

Equity Release

Standards for Appropriate Examinations

The Standards

The Standards contain the following information:

1. The learning outcomes that must be assessed in an Appropriate Examination
2. The indicative content of the syllabus for each outcome
3. The level of attainment necessary to pass an Appropriate Examination.

This information is presented in two sections:

1. A summary of the learning outcomes cross-referenced to the level of attainment required
2. Details of the indicative content for each learning outcome.

Outcomes and Level

Learning outcomes are classified by level. By level is meant **level of attainment**, defined in terms of the cognitive skills required to achieve each learning outcome. The following is based on Bloom's Taxonomy and shows successive levels of attainment, the abilities needed to reach this level and the types of verbs that might be used to frame examination questions and tasks.

K	KNOWLEDGE	ability to recall (e.g. facts, rules, definitions) <i>(Action verbs: List, State, Define, Outline)</i>
U	COMPREHENSION	ability to interpret, translate ideas, extrapolate <i>(Action verbs: Explain, Describe, Discuss, Interpret, Identify)</i>
A	APPLICATION	ability to apply general principles/rules in new situations <i>(Action verbs: Demonstrate, Apply, Operate, Illustrate, Employ)</i>
An	ANALYSIS	ability to break down information and make clear the nature of the component parts and their relationship to each other <i>Action verbs: Distinguish, Investigate, Analyse etc)</i>
S	SYNTHESIS	ability to assemble a number of components in order to generate a new statement or plan <i>(Action verbs; Design, Create, Organise, Plan etc)</i>
As	EVALUATION	ability to judge the value of methods or materials by comparison with external criteria <i>(Action verbs: Judge, Evaluate, Appraise, Assess etc)</i>

Numbering

Standards are assigned their own reference numbers: Appropriate Examination Standard 1 or ApEx1, etc.

Learning Outcomes are also numbered according to the level of attainment required (K1, U1, U2, An1, etc.)

ApEx20 EQUITY RELEASE (including home reversion plans and lifetime mortgages)	
Candidates will be expected to	Level
K Demonstrate a knowledge of	
K1 Definition of equity release, a home reversion (HR) plan, lifetime mortgages & alternative methods of equity release/capital raising	Knowledge
U Demonstrate an understanding of	
U1 The principles of equity release, the types of equity release schemes available and the circumstances in which such schemes might be appropriate	Comprehension
U2 The types of consumer at whom equity release is targeted and their personal requirements, wants and needs	Comprehension
U3 The circumstances in which equity release may be appropriate and how these are influenced by consumers' preferences and financial needs	Comprehension
U4 The impact on consumers' future options	Comprehension
U5 The key features, relative advantages and disadvantages of different types of equity release arrangements and principal alternatives	Comprehension
U6 The rules relating to state benefits and taxation. The sources of information and specialist advice regarding the implications for these of entering into an equity release arrangement	Comprehension
A Demonstrate an ability to apply	
A1 Suitable equity release solutions according to the circumstances of different types of consumer	Application
An Demonstrate an ability to analyse	
An1 The suitability and affordability of the different types of equity release plans and their principal alternatives for different types of consumer	Analysis
As Demonstrate an ability to assess	
As1 The advantages, disadvantages and potential risks to consumers associated with taking out equity release, and when these might arise	Evaluation
As2 The relative levels of risk for different consumers taking account of their individual circumstances	Evaluation

