Published based on [Interest Only Mortgages: 10 Things You Will Want To Consider]()

Interest Only Mortgages: 10 Things You Will Want To Consider

1. Having an interest only mortgage will ensure that you simply pay the interest that has built up on your property loan every month, compared with a traditional repayment mortgage where you pay back some of the actual capital every month along with the interest so at the end of the period you will have repaid your mortgage completely.

2. The full capital amount (i.e. the price you paid for your property) is still left at the end of an interest only mortgage term therefore it has to be paid for by some other method.

3. For this reason interest only mortgages were traditionally always offered along with an additional product, such as an endowment policy, which is a product that you pay into every month and which then invests that money in the stock market. Hopefully, when your home loan has reached its end, your endowment plan will end up being worth enough to cover the outstanding capital that you have to pay back.

4. If you can't manage to make the higher monthly repayments of a repayment mortgage an interest only mortgages can be a fine way to get you on to the property ladder. Subsequently, when are a bit more financially safe you can switch to a repayment mortgage and start paying down the debt.

5. In places where property prices tend to be high, interest only mortgages are worth taking into consideration because they can actually work out cheaper than renting. Nevertheless, you should always try to either change to a repayment mortgage the moment you can or make certain you have an alternative strategy for repaying the capital at the end.

6. Interest only mortgages are also a great opportunity for people who are self-employed or who have unpredictable salaries. In these instances the flexibility that comes along with an interest only mortgage can be very acceptable.

7. Some lenders are now providing the choice of getting a part interest-only and part repayment mortgage. This allows you to little by little decrease the interest only part.

8. Interest only mortgages are popular with buy to let investors as the interest payments are tax-deductible. They do not intend to ever live in the property, but, expect to gain from it either through an increase in its value or by receiving rent of more than the interest payments and any other costs.

9. As you don’t pay off any of the capital during the course of the mortgage, an interest only mortgage will cost you more in the end as you are having to pay interest on the whole amount for the whole time. With a repayment mortgage your monthly payments are made up of a great deal of interest and just a little capital repayment at the start but the balance little by little shifts until you are mostly repaying capital with not very much interest.

10. Lenders may ask for larger deposits as they think interest only mortgages are more risky than repayment ones. Also, they may charge a higher interest rate on interest only mortgages.