# Significant Increase in UK First-Time Homebuyers Opting for Long Mortgage Terms



In the first quarter of 2024, approximately 21% of new first-time homebuyers in the UK opted for mortgage terms exceeding 35 years, according to UK Finance's Household Finance Review. This marks a significant increase and reflects ongoing affordability challenges, with high costs and house prices relative to incomes. UK Finance noted that the percentage of mortgages lasting up to 40 years, while slightly reduced from the previous quarter, remains significantly higher than previous norms, particularly among first-time buyers.

The review highlighted that while many first-time buyers eventually move or remortgage before the full term expires, the trend of longer mortgage terms persists even among home movers and remortgage customers, underscoring deeper issues of affordability. UK Finance cautioned that prolonged mortgage payments could impact customers' disposable income and pension contributions over time.

Former pensions minister Sir Steve Webb, a partner at LCP, revealed through Bank of England data that 42% of new mortgages in late 2023 had terms extending beyond the state pension age. Additionally, Legal & General Mortgage Services reported a notable increase in homeownership interest among individuals aged 56 to 65 during the beginning of 2024.

UK Finance's review also observed a temporary uptick in mortgage applications as rates began to decline towards the end of the previous year. However, any sustained recovery remains uncertain due to shifting expectations for a Bank of England base rate reduction.

Eric Leenders, managing director of personal finance at UK Finance, noted improvements in household financial positions in early 2024 but emphasized that cost-of-living pressures and the impending expiration of fixed mortgage rates for 1.6 million loans could pose future challenges.

Many lenders have adopted a mortgage charter offering flexible options to those experiencing financial difficulties. Concurrently, Moneyfactscompare.co.uk reported a slight decrease in the number of fixed mortgage deals available for borrowers with 5% and 10% deposits, emphasizing the ongoing limited availability of affordable housing.