Burnaby Mortgage Rates

Mortgage Terms - Helping Clients Understand Their Mortgage Better

It is vital that a potential borrower when applying for a mortgage understands and knows the words that is associated with the contract. The borrower will have lots of options and packages available to them. The mortgage broker could help you understand all things regarding mortgages. Below are some basic mortgage vocabulary that will help you know your current or new mortgage.

The term of the mortgage is the number of years or months that you would be required to pay a specific rate to the lending institution. Terms would normally range from 6 months to 12 months. The payment frequency is the frequency in which you repay your loan. There are several choices available, including monthly, semi-monthly, weekly or bi-weekly payment plans.

Amortization refers to the amount of years it would take using fixed payments before the loan is completely paid off. Each payment consists of both the interest amount along with the principal payment.

An open mortgage can be paid off completely at any time without penalty, while a closed mortgage can't be paid out without the client being subject to a payout penalty. The payout penalty, which is incurred by a customer when they pay out their mortgage ahead of time, is determined by either an interest rate differential or 3 months interest, whatever is greater.

A mortgage where your interest rate stays fixed for the whole term is called a fixed rate mortgage. An adjustable rate mortgage is occasionally offered at a discount off prime, but the interest will change depending on the prime rate. The prime rate is the lowest rate the bank would loan money at.

A mortgage where either the entire or part of the amount is held in a line of credit is called a Home Equity Line of Credit. This particular type of mortgage is usually re-advanceable. Thus, as you repay the mortgage, you can then borrow it back.

When a downpayment of more than 20% is made, the mortgage is called a conventional mortgage. A high ratio mortgage has a downpayment of less than 20% and needs mortgage insurance to make sure that the client doesn't default on the loan. Mortgage insurance is in place in order to protect the banks and lenders.

Before going into a binding contract, this is some of the basic information that each and every consumer should know. These should help you better understand your financing alternatives. If you have any questions, it is essential that you ask your mortgage broker. It is their job to make obtaining a house as seamless and efficient as possible.