

## Types of Mortgages Burnaby

### General Info Regarding The Various Kinds Of Mortgages

#### Open Mortgages

An open mortgage is the right option for individuals who desire to make huge payments on their mortgage or who want to pay off their entire mortgage without incurring any penalty. Open mortgages provide maximum flexibility. The homeowners who choose this option are willing to accept some interest rate fluctuation in a trade off for the flexibility of paying off the whole mortgage prior to completing the term.

The majority of mortgages will just permit a homeowner to make lump sum payment once a year without penalties. Typically, the borrower would just be allowed to make payments of 20%. Within the industry, these are referred to as "privilege payments". That payment is directly applied to paying down the principal of the borrowed amount. Therefore, to be able to make extra payments on your mortgage, you do not necessarily need to choose the open mortgage alternative with its interest rates that are higher.

#### Closed Mortgages

Closed mortgages are different than an open mortgage in that the borrower is locked into a commitment over a certain time period at a fixed rate of interest. Typically a buyer who chooses a closed mortgage must pay the lender a penalty if the loan is fully paid before the end of the closed term.

During the term of a closed mortgage, the interest rate would not change during the length of the term. Also, in this particular kind of mortgage, the length of the term will not change; thus, payment amounts are predictable. Likewise predictable is the principal amount left owing at the end of the term.

Closed mortgages would typically be offered at lower interest rates compared to open mortgages. Most closed mortgages will let the landowners make a payment one time a year as much as 20% of the entire mortgage with no penalty. This payment is applied directly toward paying down the principal of the amount owed.

#### Convertible Mortgages

A convertible mortgage agreement is one that would allow for the borrower to make changes in the kind of mortgage during the life of the term. Like for instance, if a landowner wants to begin with an open mortgage and after that lock into a closed mortgage, then a convertible mortgage is the right alternative. This way they are offered the lower rates of an open mortgage and still maintain the option of converting to a closed term.

#### Reverse Mortgages

The reverse mortgage is typically just used for older homeowners who wish to convert their equity in their home for cash payments that are normally utilized to cover their living costs. The homeowner's equity will be gradually withdrawn over a series of monthly payments with this particular type of mortgage. Upon the homeowner's death or at the end of the loan period, the loan balance is due. Usually, this amount is paid by the heirs who often sell the property in order to meet the outstanding obligation.