Mortgage Terminology:

Amortization Period:
Amortization period refers to the number of years it will take to pay down the principal balance of your mortgage in full. The most common amortization period is 25 years, however you can choose an amortization period of up to 35 years.

Closed Mortgage:
A mortgage that, for a specified term, locks you into paying the mortgage for that period of time.
It also locks in a mortgage rate, which doesn’t increase/decrease if rates do.
Generally, if you break a closed mortgage, you will be required to pay three months’ interest payments as a penalty.
The most common term for a closed mortgage is five years.

Conventional Mortgage:
A mortgage loan that is up to 80% of the home’s appraised value or purchase price (whichever is less).

Fixed Rate Mortgage:
A mortgage for which the interest rate has been fixed for a certain period of time (generally the length of a mortgage term).

High-Ratio Mortgage:
A mortgage that is more than 80% of the home’s appraised value or purchase price (whichever is less). High-ratio mortgages must be insured to protect the lender against default. (This would be a CMHC or Genworth Mortgage)

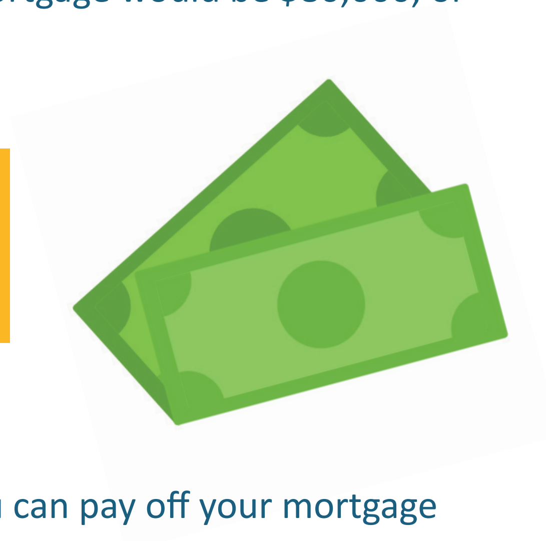
For more information click here to go to 1stchoicesavings.ca

1st Choice Savings® and Credit Union Ltd

Mortgage Terminology:

Loan to Value Ratio (LTV):
The ratio of the value of the mortgage loan to the appraised value or purchase price of the property (whichever is less). For example, if someone purchased a home for $100,000 and had $20,000 as a down payment, the mortgage would be $80,000, or 80% of the value of the home (therefore an 80% LTV).

When saving for your home purchase be aware of costs in addition to your mortgage.



Open Mortgage:
This is a mortgage with no term, which means that you can pay off your mortgage either fully or partially at any time with no penalty.
Open mortgage rates are usually higher than closed mortgage rates.

Term:
The length of time the interest rate is fixed.
The end of the term is also the time when the borrower must either pay the outstanding mortgage balance, or re-negotiate a new mortgage with the lender. If the borrower pays of his or her mortgage before the term is up, prepayment penalties may apply.

Variable Rate Mortgage:
A mortgage that has fixed payments, but whose principal portion of the payment fluctuates with interest rate changes. Variable rate mortgages generally fluctuate in respect to the prime lending rate. *(For example, Prime Rate minus 0.09%.)*

Click here to view a full Mortgage Terminology!