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## AES-3 Appropriate Examinations: Lifetime Mortgage Activities

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Standards for Appropriate Examinations for those advising a customer on equity release transactions

ApEx1 UK Financial Services, Regulation and Ethics

ApEx5 Mortgage Advice

ApEx6 Lifetime Mortgage Advice

The Appropriate Examinations Standards (AES) series is published by the Financial Services Skills Council. The Standards set out the requirements for Appropriate Examinations required for the relevant regulated activities specified under the Financial Services Authority's Training and Competence Rules.

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# Overview

AES3-1 This paper states the standards for Appropriate Examinations for those individuals defined in the FSA's Training and Competence sourcebook TC 1 R 21 as employees engaging in advising a customer on equity release transactions.

AES3-2 The Skills Council will list as appropriate those examinations which meet the requirements set out below and elsewhere in this paper.

## **The Standard**

AES3-3 Each Standard defines the learning outcomes and the levels of attainment that a candidate must achieve and the indicative content relevant to each learning outcome.

AES3-4 The Appropriate Examination requirement for those advising a customer on equity release transactions is:

4.1 Individuals must have passed an Appropriate Examination based on the **ApEx1 UK Financial Services, Regulation and Ethics** standard published here.

and

4.2 Individuals must have passed an Appropriate Examination based on the **ApEx5 Mortgage Advice** standard published here.

and

4.3 Individuals must have passed an Appropriate Examination based on the **ApEx6 Lifetime Mortgage Advice** standard published here.

AES3-5 Candidates must achieve, at the level of attainment specified, all the required outcomes in each Standard in order to pass an Appropriate Examination.

## Recognition of Appropriate Examinations that meet the Standards

AES3-6 The Skills Council will designate as Appropriate Examinations proposed examinations that

6.1 meet the relevant Appropriate Examination Standards

**and**

6.2 are brought forward by an awarding body which meets at least one of the following conditions:

6.2.1 it is accredited by the bodies regulating qualifications in England, Wales and Northern Ireland (Ofqual/DCELLS/Ofqual NI) and has been or is intended to be entered into the Qualifications and Credit Framework (QCF) or equivalent;

**or**

6.2.2 it submits the proposed Appropriate Examination for credit rating and placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority;

**or**

6.2.3 it is offered by a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA);

**or**

6.2.4 it is approved by a body equivalent to those identified in above and having authority in a jurisdiction other than the UK.

## Listing

AES3-7 The Skills Council holds a List of Appropriate Examinations. Once awarding body proposals meet the requirements set out above, they will be entered into this List as Appropriate Examinations that may meet the Training and Competence requirements of the FSA.

AES3-8 The List is accessible free of charge to employers, practitioners, candidates and members of the public on the Skills Council's website [www.fssc.org.uk/exams/index.html](http://www.fssc.org.uk/exams/index.html).

AES3-9 It is provided to guide employers in discharging their responsibilities under the FSA's Training and Competence Rule TC 2.1.1R: which states with effect from 1 November 2007:

1. A firm must not assess an employee as competent to carry on an activity in TC Appendix 1 until the employee has demonstrated the necessary competence to do

so and has (if required by TC Appendix 1) passed each module of an Appropriate Examination. This assessment need not take place before the employee starts to carry on the activity

2. A firm may assess an employee who is subject to, but has not satisfied, an Appropriate Examination requirement as competent to the extent that:
  - (a) that employee works in a branch in an EEA State other than the United Kingdom;
  - (b) the employee is engaging in MiFID business; and
  - (c) there is no Appropriate Examination or equivalent in that EEA State.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

Employers may use the List to identify Appropriate Examinations. The List provides contact details of the awarding bodies offering the examinations.

### **Internal Examinations**

AES3-10 Employers may decide that an internal examination is more appropriate to their business. For further information, please contact the Skills Council.

### **Questions and Answers**

AES3-11 The Skills Council publishes separately a list of Frequently Asked Questions about Appropriate Examinations. These are available to download from the Skills Council's website – [www.fssc.org.uk](http://www.fssc.org.uk).

# Part One:

## About the Standards



## **The Standards**

AES3-12 For certain regulated activities, firms must ensure that employees have passed an Appropriate Examination in order to meet the FSA's Training and Competence Rules.

AES3-13 This paper sets out Appropriate Examination Standards in the form of learning outcomes, attainment levels and indicative content to be achieved by those advising a customer on equity release transactions.

## **Basis**

### **Source**

AES3-14 Proposals for an examination curriculum were first published in the FSA's consultation paper CP157 Examination Framework for Retail Financial Services (Investment Advice Strand 1).

AES3-15 The Standards stated here are derived from:

- 15.1 the work of successive round table consultations and working parties, involving practitioners and awarding bodies;
- 15.2 feedback from the FSA's consultation on CP157;
- 15.3 subsequent work by a practitioner group to produce a prepublication draft;
- 15.4 feedback from the Skills Council's own consultation on the process of identifying appropriate examinations (March 2004).

## **Relevance**

AES3-16 The knowledge and understanding shown here underpins achievement of the appropriate National Standards for Providing Financial Advice, which are the benchmarks for assessing the individual's ability to practice competently in this role.

## **Status**

AES3-17 Taken together, the Standards are the definitive statement of the knowledge and understanding which needs to be assessed within an Appropriate Examination for investment advisers to enable them to satisfy the FSA's examination requirement, subject to the examination being regarded as appropriate by their firm.

AES3-18 They do not apply to other areas of knowledge and understanding that a practitioner may need to offer advice on consumer requirements and financial products and services.

AES3-19 Where the FSA determines that an Appropriate Examination is required for other activities, the Financial Services Skills Council will bring forward relevant Examination Standards.

