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What You Need to Know About UK Mortgages as a First Time Buyer

The time has come for you to buy a house, but for a first time buyer, the housing market can be frightening and confusing. Unethical lenders may try to ensnare you with high interest rates and a loan that will have you paying for years. Many houses are priced out of the range affordable by first time buyers. The market for mortgage loans fluctuates every year, the interest rates rising and falling without apparent rhyme or reason. All these things make finding a good deal on a house difficult.

A first time buyer should consider a number of factors before going to purchase a property, such as how much they will be permitted to borrow, how much they can afford to pay per month, the initial cash outlay for fees and deposit, and what kind of mortgage they ought to use. A mortgage broker, who will act as an intermediary to find you the right mortgage, can help immensely to ease this process.

It can be dangerous to borrow too much money to buy a house, no matter how tempting the idea of home ownership is. The problem of negative equity is when your mortgage is worth more than your house, is still a danger. Many first time buyers consider only the monthly payment when they sign up for a mortgage. It also is important to look closely at the full amount you will be paying, and the length of time it will take to repay. Some kind of deposit is normally required, as well. Though there are a few lender who will offer a mortgage for 100% of the price of your house, these are rare, and will ensure a long payment process. It is best to have at least 5% of the purchase price. If you have 10% or more, you can secure a better deal on your mortgage.

There are many different types of mortgage that can be chosen. These include the fixed rate mortgage - with an unvarying interest rate over the life of the loan, the adjustable rate mortgage is one where the interest rate is periodically adjusted based on a index, and the interest-only loan is where for a period of time, the buyer pays only the interest on the loan, then must begin making payments on the principal. These last two types can be tempting to the first time buyer with little income, but can result in more money paid out over the lifetime of the mortgage. An adjustable rate mortgage can be the better deal if interest rates continue to fall, but worse if they rise. Interest only loans permit a buyer who will be in better financial shape in a few years to get a foothold in the housing market. The downside is that the principal will be untouched for those years.

With careful planning and consideration, the housing market need not be frightening or daunting to the first time buyer. All that is needed is a good assessment of your needs and situation.

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