



# DENTAL & MEDICAL

## FINANCIAL SERVICES

### Dental & Medical Financial Services

1 Market Square, Horsham,  
West Sussex RH12 1EU

**T:** 01403 780 770

**F:** 01403 780 771

**E:** [info@dentalandmedical.com](mailto:info@dentalandmedical.com)

**W:** [www.dentalandmedical.com](http://www.dentalandmedical.com)

## New era of long-term mortgages

### Revolutionising the mortgage scene for homeowner borrowers

As the willingness of lenders to offer mortgages to borrowers well into their retirement years increases, it's no surprise that mortgage terms spanning 30 to 40 years are becoming the norm. This shift is more a matter of necessity than preference, and borrowers should know that opting for a longer mortgage term will result in a higher interest payback.

With today's high interest rates and steep living costs, lender affordability calculations have pushed some borrowers towards these extended-term mortgages. Most lenders are willing to provide loans until the borrower reaches the age of 70, and in cases where there's adequate post-retirement income, mortgages up to the age of 95 are also available.

#### Understand the implications

Alongside the rise of long-term mortgages, interest-only mortgages are also gaining popularity as a way to minimise monthly costs. These types of mortgages offer lower monthly payments, making them an attractive option for those seeking to improve their affordability. They also present the opportunity to make overpayments whenever possible within certain annual limits.

While the prospect of lower monthly payments can be tempting, it's crucial to understand the implications of opting for a longer mortgage term or an interest-only mortgage. These decisions should not be taken lightly; borrowers must consider their long-term financial stability and retirement plans.

#### Demand for longer-term mortgages

According to data, in 2023, a staggering 70.73% of mortgage searches were for terms of 25 years and over<sup>[1]</sup>. This trend emerged in 2021 when the first 40-year fixed rate mortgage was introduced, revolutionising the mortgage scene.

The demand for these longer-term mortgages has since soared, overshadowing the previously popular 25-year terms and under. In contrast, only 29.27% were looking for terms under 25 years.

#### Rising demand for longer terms

When comparing data from 2021/22 to 2022/23, this highlights some intriguing trends. For instance, there was a 16.45% rise in the demand for purchase mortgages (excluding first-time buyers) for terms of 40 years or more. All other search term demands experienced a decline.

Remortgage searches saw the most significant surge, with searches for 40-year terms or more increasing by a whopping 54.82%. First-time buyers were not left behind either, with a 43.75% increase in searches for 40 years or more terms.

#### Remortgaging is a popular choice

The most interesting aspect of these statistics is the prominent rise in remortgage searches. These homeowners have already had a term for at least two years and are now turning to long-term mortgages to reduce their payments.

Will this trend persist into 2024? Only time will tell, but the data certainly suggests so. As living costs continue to escalate, house buyers are actively exploring ways to lower their monthly payments, and opting for extended terms could be one viable solution.

#### Potential downside to consider

However, it's important to remember that longer-term mortgages can also inflate the total debt size and prolong the repayment period. This could prevent some homeowners from achieving mortgage-free status until after they retire. ■

#### Contemplating a long-term mortgage or want further information?

This is a complex landscape with many factors to consider. If you're contemplating a long-term mortgage or want further information about your options, don't hesitate to get in touch. Our expert team is always ready to provide guidance tailored to your unique circumstances and financial goals. For more information, please speak to us.

#### Source data;

[1] Twenty7tec Mortgage Market Report –  
November 2023