

Property Ladder Innovation brings about 10x Income Mortgage

There are interesting innovations in the mortgage and property world that can see borrowers achieving a loan of up to 10 x income with just a 5% deposit.

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EINPresswire.com/ -- These new mortgage schemes work in two quite different ways.



Large Loans on Property are Back

The first relates to long-term fixed rates. Kensington, a non-High Street mortgage lender, has created a range of fixed-rate mortgages that can last up to 40 years.

Due to the length of the fixed-rate, they do not need to do background 'stress tests' which typically inhibit borrowing, as lenders need to factor in a higher variable rate at the end of the initial product, plus any increase in interest rates in that time. As this mortgage is fixed for the term of the loan, they do not need to consider these factors meaning [First Time Buyers](#), and those with an income of £100k + can borrow up to SIX times their salary

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Both these schemes have their relative merits. For many, this will be the only way to get on the property ladder so that should be applauded.”

Richard Campo

The second mortgage innovation is Gradual Homeownership. A new type of lender called Wayhome offers a joint ownership structure.

When a borrower puts down a 5% deposit initially, Wayhome buys the remaining 95% of the property, and the borrower 'rents' the remainder. The borrower is free to buy parts of the property on a monthly or ad hoc basis until they own 40%. From that point, the borrower needs to move to a conventional mortgage to buy the rest of the property. This scheme allows a person to borrow up to TEN times their income, as affordability will be evidenced in the rent already being paid. The borrower's income must be between £30-140k to qualify and the maximum property value at purchase is £500k and must be within an approved area.

Wayhome is very interesting as this is a different style of homeownership which is akin to Sharia-compliant finance. However, the Kensington mortgages are comparatively expensive, starting at 2.83% (with a 40% deposit to a term of 15 years) up to 4.30% (with a 5% deposit up to a term of 40 years), so if a borrower needs that amount to complete a [home purchase](#) or [remortgage](#), then that works well. If a borrower needs a more modest sum but wanted long term security, it would probably still be recommended to most borrowers to take a standard 5 year fixed rate as they can start as low as 1.28% (with a 40% deposit) as interest rates are not projected to go high enough to justify the higher-margin that the Flexi Fixed range from Kensington offers.

To put that in context, on a £250,000 repayment mortgage, over a term of 25 years, in the first 5 years borrower pays £70,124* with the Kensington mortgage compared to £58,653* with the current market-leading 5-year fixed deal. A huge £11,471 extra for 'peace of mind' against rate rises that are not forecast to go that high. (*Information provided by Twenty7Tec. This cost includes interest, fees, and capital repaid.)

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