AES3-20 The Skills Council has already brought forward such Standards in the following publications, which may be downloaded from the Skills Council's website:

AES-1	Retail Investment Advice
AES-2	Mortgage Advice
AES-3	Lifetime Mortgage Activities
AES-4	Long Term Care Insurance Advice
AES-5	Overseeing Life Policy Administration
AES-6	Overseeing Investment Management Administration
AES-7	Overseeing Stakeholder Pension Administration
AES-8	Overseeing Collective Investment Schemes
AES-9	Overseeing Safeguarding Client Money
AES-10	Overseeing Stakeholder Pension Scheme Decision Trees
AES-11	Securities and Derivatives Advice
AES-12	Securities Advice
AES-13	Derivatives Advice
AES-14	Managing Investments
AES-15	Advising on Friendly Society tax-exempt policies
AES-16	Acting as a Broker Fund Adviser
AES-17	Advising on syndicate participation at Lloyd's
AES-18	Acting as a Pension transfer specialist

## Scope of the Standards

AES3-21 The knowledge and understanding specified is set out under the following principal headings:

**21.1 Learning Outcomes** that require individuals to demonstrate knowledge and understanding;

**21.2 Attainment Levels** which define the level of knowledge and understanding individuals must demonstrate to show that they have achieved the learning outcome. An attainment level is set for each outcome, and determines which of the following the individual must demonstrate:

21.2.1 knowledge;

21.2.2 understanding;

21.2.3 an ability to apply knowledge and understanding;

21.2.4 an ability to analyse information;

21.2.5 an ability to assess or evaluate information.

### **21.3 Indicative content**

21.3.1 These are statements of the general areas of knowledge and understanding that must be covered in an Appropriate Examination.

21.3.2 They are designed to guide awarding bodies when they design examinations in the subjects covered by each Standard.

## Application

AES3-22 The Standards are set:

22.1 to enable firms to make training and testing arrangements for individuals to acquire and apply knowledge and understanding appropriate to provide financial investment advice

and

22.2 to guide awarding bodies so that they can bring forward proposals for Appropriate Examinations to the Financial Services Skills Council.

AES3-23 **An Appropriate Examination must meet the Standard.** It may comprise the whole of a qualification or part of it. It is for awarding bodies to decide the examination strategy they will use to meet the required Standard(s).

AES3-24 Whatever examination strategy is used, the Skills Council requires that the arrangements for testing achievement against the Standard(s) are clearly stated in both the examination design and the materials used to communicate awarding body requirements to candidates and employers.

## **Listing of Appropriate Examinations**

AES3-25 The Skills Council maintains a List of Appropriate Examinations. This comprises

25.1 Qualifications and other tests that meet Appropriate Examination Standards; and

25.2 Qualifications and other tests that have been previously approved by the FSA.

AES3-26 For any examination to be entered into the List of Appropriate Examinations by the Financial Services Skills Council, it must

26.1 Meet the relevant Standard(s) set out here: that is, it must test achievement of

26.1.1 the learning outcomes at the specified levels of attainment, and

26.1.2 the indicative content.

**and**

26.3 Meet the requirements of a nationally recognised quality assurance body as defined below.

AES3-27 When awarding bodies bring forward proposals for examinations for entry into the Skills Council's List of Appropriate Examinations, the Skills Council will review each proposal against its Appropriate Examination Criteria [see Part Two].

AES3-28 The Skills Council will endeavour to inform the awarding body of the results of its review within ten working days<sup>1</sup> of receipt of the proposals and

***Either***

28.1 Confirm that the proposals meet the relevant Examination Standard(s)

***Or***

28.2 Request specific changes to be made so that the proposals meet the criteria.

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<sup>1</sup> This timescale allows for discussions between the awarding body and the Skills Council if there is a need to clarify any aspects of the proposals. The Skills Council will make its best efforts to complete the review within ten days.

AES3-29 Once a proposal meets the criteria, the Skills Council will endorse its submission to an appropriate external quality assurance body. There are different external quality assurance bodies, depending upon where the awarding body is located and its educational status<sup>2</sup>. The Skills Council's requirement is that:

29.1 Appropriate Examinations offered by an awarding body based in England, Wales or Northern Ireland must

29.1.1 meet the requirements of the relevant Appropriate Examination Standard(s)

**and**

29.1.2 be accredited by the relevant national qualifications regulators within the national qualifications frameworks (NQF) of England, Wales and Northern Ireland.

29.2 Appropriate Examinations offered by an awarding body based in Scotland must be credit-rated by the Scottish Qualifications Authority and placed in the Scottish Credit and Qualifications Framework (the equivalent in Scotland of the NQF).

29.3 UK higher education bodies<sup>3</sup> (such as universities) offering Appropriate Examinations must have had a satisfactory institutional audit report from the Quality Assurance Agency for Higher Education (QAA).

29.4 Some examinations previously recognised by the FSA as 'approved examinations' are awarded by bodies outside the UK. Such bodies do not come into the scope of the UK quality assurance bodies identified above. In such cases, the Skills Council

29.4.1 will ask the awarding body to confirm that their examinations are consistent with the relevant Appropriate Examination Standard(s); and

29.4.2 requires that the examination offered by the overseas awarding body is approved by a national body equivalent to QCA or QAA where such bodies exist in the jurisdiction of the awarding body. This will apply both to current qualifications previously approved by the FSA and to any new qualifications awarded by extra-territorial bodies.

AES3-30 Once accredited as a national qualification, the Skills Council will enter the qualification into the List of Appropriate Examinations, as a *current Appropriate Examination*.

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<sup>2</sup> For more details of these bodies and their role in assuring the quality of Appropriate Examinations, please contact the Skills Council.

<sup>3</sup> Higher education bodies are not in scope to QCA.

AES3-31 When such an examination replaces a previously approved examination (for example, a new version of the Mortgage Advice Qualification (MAQ), for advising a customer on a regulated mortgage contract) the older version will:

31.1 continue to be listed, because it will apply to those who passed it before the new version became available.

31.2 be listed as *'appropriate, but no longer available for new candidates'*.

AES3-32 The Skills Council will co-operate with awarding bodies in informing the industry about transitional arrangements for candidates who have not completed a previously listed examination that is replaced by a new version.

### **Responsibility for maintaining competence**

AES3-33 Employers are reminded that under the FSA's Training & Competence Rules and Guidance:

TC 2.1.12 A firm must review on a regular and frequent basis employees' competence and take appropriate action to ensure that they remain competent for their role.

