downsize.

The lifetime mortgage process: what your client can expect

From first enquiry to payout, the lifetime mortgage process can typically take 6–12 weeks.

- Eligibility check
- Initial meeting with adviser
- Confirmation meeting with adviser
- Application
- Valuation and survey work
- Discussion with solicitor
- Payout
- Follow-up meeting with adviser.

The Aviva Lifetime Mortgage is available either as a lump sum or as a flexible product. It allows homeowners to access the equity tied up in their home through a long-term loan that is secured on their property.

The loan and interest are designed to be repaid in full – usually from the sale of the property, when they and their partner die, or when they move into long-term care, subject to our terms and conditions.

A range of safeguards have been introduced in the market to look after customer needs and these are offered by the Aviva Lifetime Mortgage.

- ✓ A percentage of the home's value can be protected with our inheritance guarantee. This will reduce the amount the homeowner is eligible to borrow.
- ✓ Our no negative equity guarantee means that the customer, or their estate, will never pay back more than they receive from the eventual sale of their home – provided it is sold for the best price reasonably obtainable.
- ✓ Homeowners retain ownership of their property.

Recognising the right clients

Your best source of equity release referrals may be the clients you already have. Many of your clients aged 55 or over may be finding that their capital and retirement income isn't enough to allow them to live the life they want, or they may have friends and family who would benefit from a lifetime mortgage solution.

During your conversations with clients, make sure to position the concept of referrals as early as possible so that it comes as no surprise later on. Note down any details they mention that might lead to a referral opportunity – for example having a large group of friends of a similar age – and hold on to that information until an appropriate time to ask for a referral arises, for example at the end of the advice session.

Growing your equity release referrals business

To target the right clients for referrals, it's useful to understand their situation and motivations. They may have unpaid mortgages or debts at retirement, or have found that mainstream mortgages for older people are less available.

You may know clients who want to release equity from their home to take advantage of a significant increase in value. Or a client may be approaching retirement with limited savings, or be struggling to have the lifestyle they desire on their current retirement income. Parents may want to help a child get on the property ladder or pass on some of their wealth during their lifetime. Or, in older life, couples may be looking to adapt their home due to declining health.

Whatever your clients' circumstances, you may find our '**Customer profiles**' guide can help you to identify people that might benefit from tapping into their property wealth in retirement.

As a strong starting point, we've put together the following four steps to building your equity release client base:

Quick eligibility checklist for an Aviva lifetime mortgage

- ✓ Your client is aged 55 or over (applies to both borrowers in joint life cases) and lives permanently in their home.
- ✓ They own a property valued at £75,000 or more and are able to release a minimum of £15,000.
- ✓ They have little or no mortgage outstanding. The money released must be used to pay off any existing outstanding mortgage.

1. Identify your referrals prospects

Start mentioning equity release routinely in your reviews with eligible clients. If they aren't suitable, their friends and relatives may well be in a different position – ask if they are willing to pass on leads. For new referrals, try scouting locations in your area where demographics and property values suggest fresh prospects.

2. Understand motivations and priorities

Your clients may be looking for flexibility that fits their long-term income and lifestyle needs, like repaying an existing mortgage, giving gifts to family, or paying for home improvements or holidays.

3. Share your message

Word of mouth, recommendations and networking are excellent ways to gain new referrals leads. You can also make the most of the growing equity release market using emails, direct mail, client calls, social media and a blog. Your equity release partner or provider is likely to have off-the-shelf marketing materials you can use right away.

4. Be aware of misconceptions

It's worth thinking about what doubts clients may have owing to the bad publicity surrounding equity release in the past – things like "I might lose my home" and "I don't want my children to inherit debt". Our '**Countering misconceptions**' leaflet could be useful for these conversations.

Your roles and responsibilities

All equity release advisers need to have an FCA approved qualification in order to offer advice on equity release products. As an adviser referring clients, you don't need to be qualified, but there are things that you need to consider carefully.

Protecting client interests

All equity release contracts are required to involve independent advice from a qualified adviser. Equity release customers also enjoy three levels of protection: a structured financial advice process; face-to-face legal advice; and product safeguards set out in the standards available from the Equity Release Council.

About the Equity Release Council

The Equity Release Council is the industry body for the equity release sector. It provides a wealth of useful advice and information on equity release.