ApEx20 EQUITY RELEASE (including home reversion plans and lifetime mortgages)		
Attainment Level	Outcome	Indicative Content
K Demonstrate knowledge of:	K1 Definition of equity release, a home reversion (HR) plan, lifetime mortgages (LTM) & alternative methods of equity release/capital raising	<p>K1.1 Definition of equity release</p> <p>K1.2 Definition of a home reversion plan</p> <p>K1.3 The definition of a lifetime mortgage</p>
U Demonstrate understanding of:	U1 The principles of equity release, the types of equity release schemes available and the circumstances for which such schemes might be appropriate	<p>U1.1 Principles of equity release schemes & the requirements of the FSA's Conduct of Business rules for home finance - including lifetime mortgages (LTMs) and HRs</p> <p>U1.2 Definition of equity release</p> <p>U1.3 Different schemes available, how they work and the advantages/ disadvantages of each type of scheme</p> <p>U1.4 Role of market participants in the equity release process – e.g. providers, administrators (especially where different from provider), arrangers and advisers</p> <p>U1.5 Regional variations within the UK</p> <p>U1.6 SHIP requirement for a solicitor's certificate documenting that independent legal advice has been provided</p> <p>U1.7 Market background and market history of equity release products – including market issues in 1980s/90s</p> <p>U1.8 Rationale of regulation for consumer protection underpinning both SHIP Code and MCOB – including high-level generic risks: potentially vulnerable consumers; how mis-buying or mis-selling can occur; need for legal advice; fair valuations; rights and liabilities as tenants; security of tenure; access to redress</p> <p>U1.9 The generic sales process including regulatory requirements and documents such as the Initial Disclosure Document (IDD) and the Key Facts Illustration (KFI)</p> <p>U1.10 Features of HR plans in relation to other schemes and the impact on consumer of what they are giving-up (ownership of all or part of property), the difference between legal and beneficial ownership</p> <p>U1.11 How an HR plan arrangement may be structured depending on provider</p> <p>U1.12 Potential rental and associated charges</p> <p>U1.13 The importance of consumer taking independent legal advice regarding ongoing responsibilities</p> <p>U1.14 Division of responsibilities between solicitors and financial advisers with regard to HRs</p> <p>U1.15 The status of the HR plan provider and the need to highlight extra risks where provider is not FSA authorised</p> <p>U1.16 LTM schemes available, how they work and relative advantages/disadvantages</p>

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Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of:	U2 The types of consumer at whom equity release is targeted and their personal requirements, wants and needs	<p>U2.1 Types of consumer who may seek an equity release solution:</p> <ul style="list-style-type: none"> 2.1.1 Those who need to realise the value of their assets 2.1.2 Those who choose to realise the value of their assets 2.1.3 Consumer behavioural matters – “asset rich/ cash poor”, “need v choice” 2.1.4 Less need/ desire to leave legacy if adult children are more wealthy <p>U2.2 Requirements for:</p> <ul style="list-style-type: none"> 2.2.1 Raising capital in retirement 2.2.2 Increasing income in retirement 2.2.3 Current and expected expenditure levels 2.2.4 Supplementing a pension in retirement 2.2.5 Funding home improvements 2.2.6 Financing health/ long-term care needs 2.2.7 Inheritance tax planning 2.2.8 Helping family members 2.2.9 Funding ‘big ticket’ purchases such as cars, holidays 2.2.10 Lifestyle choices and personal reasons other than those covered above <p>U2.3 Role of equity release as part of overall retirement planning</p> <p>U2.4 Suitability assessment, taking account of the purpose of the equity release and the investment vehicle utilised</p> <p>U2.5 Rationale for the ‘suitability’ of equity release where used/ part-used to raise emergency or contingency funds and placed on deposit</p> <p>U2.6 The personal and property status requirements of HR plan providers and consumers’ potential eligibility for schemes</p> <p>U2.7 Typical eligibility criteria of HR providers</p> <p>U2.8 HR plan and impact/ implications for single and joint applicants</p>
U Demonstrate understanding of:	U3 The circumstances in which equity release may be appropriate and how these are influenced by consumers’ preferences and financial needs	<p>U3.1 Generic advantages/ disadvantages of equity release in general and lifetime mortgages and home reversion plans in particular</p> <p>U3.2 How customer needs, circumstances, preferences and objectives will inform and lead the process</p> <p>U3.3 Savings and investment levels</p> <p>U3.4 Customers’ preference for leaving an estate on death</p> <p>U3.5 Increased income/ liquid capital for asset rich/ income poor consumers</p> <p>U3.6 Maintaining a level of income/ lifestyle comparable with that of pre-retirement income</p> <p>U3.7 Provision of funds towards cost of health and/or long-term care, lifestyle choices</p> <p>U3.8 Use and appropriateness of equity release as a method of realising assets instead of trading down</p>