TC 2.1.13 A firm should ensure that maintaining competence for an employee takes into account such matters as:

- (1) technical knowledge and its application;
- (2) skills and expertise; and
- (3) changes in the market and to products, legislation and regulation.

Extract from the TC Sourcebook @ The Financial Services Authority 2007

### **Internal Examinations**

AES3-34 An employer may decide not to use external Appropriate Examinations in their arrangements for meeting the FSA's Training and Competence Rules. They may instead decide to use internal examinations. Under the FSA's Training and Competence Rules, the employing firm should be able to justify that the examination is appropriate for the activity being carried out by the employee.

## Part Two:

# Criteria for Appropriateness

## FSSC Criteria for recognising Appropriate Examinations

Proposals for recognition as Appropriate Examinations must meet the following criteria:

AER1. The organisation making the proposals must be

- 1.1. an awarding body accredited with the Qualifications and Curriculum Authority: that is, it must have satisfied the requirements for Part A accreditation with QCA; or
- 1.2. prepared to accept a credit rating of the proposed Appropriate Examination and its placement in the Scottish Credit and Qualifications Framework by the Scottish Qualifications Authority; or
- 1.3. a higher education institution, empowered by statute to offer qualifications and in receipt of a satisfactory institutional audit report by the UK's Quality Assurance Agency for Higher Education (QAA); or
- 1.4. an examining body located outside the UK and approved by a body equivalent to QCA, SQA or QAA and having authority in a jurisdiction other than the UK.

AER2. The proposals must meet the requirements of the relevant Appropriate Examination Standards: that is:

- 2.1. The proposed **learning outcomes** must:
  - 2.1.1. be the learning outcomes specified in the Appropriate Examination Standards, and
  - 2.1.2. test attainment at least at the cognitive level defined for each outcome in each of the Appropriate Examination Standards;
- 2.2. The proposals must clearly identify how each learning outcome is to be tested.
- 2.3. The proposed **syllabus content** should be consistent with the indicative content of the Appropriate Examination Standard(s).

2.4. The **assessment methods** used must:

- 2.4.1. be appropriate to testing attainment at the level specified in the relevant Appropriate Examination Standard(s);
- 2.4.2. generate valid and reliable evidence of the candidate's knowledge and understanding;
- 2.4.3. be capable of consistent application by competent examiners and moderators;
- 2.4.4. be applicable to all potential candidates and allow for suitable alternative procedures to be available for candidates with special assessment needs.



## Part Three:

### Lifetime Mortgage Advice

### Standards for Appropriate Examinations

# Summary of Learning Outcomes

## SUMMARY OF LEARNING OUTCOMES

APEX1 UK FINANCIAL SERVICES, REGULATION AND ETHICS	
<b>ApEx1A UK Financial Services</b>	<b>Level</b>
Candidates will be expected to:	
<b>U Demonstrate an understanding of:</b>	
U1. the purpose and structure of the UK financial services industry	Comprehension
U2. the main financial asset classes and their characteristics, covering past performance, risk and return	Comprehension
U3. the main financial services product types and their functions	Comprehension
U4. the main financial advice areas	Comprehension
U5. the process of giving financial advice, including the importance of regular reviews of the consumer's circumstances	Comprehension
U6. the basic legal concepts relevant to financial advice	Comprehension
U7. the UK taxation and social security systems and how they affect personal financial circumstances	Comprehension
U8. the impact of inflation, interest rate volatility and other relevant socio-economic factors on personal financial plans	Comprehension
<b>ApEx1B Regulation and Ethics</b>	<b>Level</b>
Candidates will be expected to:	
<b>K Demonstrate a knowledge of:</b>	
K1 the main aims and activities of the Financial Services Authority (FSA), and its approach to ethical conduct by firms and individuals	Knowledge
K2 how non-tax law and regulations impact upon firms and the process of advising clients	Knowledge
<b>U Demonstrate an understanding of:</b>	
U9. the FSA's approach to regulating firms and individuals	Comprehension
U10. how the FSA's rules affect the control structures of firms and their relationship with the FSA	Comprehension
U11. how the FSA's Conduct of Business rules apply to the process of advising customers/clients	Comprehension
U12. how the anti-money laundering rules apply to dealings with private and intermediate customers	Comprehension
U13. the main features of the rules for dealing with complaints and compensation	Comprehension
U14. how the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally	Comprehension

INDICATIVE CONTENT FOR EACH LEARNING OUTCOME

<b>ApEx1 UK Financial Services, Regulation and Ethics</b>		
<b>ApEx1A INTRODUCTION TO UK FINANCIAL SERVICES</b>		
<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
U Demonstrate an understanding of:	<b>U1 The purpose and structure of the UK financial services industry</b>	U1.1. The function of the financial services industry in the economy – transferring funds between individuals, businesses and government – risk management U1.2. The main institutions/organisations – markets, retail institutions, wholesale institutions U1.3. The role of the EU and of the UK government – regulation, taxation, economic and monetary policy, provision of welfare and benefits U1.4. The purpose and position of clearing and settlement organisations
	<b>U2 The main financial asset classes and their characteristics, covering past performance, risk and return</b>	U2.1. Cash deposits U2.2. Government securities and corporate bonds – fixed interest and index linked U2.3. Equities U2.4. Derivatives U2.5. Commodities U2.6. Property – residential and commercial
	<b>U3 The main financial services product types and their functions</b>	U3.1. Direct investment – cash, government securities and corporate bonds, equities and property insurance U3.2. Collective investments – structure, tax and charges – OEICs/unit trusts, investment trusts and companies, life assurance contracts, offshore funds U3.3. Derivatives – their structure and purpose U3.4. Mortgages and other loans – personal and commercial
	<b>U4 The main financial advice areas</b>	U4.1. Budgeting U4.2. Protection U4.3. Borrowing U4.4. Investment and saving U4.5. Retirement planning U4.6. Estate planning U4.7. Tax planning U4.8. The importance of regular reviews in line with the consumer’s circumstances and arrangements