The Council works to ensure a safe equity release market for consumers, by operating rigorous standards for the provision of advice and products that guarantee security of tenure and financial protections. The first industry standards for equity release were created in 1991. Since then, almost 420,000 consumers have taken out an equity release plan from Council members, drawing on over £20bn of housing wealth since 1994.

It also works with consumers, industry and policy makers to improve awareness and understanding of equity release and the potential for housing wealth to help solve many of the financial challenges facing people over the age of 55 across the UK.

You can find out more about the Equity Release Council at **www.equityreleasecouncil.com**

Your liability during the referrals process

As with every advice process, you have a duty of care to your client for any recommended course of action. When you refer your client to an equity release partner, you do so on the basis that you believe they are eligible and that the product may be suitable for them.

From the point of referral onwards, make sure that your equity release partner absolves you of professional indemnity risk. This means that they will be responsible for further equity release advice given, not you.

Be sure to ask them to provide you with updates on the progress of your referral, enabling you to fulfil your duty of care to your clients, receive your commission on time and follow up with your clients after the equity release process is complete. After all, their new financial situation may present opportunities for you to offer further advice in your other areas of expertise.

Choosing the right equity release partner

A referrals partnership should be a mutually beneficial relationship where everyone involved is clear on expectations. Like all the best partnerships, you need to be sure it works for both of you.

When it comes to selecting the right partner, your first task is to find them – and there are plenty of ways to go about this. You could choose an equity release partner already known to you, from within your own network. You could look into who may be qualified within your own firm and approach them or their line manager. These options have the advantage of promoting local, personal relationships that you can maintain easily.

You could also choose to work with a specialist equity release referrals partner. The UK's leading mortgage clubs often have preferred relationships you can make use of – a simple online search will reveal who is operating in your area or region.

Many qualified equity release firms actively seek new leads through introductions from non-qualified advisers. They may have developed a tried-and-tested referrals process, contracts and commissioning structures, and provide access to special offers, whitepapers, research and marketing materials. The advantage of working with an established equity release firm is that you may benefit from an efficient, compliant process – saving you time and cost.

Terms of engagement

It's worth agreeing terms of engagement with your equity release partner from the start of the relationship. This is the best way to safeguard your interests, protect your clients and reputation, and ensure a clear, transparent working arrangement.

Established referrals firms and equity release providers will have a standard process to follow. For smaller partners, you'll need to cover expectations around: who is liable for advice; frequency of communication and updates on the process; commission fees and payment terms; paperwork and compliance responsibility.

Doing your due diligence

However you choose to select your equity release partner, you will need to carry out due diligence to check they are qualified and reputable.

This is because giving advice on equity release products – lifetime mortgages and home reversions – is a regulated activity, which means that equity release advisers must be authorised and regulated by the Financial Conduct Authority (FCA) and follow its rules.

The FCA requires all equity release advisers to have an appropriate professional qualification and it sets out a list of approved qualifications in its handbook. When you're vetting your equity release partners, the main qualifications to look out for are:

- **CeRER** (Certificate in Regulated Equity Release) – awarded by The London Institute of Banking & Finance.
- **CER** (Certificate in Equity Release) – awarded by the Chartered Insurance Institute (CII).
- **ERMAPC** (Equity Release Mortgage Advice & Practice Certificate) – awarded by the Chartered Institute of Bankers in Scotland. The ERMAPC was discontinued a few years ago but may still be held by some advisers. The CIOBS's general qualification for mortgages is its Mortgage Advice & Practice Certificate.

As well as checking out your equity release partners' qualifications, it's a good idea to reassure yourself of their past client satisfaction levels, level of experience, number of successful cases and typical commission payouts. You could do this by setting up a face-to-face meeting or phone interview to ask a few pertinent questions.

Model process for equity release referral

- Find and vet your preferred equity release partners
- Identify suitable existing clients and new prospects
- Approach your equity release partner and agree terms of engagement
- Refer your clients and prospects to your equity release partner
- Monitor their progress and satisfaction throughout
- After payout, offer a follow-up meeting to clients to discuss their new financial situation and identify further needs.

Equity release at Aviva

At Aviva, we'll help you and your clients every step of the way when deciding on the right lifetime mortgage for them. We have a range of support materials available to help you and them to understand our products. Alongside this our retirement sales support team will be on hand to answer all your queries.

Visit the **Equity Release Hub** on **our adviser website** to find out more.

For more information on equity release referrals call our team on **0800 015 4909**.

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