Unlocking home ownership with interest only mortgages.

Affordability challenges remain one of the biggest barriers for first-time buyers purchasing a property that is suitable for them – particularly when many would want to make the most of their first-time buyer status for stamp duty purposes.

Even if they can borrow what they need, contending with the monthly repayments can be offputting for prospective buyers – especially when compared with their rent payments.

When we think of interest only mortgages, we often think about next-time buyers, higher earners who might want to invest their cash elsewhere, or perhaps borrowers with lumpy income, like self-employed people. But interest only can help solve the affordability challenges that first-time buyers come up against, too.

With an interest-only mortgage, first-time buyers can borrow around 15% more than a capital and interest repayment mortgage on average. *And* they can keep their monthly payments up to 20% lower each month, too.

Plus, their mortgage amount is fixed; this means the mortgage will almost always become more affordable as their income grows either with inflation or career progress. It means that first-time buyers are able to lock in today's house prices, finally helping them break out of the rental cycle, the never-ending deposit trap, and growing affordability challenges as the gap between income and house prices continues to grow. And if all goes well, they may be able to remortgage onto a typical repayment mortgage later on – if they want to.

Making interest only products accessible to first-time buyers is the key. Gen H have interest only products up to 80% LTV, with part and part going products all the way to 95% LTV. We require a minimum household income of £50k and £200k equity at the end of the mortgage term. For a growing number of borrowers, these products could be perfect – and this could open the door for a lot of people currently locked out of homeownership.

For example:

Jacob and Leah, both in hospitality, moved to the UK a few years ago and were ready to buy their first home in London. Their income varies month to month with overtime – and rather than stretch to their limit, they wanted a mortgage that would still be manageable on a quieter month. This also meant that if they decided to have a family, and Leah or Jacob took time off work, they'd be better insulated from repayment-related financial shocks.

Gen H's part and part mortgage let them structure a quarter of their loan as interest only, lowering their monthly payments and building in room to breathe if their income dipped.

Here's how it worked out:

Applicants: Jacob, 40 (hospitality) and Leah, 35 (hospitality)

Combined income: £80,200-£100,000 (incl. overtime)

Deposit: £40,000 (10%)

Property value: £400,000

LTV: 90%

Interest-only portion: 25%

Rate: 5.79% (2 year fix)

Term: 34 years

Repayment vehicle: Sale of the property

It's a good reminder that interest only isn't just for buyers who are stretched to their limit, or wealthy borrowers looking to maximise returns. Sometimes it's about giving a client a mortgage that flexes with them – especially when their income doesn't look like a typical nine-to-five salary on paper.