	<b>U5 The process of giving financial advice, including the importance of regular reviews of the consumer's circumstances</b>	<p>U5.1. The nature of the client relationship, confidentiality, trust and consumer protection</p> <p>U5.2. The information required from consumers and methods of obtaining it</p> <p>U5.3. Factors determining how to match solutions with consumer needs and demands</p> <p>U5.4. How to assess affordability and suitability</p> <p>U5.5. The importance of communication skills in giving advice and how to adapt advice to customers with different capacities and needs</p> <p>U5.6. The importance of monitoring and review of consumers' circumstances</p> <p>U5.7. The information consumers must be given under the current regulatory requirements</p>
<b>APEX1A INTRODUCTION TO UK FINANCIAL SERVICES (CONT'D.)</b>		
<b>Attainment Level</b>	<b>Outcome</b>	<b>Indicative Content</b>
U Demonstrate an understanding of:	<b>U6 The basic legal concepts relevant in financial advice</b>	<p>U6.1. Legal persons – individuals, wills, intestacy, personal representatives (and administration of estates), trustees, companies, limited liabilities, partnerships</p> <p>U6.2. Contract, capacity</p> <p>U6.3. Agency</p> <p>U6.4. Real property, personal property and joint ownership</p> <p>U6.5. Powers of attorney and enduring powers of attorney</p> <p>U6.6. Insolvency and bankruptcy</p>
	<b>U7 The UK taxation and social security systems and how they affect personal financial circumstances</b>	<p>U7.1. UK income tax system – liability to income tax, allowances, reliefs, rates, grossing up interest and dividends, employed and self-employed income, priorities for taxing different classes of income</p> <p>U7.2. Capital gains tax – liability to CGT, disposals, death, deductions, losses, main exemptions, indexation relief, taper relief, basic calculation of chargeable gains</p> <p>U7.3. Inheritance tax</p> <p>U7.4. Corporation tax</p> <p>U7.5. Concept of residency/domicile</p> <p>U7.6. Stamp duty on securities</p> <p>U7.7. National insurance</p> <p>U7.8. Social Security benefits</p>
	<b>U8 The impact of inflation and interest rate volatility on the performance of investments</b>	<p>U8.1. Definition of inflation</p> <p>U8.2. The difference between fixed and variable interest rates and how they affect the affordability, suitability and performance of financial products in both the long and short term</p>

APEX1B REGULATION & ETHICS		
Attainment Level	Outcome	Indicative Content
K Demonstrate a knowledge of:	<b>K1 The main aims and activities of the Financial Services Authority (FSA) and its approach to ethical conduct by firms and individuals</b>	K1.1 The role, activities and statutory objectives of the FSA K1.2 Key features of the FSA's principles for businesses K1.3 Arrangements, systems and controls for senior managers K1.4 The fit and proper test for approved persons K1.5 The prevention of crime, including market abuse and insider dealing K1.6 The approach to and requirements for treating customers fairly
	<b>K2 How other non-tax laws and regulations are relevant to firms and to the process of advising clients</b>	K2.1 The Office of Fair Trading and the Consumer Credit Act 1974 K2.2 TPR's rules with respect to occupational pension schemes K2.3 Unfair Contract Terms K2.4 EU directives
	<b>K3 The role of oversight groups</b>	K3.1 The role of internal and external auditors, trustees and compliance
U Demonstrate an understanding of:	<b>U9 The FSA's approach to regulating firms and individuals</b>	U9.1. Authorisation of firms, regulated activities & regulated investments, firms' status (independent or other) U9.2. Capital adequacy U9.3. FSA supervision and the risk based approach U9.4. Discipline and enforcement including notification requirements
	<b>U10 How the FSA's rules affect the control structures of firms and their relationship with the FSA</b>	U10.1. Approved persons and controlled functions U10.2. Reporting and record keeping U10.3. Training and competence rules U10.4. Depolarisation
	<b>U11 How the FSA's Conduct of Business Rules apply to the process of advising customers/clients</b>	U11.1. Types of customer U11.2. Terms of business and client agreements U11.3. Status of advisers and status disclosure to customers U11.4. Advice and know your customer rules U11.5. Suitability of advice U11.6. Execution-only sales U11.7. Charges and commissions U11.8. Cooling off and cancellation U11.9. Product disclosure U11.10. Advertising and financial promotion rules

**APEx1B REGULATION & ETHICS (CONT'D.)**

Attainment Level	Outcome	Indicative Content
D Demonstrate an understanding of:	<b>U12 How the Anti-Money Laundering rules apply to dealings with private and intermediate customers</b>	U12.1 Proceeds of Crime Act 2002 and associated Money Laundering regulations U12.2 Definition of proceeds of crime U12.3 Money laundering offences and the Terrorism Act 2000 U12.4 Client identification procedures U12.5 Record keeping requirements U12.6 Reporting procedures U12.7 Training requirements U12.8 The role of the Financial Action Task Force
	<b>U13 The main features of the rules for dealing with complaints and compensation</b>	U13.1. Firms' internal complaints procedures U13.2. The Financial Ombudsman Service (FOS) U13.3. The Financial Services Compensation Scheme (FSCS)
	<b>U14 How the Data Protection Act 1998 affects the provision of financial advice and the conduct of firms generally</b>	U14.1. Definitions in the Data Protection Act U14.2. The data protection principles U14.3. Enforcement of the Data Protection Act

SUMMARY OF LEARNING OUTCOMES

FOR DETAILS OF THE LEARNING OUTCOMES AND INDICATIVE CONTENT FOR MODULES ApEx1 TO 4 INCLUSIVE, PLEASE SEE AES-1 AVAILABLE FROM THE FINANCIAL SERVICES SKILLS COUNCIL WEBSITE ([www.fssc.org.uk](http://www.fssc.org.uk))