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Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of:	U3 The circumstances in which equity release may be appropriate and how these are influenced by consumers' preferences and financial needs (continued)	<p>U3.9 The advantages/ disadvantages of lump-sum products against those offering flexible draw-down</p> <p>U3.10 The advantages/ disadvantages/ suitability of using capital for investment to produce an income as against utilising an equity release draw-down facility via a lifetime mortgage or HR plan</p> <p>U3.11 The differences between providing temporary or guaranteed income</p> <p>U3.12 Product portability – whether product accommodates any potential lifestyle change if desired or needed</p> <p>U3.13 Impact on inheritance tax planning</p> <p>U3.14 Lack of inherent restriction on use of lump sum raised via equity release</p> <p>U3.15 Role of SHIP and the SHIP members' guarantee/ Code of Practice</p> <p>U3.16 Portability: implications of moving house, right to move (ability to move house under plan)</p> <p>U3.17 Importance of taking independent legal advice before completing a HR contract and what this means</p> <p>U3.18 FSA requirement on firms to obtain confirmation that consumer has obtained legal advice (MCOB 2.6A.5)</p>
U Demonstrate understanding of:	U4 The impact on consumers' future customer options	<p>U4.1 Impact of dying intestate and importance of a valid Will</p> <p>U4.2 Effect upon single and joint occupiers – 'last survivor' basis of schemes</p> <p>U4.3 Impact of property being owned singly or jointly; joint tenancy/ tenancies in common</p> <p>U4.4 Impact on ability to vary – e.g. change of reversion occupiers</p> <p>U4.5 Impact on estate of sale or % sale</p> <p>U4.6 Impact on right to move</p> <p>U4.7 Impact of any inheritance protection guarantees and that the cost of these guarantees to the reversion provider will be passed on to the consumer in the reversion offer</p> <p>U4.8 Impact of shared appreciation or house price inflation guarantees if applicable</p> <p>U4.9 Terms and conditions common to HR contracts:</p> <p>4.9.1 Rules of occupancy</p> <p>4.9.2 Waivers and indemnities for residents other than reversion occupier</p> <p>4.9.3 Vacating property</p> <p>4.9.4 Time period for occupancy</p> <p>4.9.5 Ability to let or sub-let</p> <p>4.9.6 Maintenance provisions</p> <p>4.9.7 Need to consult with reversion provider if the occupier wishes to leave the property empty or do structural alterations etc</p> <p>4.9.9 Building insurance requirements</p> <p>U4.10 The importance of legally registering the HR arrangement correctly, the HR provider's</p>