<i>ApEx5 Mortgage Advice</i>	<i>Level</i>
Candidates will be expected to	
<b>K Demonstrate a knowledge of:</b>	
K1 the definition of a mortgage and a regulated mortgage contract	Knowledge
K2 the house-buying process, the key parties involved and their roles.	Knowledge
K3 the principal types of property defect that surveys can identify and understand their implications when seeking a mortgage, including the options available to consumers.	Knowledge
K4 the process and implications of buying property at auction	Knowledge
K5 the common types of borrower and how their main mortgage related requirements may differ and what factors may disqualify people from borrowing	Knowledge
<b>U Demonstrate an understanding of:</b>	
U1. the economic and regulatory context for giving mortgage advice	Comprehension
U2. the role of a mortgage adviser and the importance and principles of providing advice, including the key factors affecting the advice given	Comprehension
U3. the implications for consumers of 'gazumping' and 'gazundering'	Comprehension
U4. the purpose of additional security, including the role of guarantors	Comprehension
U5. the fees and charges involved in arranging a mortgage, where these apply, the services they cover, when they become due, which are refundable and how the opportunity for refunds diminishes as the process nears completion	Comprehension
U6. the principal factors affecting the value of property, including their implications for consumers seeking mortgages and when  Consumers should be referred for specialist advice	Comprehension



U7. the different forms of valuation and survey and which might be appropriate for different properties and/or the borrower's Circumstances	Comprehension
U8. the main features and functions of mortgage payment protection insurance (MPPI) and life, accident, sickness and unemployment (ASU) insurance	Comprehension
U9. the principles and procedures associated with raising additional money and the circumstances when further borrowing might be appropriate	Comprehension
U10. the principles, procedures and costs associated with transferring mortgages	Comprehension
U11. the principles of using mortgages within debt consolidation arrangements	Comprehension
U12. the need to obtain Local Authority planning consent for house development/extensions	Comprehension
U13. the implications for the borrower of the non-payment of mortgages, other breaches of the Mortgage Deed, non-payment of building insurance, non-payment of ground rent/service charges and the options available	Comprehension
U14. the legal rights and remedies available to lenders in respect of non-payment from borrowers	Comprehension
U15. the main provisions made by the State to assist consumers in difficulties over the repayment of mortgages	Comprehension
U16. the main requirements of the Mortgage Conduct of Business Rules and the legislation affecting mortgages	Comprehension
U17. the key features of the different types of mortgage repayment options and their benefits and dis-benefits for different types of borrower	Comprehension
U18. the key features of the common types of mortgage product and interest rate options	Comprehension
U19. the structure and features of other types of mortgage and when they might be suitable for borrowers	Comprehension
<b>An Demonstrate an ability to</b>	
An1. analyse consumers' circumstances and suitable mortgage solutions taking account of any existing arrangements	Analysis
<b>A Demonstrate an ability to</b>	
A1. apply suitable mortgage solutions to specific consumers' circumstances	Application

# Indicative Content For Each Learning Outcome

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
K Demonstrate a knowledge of:	<b>K1.</b> the definition of a mortgage and a regulated mortgage contract	K1.1 definition as given in FSA handbook K1.2 legal definition
	<b>K2.</b> the house-buying process, the key parties involved and their roles	England/Wales K2.1a role of estate agent/valuer/conveyancer/legal adviser K2.2a process to contract exchange/completion and when a contract becomes binding K2.3a proposed use of home information packs (as published in the new Housing Bill) OR Scotland K2.1b role of estate agent/valuer/legal adviser K2.2b conditional/unconditional offer K2.3b private bargain/private treaty K2.4 acceptance/completion/conclusion of missives
	<b>K3.</b> the principal types of property defect that surveys can identify and understand their implications when seeking a mortgage, including the options available to consumers	K3.1 main property defects K3.2 how property defects may affect the lending decision and/or require immediate remedial works
	<b>K4.</b> the process and implications of buying property at auction	K4.1 requirement for funding (ie cash/mortgage commitment) to be in place up front K4.2 contracts exchanged, with associated deposit, on the day
	<b>K5.</b> the common types of borrower and how their main mortgage related requirements may differ and what factors may disqualify people from borrowing	K5.1 private/residential borrowers K5.2 intermediary/business/commercial borrowers (outline only) K5.3 those who cannot borrow <ul style="list-style-type: none"> <li>◆ undischarged bankrupts</li> <li>◆ mentally incapacitated</li> <li>◆ minors</li> <li>◆ consumers with poor credit history</li> <li>◆ consumers unable to prove income</li> </ul>
U Demonstrate an understanding of:	<b>U1.</b> the economic and regulatory context for giving mortgage advice	U1.1 the property market and the main conditions that effect it U1.2 interest rates and their drivers U1.3 the UK mortgage lending sector U1.4 mortgage regulation: MCOB and its implications for the mortgage adviser

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content	
	U2. the role of a mortgage adviser and the importance and principles of providing advice, including the key factors affecting the advice given.	U2.1 U2.2 U2.3 U2.4 U2.5 U2.6 U2.7 U2.8	affordability suitability risk time principles of ethical advice methods of verifying information supplied by consumers methods of checking that mortgage solutions match consumer immediate and long term needs and circumstances ways of advising clients in arrears who have differing attitudes to risk and indebtedness
	U3. the main features and the implications for consumers of 'gazumping' and 'gazundering'	U3.1 U3.2	gazumping gazundering
	U4. the purpose of additional security, including that of guarantors	U4.1	the requirement for guarantors to be advised to seek independent legal advice
U Demonstrate an understanding of:	U5. the fees and charges involved in arranging a mortgage, identify where these apply, the services they cover, when they become due, which are refundable and how the opportunity for refunds diminishes as the process nears completion	<i>Commonly applicable charges and fees:</i> U5.1 U5.2 U5.3 U5.4 U5.5 U5.6 U5.7 U5.8 U5.9 U5.10 U5.11 U5.12 U5.13	<i>Less common/other party charges (outline only):</i> U5.14  U5.15 U5.16 U5.17 U5.18

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
	<p>U6. the principal factors affecting the value of property, including their implications for consumers seeking mortgages and when consumers should be referred for specialist advice</p>	<p>U6.1 type of property                      U6.2 location                      U6.3 building materials and any restrictions                      U6.4 age of property                      U6.5 freehold/commonhold/leasehold (England &amp; Wales)                      U6.6 tenure (Scotland – note: new legislation from 2003)                      U6.7 multiple use                      U6.8 vacant possession                      U6.9 reinstatement value                      U6.10 whether it is insurable, eg risk of flooding                      U6.11 planning permission                      U6.12 building regulations                      U6.13 contract guarantees                      U6.14 history of subsidence                      U6.15 listed/heritage                      U6.16 easements, e.g. rights of way                      U6.17 due diligence enquiries, e.g. outstanding disputes                      U6.18 covenants</p>
U Demonstrate an understanding of:	<p>U7. the different forms of valuation and survey and which might be appropriate for different properties and/or the borrower's circumstances</p>	<p>U7.1 forms of valuation and or survey (basic valuations, homebuyer's report, building survey)                      U7.2 requirements of lenders                      U7.3 rights of the consumer</p>

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
	U8. the main features and functions of mortgage payment protection insurance (MPPI) and life, accident, sickness and unemployment (ASU) insurance	U8.1 Cover provided by MPPI and ASU – long term illness, incapacity, unemployment, differences between MPPI and ASU U8.2 Need for MPPI and ASU U8.3 MCOB and ICOB rules U8.4 Main limitations on the insurance provided U8.5 Comparing MPPI with ASU, income protection and critical illness insurance – advantages and drawbacks U8.6 State support for mortgage costs – qualifying rules, main limits on benefits U8.7 life assurance (endowments should be linked with repayment vehicles for interest only mortgages) U8.8 accident/sickness/critical illness/unemployment/redundancy insurance U8.9 permanent health insurance U8.10 buildings and contents insurance U8.11 waiver of premium benefit U8.12 higher lending charge
	U9. the principles and procedures associated with raising additional money and the circumstances when further borrowing might be appropriate	U9.1 equity release products (lifetime mortgages and home reversion schemes) U9.2 further advances U9.3 draw down facilities U9.4 release of part security U9.5 remortgages, second mortgages U9.6 bridging loans U9.7 charging structures U9.8 legal implications
U Demonstrate an understanding of	U10. the principles, procedures and costs of transferring mortgages	U10.1 transfer of mortgage to a new lender U10.2 implications of property moves U10.3 converting one mortgage to another U10.4 adding/removing one party from a joint mortgage U10.5 redeeming a mortgage before/at the end of its term U10.6 making additional/lump sum capital repayments on a mortgage, during its term

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
	U11. the principles of using mortgages within debt consolidation arrangements	U11.1 relationship between costs/penalties/repayments/term U11.2 risk to the consumer associated with consolidation U11.3 risks associated with moving loans from unsecured to secured status U11.4 draw down facilities U11.5 arrangements with creditors
	U12. the need to obtain Local Authority planning consent for house development/extensions	U12.1 the legal basis of local authority planning procedures U12.2 the main procedures in obtaining local authority planning consent U12.3 development limitations that apply to different categories of listed buildings
	U13. the implications for the borrower of the non-payment of mortgages, other breaches of the Mortgage Deed, non-payment of building insurance, non-payment of ground rent/service charges and the options available	U13.1 when to provide a mortgage warning, ensuring that this is understood U13.2 possible courses of action available (e.g. Scotland mortgage to rent scheme) <ul style="list-style-type: none"> <li>• debt advice agencies available to the borrower</li> <li>• switching payments from interest only to repayment</li> <li>• extension to term or consolidation of arrears</li> </ul> U13.3 FSA requirements regarding the treatment of those in arrears U13.4 Mortgage Rights Act (Scotland)
	U14. the legal rights and remedies available to lenders in respect of non-payment from borrowers	U14.1 rights of subrogation of insurers to pursue borrowers U14.2 legal remedies on default
	U15. the main provisions made by the State to assist consumers in difficulties over the repayment of mortgages	U15.1 Income Support for Mortgage Interest (ISMI) U15.2 52 week linking rule
U Demonstrate an understanding of	U16. the main requirements of the Mortgage Conduct of Business Rules and the legislation affecting mortgages	U16.1 Requirements of the Mortgage Conduct of Business Rules U16.2 National House-Building Council guarantees U16.3 Property Misdescriptions Act U16.4 Contract Law U16.5 Principles of Agency U16.6 Consumer Law U16.7 Principles of testacy and intestacy, including grants of probate and letters of administration U16.8 Rights of parties to joint tenancies and tenancies in common U16.9 Legal obligations and guarantors

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
		<p>U16.10 Lenders Rights and Borrowers Covenant            U16.11 Financial Services and Markets Act 2000 (including the Mortgage Conduct of Business Rules)  <b>England/Wales/Northern Ireland:</b>            U16.12 Property Law (Law of Property Act 1925, Leasehold Reform Act 1967, Leasehold Reform, Housing and Urban Development Act 1993)</p> <p><b>OR</b>  <b>Scotland:</b>            U16.13 Rent to Mortgage Scheme            U16.14 Matrimonial Homes Act (e.g. single borrowers require an affidavit)            U16.15 Tenancy Act            U16.16 Mortgage Rights Act            U16.17 Statutory Repair Act            U16.18 Bankruptcy Act (refers to 'sequestrian' in Scotland)            U16.19 Land Tenure Reform Act (note – new legislation due 2003)            U16.20 Legislation regarding intestacy – impact upon partner where mortgagor dies intestate            U16.21 Feu disposition (reference Land Certificate in England/Wales)            U16.22 Court decree (reference County Court Judgement in England/Wales)</p>
U Demonstrate an understanding of	U17. the structure and features of other types of mortgage	<p>U17.1 commercial mortgages            U17.2 lifetime mortgages (defined term for 'equity release' mortgages for older consumers)            U17.3 low start/deferred interest mortgages            U17.4 self build mortgages            U17.5 100%/125% mortgages            U17.6 foreign currency mortgages            U17.7 new build mortgages            U17.8 buy to let mortgages (including types of tenancy)            U17.9 'right to buy' Council property mortgages            U17.10 shared appreciation mortgages            U17.11 shared ownership mortgages (Housing Association)            U17.12 equity shares mortgages            U17.13 pension scheme mortgages            U17.14 adverse credit/sub-prime mortgages (for 'non-conforming' or 'non-status' borrowers, with, e.g. CCJs/arrears/discharged bankruptcy)            U17.15 Islamic home finance</p>
	U18. the key features of the different types of mortgage repayment options and their benefits and	<p>U18.1 capital and interest repayment (repayment mortgages)            U18.2 interest payment (interest only mortgages)            U18.3 implications for the consumer of the under-performance of repayment options</p>



## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
	dis-benefits for different types of borrower	
	U19. the key features of the common types of mortgage product and interest rate options	U19.1 capital and interest mortgages U19.2 repayment tracker mortgages (variable rate/LIBOR/base rate tracker mortgages) U19.3 interest only tracker mortgages U19.4 fixed rate mortgages U19.5 capped rate (including capped and collared) mortgages U19.6 discounted rate (including cash back/gift) mortgages U19.7 deferred rate low start mortgages U19.8 flexible mortgages U19.9 all in one/current account mortgages, including drawdown facilities: offset mortgages U19.10 CAT marked mortgages U19.11 hybrid arrangement products, for example – ‘part and part’ mortgages U19.12 the performance and volatility of fixed and variable interest rates for different types of borrower
An Demonstrate an ability to analyse	An1 analyse consumers’ circumstances and suitable mortgage solutions taking account of any existing arrangements	An1.1 Factors shaping consumers’ circumstances and borrowing purposes An1.2 How to assess affordability and suitability An1.3 How to assess the long term performance of mortgage products An1.4 Methods of identifying and reviewing suitable product solutions An1.5 How to assess the impact of new solutions on existing arrangements An1.6 Special rule requirements of MCOB4
A Demonstrate an ability to apply	A1 apply suitable mortgage solutions to specific consumers’ circumstances	A1.1 The range of solutions available to suit different types of circumstance A1.2 The criteria for matching solutions to consumer needs and demands A1.3 How to explain interest rates, volatility and related technical matters to lay people A1.4 Factors influencing the way in which recommendations are presented A1.5 How to check consumers’ understanding of recommendations A1.6 Consumer rights and the regulatory requirements apply to the provision of mortgage advice
	A2 the principles of providing mortgage advice	A2.1 principles of ethical advice A2.2 methods of verifying information supplied by consumers A2.3 methods of checking that mortgage solutions match consumer immediate and long term needs and circumstances A2.4 ways of advising clients in arrears who have differing attitudes to risk and indebtedness
An Demonstrate an ability to analyse	An1 the key features of the different types of mortgage repayment	An1.1 capital and interest repayment (repayment mortgages);

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
	options and their benefits and dis-benefits for different types of borrower	An1.2 interest payment (interest only mortgages); An1.3 implications for the consumer of the under-performance of repayment options
An Demonstrate an ability to analyse	An2 the key features of the common types of mortgage product and interest rate options	An2.1 capital interest mortgages; An2.2 straight repayment tracker mortgages (variable rate/LIBOR/base rate tracker mortgages); An2.3 interest only tracker mortgages; An2.4 fixed rate mortgages; An2.5 capped rate (including capped and collared) mortgages; discounted rate (including cash back/gift) mortgages; deferred rate low start mortgages; An2.6 equity release mortgages (links to mortgage/home reversion schemes); An2.7 flexible mortgages; An2.8 all in one/current account mortgages, including drawdown facilities; An2.9 CAT marked mortgages; An2.10 hybrid arrangement products, for example – 'part and part' mortgages An2.11 the performance and volatility of fixed and variable interest rates for different types of borrower
An Demonstrate an ability to analyse	An2.3 the structure and features of other types of mortgage	An3.1 commercial mortgages; An3.2 lifetime mortgages (defined term for 'equity release' mortgages for older consumers); An3.3 low start/deferred interest mortgages; An3.4 self build mortgages; An3.5 100%/125% mortgages; An3.6 foreign currency mortgages; An3.7 new build mortgages; An3.8 buy to let mortgages (including types of tenancy); An3.8 let to buy mortgages; An3.9 'right to buy' Council property mortgages; An3.10 shared appreciation mortgages;

## APEX 5: MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
		<p>An3.11 shared ownership mortgages (Housing Association);</p> <p>An3.12 equity share mortgages;</p> <p>An3.13 pension scheme mortgages;</p> <p>An3.14 adverse credit/sub-prime mortgages (for 'non-conforming' or 'non-status' borrowers, with, e.g. CCJs/arrears/discharged bankruptcy);</p> <p>An3.15 Sharia-compliant mortgages (also known as Islamic mortgages)</p>

## Apex6: Lifetime Mortgage Advice

		<i>Level</i>
On completion of the module, candidates will be expected to		
<b>K</b>	<b>Demonstrate a knowledge of:</b>	
K1	the definition of a lifetime mortgage and alternatives	Knowledge
<b>U</b>	<b>Demonstrate an understanding of\:</b>	
U1.	the principles of equity release, the types of equity release schemes available and the applications for which such schemes might be appropriate	Comprehension
U2.	the types of consumer targeted and their particular requirements, both personal and financial	Comprehension
U3.	the circumstances where equity release may be appropriate and how these influence the consumer's purpose(s)	Comprehension
U4.	what happens when the consumer dies or goes into long term care, the type of advice that may be appropriate and when to offer such advice	Comprehension
U5.	the key features and relative benefits and risks of lifetime mortgages and the principal products and services that are alternatives to lifetime mortgages	Comprehension
<b>An</b>	<b>Demonstrate an ability to analyse</b>	
An1	the suitability and affordability of the different types of lifetime mortgage products and their principal alternatives for different types of consumer	Analysis
<b>As</b>	<b>Demonstrate an ability to assess</b>	
As1	the 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 the relevant factors	Evaluation
<b>A</b>	<b>Demonstrate an ability to apply</b>	
A1	the rules relating to state benefits to provide appropriate advice to consumers regarding a potential loss in entitlement due to an increase in income or capital, including how these may vary by Local Authority.	Application
A2	suitable equity release solutions to the circumstances of different types of consumer.	Application