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Attainment Level	Outcome	Indicative Content
U Demonstrate understanding of:	U4 The impact on consumers' future customer options (continued)	<p>duty of care to ensure solicitor takes on these responsibilities regarding contract issues, title, registration of lease etc. as appropriate</p> <p>U4.11 Importance of taking independent legal advice before signing legal documentation and commitment to a legal contract; reversion provider's duty of care to ensure that homeowner/ potential reversion occupier takes independent legal advice</p> <p>U4.12 Impact of ending scheme: early and on death or need to enter long term care (qualifying termination event)</p> <p>U4.13 Impact of plan provider's definition of entering long term care</p> <p>U4.14 Impact of guarantees regarding 'no negative equity'/ legacy element within an LTM arrangement</p>
U Demonstrate understanding of:	U5 The key features, relative advantages and disadvantages of different types of equity release arrangements and principal alternatives	<p>U5.1 The features, benefits and risks of lifetime mortgages, HRs and methods of releasing equity</p> <p>U5.2 Grants applicable and tax treatment of different options</p> <p>U5.3 The features, advantages and disadvantages of HR plans in relation to the individual client/ potential reversion occupier:</p> <p>5.3.1 Implications of equity sale</p> <p>5.3.2 Property [or share] reverts to reversion provider on death or entering long-term care</p> <p>5.3.3 Reasons why amount received under most HR plans will be less than the open market value if property sold with vacant possession</p> <p>5.3.4 Independent valuation requirement</p> <p>5.3.5 Other factors influencing provider's offer</p> <p>5.3.6 Ability for future equity release if % share retained</p> <p>5.3.7 Lifetime lease conditions and implications, and right to reside in property until death or entering into long-term care</p> <p>5.3.8 Generic examples of advantages/ disadvantages of HR plans</p> <p>5.3.9 Rights of partner to live in property (joint HR plans) – 'last survivor'</p> <p>5.3.10 Variations in types of HR plan and how these impact on individual client/ potential reversion occupier</p> <p>U5.4 Features, benefits and risks specific to lifetime mortgages</p> <p>5.4.1 Rolled up interest (income, lump sum)</p> <p>5.4.2 Home income plans</p> <p>5.4.3 Interest-only mortgages</p> <p>5.4.4 Drawdown mortgages</p> <p>5.4.5 Other LTM products coming into the market</p>

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U Demonstrate understanding of:	U6 The rules relating to state benefits and taxation. The sources of information and specialist advice regarding the implications for these of entering into an equity release arrangement	<p>U6.1 Impact on state benefits and tax position (principle and main areas) – e.g. potential impact on age related allowances, means tested benefits such as pension credit and council tax benefits if capital/ income above certain limits, including also local authority funded long term care</p> <p>U6.2 Methods and sources of information of assessing financial implications of equity release versus impact on benefits</p> <p>U6.3 Need to explore customer's entitlement to benefits including Pension Credit – whether being claimed or not</p> <p>U6.4 Sources of information and specialist advice on benefits and taxation and when to refer</p> <p>U6.5 Potential differences in impact between different equity release schemes</p> <p>U6.6 Regional variations</p>
A Demonstrate the ability to apply	A1 Suitable equity release solutions to the circumstances of different types of consumer	<p>A1.1 Principles of ethical advice and requirements of FSA rules</p> <p>A1.2 Methods of verifying information supplied by consumers</p> <p>A1.3 Methods of checking that equity release solutions match consumers' needs, demands and circumstances</p> <p>A1.4 Consider how life expectancy might influence choice of type of equity release product and also how anticipated changes to health might influence the date at which scheme ends</p> <p>A1.5 Importance of deciding whether or not to discuss solutions with the consumers' family/ potential beneficiaries and when this is appropriate</p> <p>A1.6 Measures in place to protect consumers' interests and their applicability – e.g. regulation, complaints processes, Ombudsman, FSCS, SHIP etc</p> <p>A1.7 Importance of explaining complex technical matters to customers in a way that can be understood and the importance of checking understanding</p> <p>A1.8 Rule requirements relating to financial promotions & importantly to disclosure requirements</p> <p>A1.9 Generic assessment of suitability, including instances when an equity release plan is not the most appropriate course of action</p> <p>A1.10 Minimum standards for suitability as required under FSA rules</p> <p>A1.11 Requirements of rules regarding potential reversion occupier taking-up independent legal advice</p>
An Demonstrate an ability to analyse	An1 The suitability and affordability of the different types of equity release plans and their principal alternatives for different types of consumer	<p>An1.1 Option of trading down to release equity</p> <p>An1.2 Potential letting part of the property to generate an income</p> <p>An1.3 Disposing of other available assets first</p> <p>An1.4 'Conventional' borrowing options – e.g. ordinary remortgage, bank loan</p> <p>An1.5 Potential availability of grants – what options may be available and where to find relevant information and/or advice</p> <p>An1.6 Sale and rent options</p>