# Indicative Content for Each Learning Outcome

## APEX 6: LIFETIME MORTGAGE ADVICE

Attainment Levels		Outcome	Indicative Content
K	Demonstrate a knowledge of:	K1 the definition of a lifetime mortgage and alternatives	K1.1 the definition as given in FSA Handbook
U	Demonstrate an understanding of:	U1 the principles of equity release, the types of equity release schemes available and the applications for which such schemes might be appropriate	U1.1 principles of equity release and the requirements of the MCOB U1.2 definition of equity release U1.3 schemes available, including lifetime mortgages and reversions
		U2 the types of consumer at whom equity release is targeted and their particular requirements, (both personal and financial)	U2.1 Types of consumer <ul style="list-style-type: none"> <li>◆ those who need to realise the value of their assets</li> <li>◆ those who choose to realise the value of their assets</li> </ul> U2.2 Requirements for <ul style="list-style-type: none"> <li>◆ retirement income</li> <li>◆ home improvements</li> <li>◆ financing health/long term care needs</li> <li>◆ inheritance tax planning</li> <li>◆ lifestyle choices and family reasons other than those covered above</li> </ul>
		U3 the circumstances where equity release may be appropriate and how these influence the consumer's purpose(s)	U3.1 increased income for asset rich/income poor consumers U3.2 provision of income towards health and/or long- term care, lifestyle benefits, - e.g. cars, holidays U3.3 an alternative to trading down U3.4 an 'alternative' pension plan U3.5 inheritance tax planning U3.6 role of SHIP
		U4 what happens when the consumer dies or goes into long term care, the type of advice that may be appropriate and when to offer such advice	U4.1 effect of there being a will as against dying intestate U4.2 effect upon single and joint consumers U4.3 impact of property being owned singly or jointly; [joint tenancy/tenancies in common] U4.4 impact of guarantees regarding 'no negative equity'

	<p>U5 the key features, relative benefits and risks of lifetime mortgages and the principal products and services that are alternatives to lifetime mortgages</p>	<p>U5.1 features, benefits and risks of lifetime mortgage products:</p> <ul style="list-style-type: none"> <li>◆ rolled up interest (income, lump sum)</li> <li>◆ home income plans (HIPs)</li> <li>◆ interest-only mortgages</li> <li>◆ drawdown mortgages</li> <li>◆ other products coming into the market</li> </ul> <p>U5.2 features, benefits and risks of reversions</p> <p>U5.3 grants applicable to and tax treatment of different options</p>
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## APEX 6: LIFETIME MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
An Demonstrate an ability to analyse	An1 the suitability and affordability of the different types of lifetime mortgage products and their principal alternatives for different types of consumer	<p>An1.1 lifetime mortgage products (including whether the consumer wants a no-negative equity guarantee and the impact of choice on estate)</p> <p>An1.2 home reversion schemes (HRS), (including – legal title, impact upon death, tenant as against consumer and any associated requirements regarding rent and maintenance, opportunities to sell a further share of the property where only part of a property is sold, impact of choice on estate)</p> <p>An1.3 trading down/downsizing, (including, for those with higher value properties, the possibility of releasing capital, recognition of factors which may mean this is unattractive – eg cost of moving, lack of options in local vicinity)</p> <p>An1.4 grants, (including – relevance where consumer may require a relatively small amount for home improvements, awareness of options available to consumers – including Local Authority and charitable organisations – and to which bodies consumers may be referred for advice)</p> <p>An1.5 sale and rent, (including – tenancy considerations, effect of life expectancy)</p> <p>An1.6 informal arrangements where the option might be considered of borrowing monies from, for example, relatives</p> <p>An1.7 debt advice to address the reasons behind consumers wanting monies where this is to pay off debts</p> <p>An1.8 how personal health circumstances and needs affect choice of products</p>
As Demonstrate an ability to assess	As1 the 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</p> <p>As1.2 how debt can increase rapidly where interest is rolled up</p> <p>As1.3 possibility of negative equity</p> <p>As1.4 terms associated with early repayment</p> <p>As1.5 how an increase in income or capital can cause a loss in entitlement to some means-tested benefits and allowances, (Local Authority, State benefits); with a relevant understanding of the benefits rules, including how these can vary by Local Authority</p> <p>As1.6 how an increase in income can lead to an increase in tax liability</p> <p>As1.7 possible restrictions on having someone move into the property</p> <p>As1.8 possible restrictions regarding future alterations to the property</p> <p>As1.9 possible terms of any repair and maintenance clauses</p> <p>As1.10 the impact of divorce and or remarriage</p>



		<p>As1.11 other factors associated with taking out equity release (such as valuation costs, legal fees, etc.)</p> <p>AS1.12 the impact of inflation on fixed income</p>
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## APEX 6: LIFETIME MORTGAGE ADVICE

Attainment Levels	Outcome	Indicative Content
As Demonstrate an ability to assess	As2 the relative levels of risk for different consumers taking account of the relevant factors	<p>As2.1 life expectancy</p> <p>As2.2 amount of equity amassed and the amount the consumer wants to release</p> <p>As2.3 purpose of the mortgage</p> <p>As2.4 impact upon any beneficiaries</p>
A Demonstrate the ability to apply	A1 the rules relating to state benefits to provide appropriate advice to consumers regarding a potential loss in entitlement due to an increase in income or capital, including how these may vary by Local Authority	<p>A1.1 state benefits</p> <p>A1.2 regional variations</p>
	A2 suitable equity release solutions to the circumstances of different types of consumer	<p>A2.1 principles of ethical advice and the requirements of MCOB</p> <p>A2.2 methods of verifying information supplied by consumers</p> <p>A2.3 methods of checking that equity release solutions match consumers' needs, demands and circumstances</p> <p>A2.4 the importance of discussing solutions with the consumers' family and when this is appropriate</p> <p>A2.5 measures necessary to protect consumers' interests</p> <p>A2.6 how to explain complex technical matters to people unfamiliar with the terms and concepts of equity release and how to check understanding</p>