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An Demonstrate an ability to analyse	An1 The suitability and affordability of the different types of equity release plans and their principal alternatives for different types of consumer (continued)	<p>An1.7 'Do nothing option' – e.g. avoid equity release by reviewing/ adjusting lifestyle, income/ expenditure management</p> <p>An1.8 Informal arrangements – e.g. money from relatives</p> <p>An1.9 Restructuring of existing personal pension arrangements where possible/ practical or ways of increasing income – e.g. seeking part-time paid work</p> <p>An1.10 Sources of debt advice where monies are wanted to pay off debts</p> <p>An1.11 How personal health circumstances and needs affect choice of products</p> <p>An1.12 Need to establish current level of savings and investments</p> <p>An1.13 Anticipated legacies and inheritances</p> <p>An1.14 The impact of HR plans – including legal title, impact upon death, tenant status and considerations as regards property insurance and property maintenance, opportunity for further equity release if only part sold initially, impact of choice on estate</p> <p>An1.15 Lifetime mortgage products and options (including whether the consumer wants a no-negative equity guarantee and the impact of choice on estate)</p>
As Demonstrate an ability to assess	As1 The advantages, disadvantages and potential risks to consumers associated with taking out equity release, and when these might arise	<p>As1.1 Factors that influence whether the consumer has access to further funds – e.g. possible restructuring of pensions and investments</p> <p>As1.2 Impact of increased capital/ income on means tested benefits including availability of local authority funded long term care</p> <p>As1.3 Impact on tax liability</p> <p>As1.4 Impact of use of finite resource – e.g. sale proceeds can only be spent once, impact of inability to use/ finance for later long-term care needs etc</p> <p>As1.5 Likelihood that a surviving spouse will need/ want to move and impact equity release arrangements have on future choices</p> <p>As1.6 Potential restrictions regarding future alterations to the property and impact of any repair/ maintenance and insurance clauses</p> <p>As1.7 Impact of divorce and/ or remarriage</p> <p>As1.8 Impact of inflation on fixed income (if funds intended for investment or annuity to produce a regular income line)</p> <p>As1.9 The impact of length of time taken to complete</p> <p>As1.10 Impact of not being able to use home as security for potential future borrowing, loans or mortgage</p> <p>As1.11 The purpose of the loan</p> <p>As1.12 Ability/ inability to repurchase or inheritors to repurchase equity share and financial implications of seeking to repurchase equity share</p> <p>As1.13 Impact of limitations within lease – e.g. on having someone move into the property</p> <p>As1.14 Principal terms of [lifelong] lease</p>

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Attainment Level	Outcome	Indicative Content
As Demonstrate an ability to assess	As1 The advantages, disadvantages and potential risks to consumers associated with taking out equity release, and when these might arise (continued)	<p>As1.15 Impact of terms and conditions arising from variations in type of HR plan</p> <p>As1.16 Other factors and costs associated with taking out a HR plan and timescale required to complete the process</p> <p>As1.17 Impact of future inability to sublet or allow anyone (including family members) to gain tenancy rights or even live in property without permission of reversion provider</p> <p>As1.18 How debt can increase rapidly where interest is rolled-up</p> <p>As1.19 Possibility of negative equity (certain products and providers [non-SHIP])</p> <p>As1.20 Terms associated with early repayment</p>
As Demonstrate an ability to assess	As2 The relative levels of risk for different consumers taking account of their individual circumstances	<p>As2.1 Life expectancy</p> <p>As2.2 Health considerations</p> <p>As2.3 Amount of equity and amount consumer wishes to release</p> <p>As2.4 Purpose of the equity release</p> <p>As2.5 Impact upon any beneficiaries</p> <p>As2.6 Existing and planned provision for long-term care</p>