Mortgage Rates Kelowna

Mortgage Terms And Rates And Reasons Why They Are Essential To Know

Terms
The term of a mortgage refers to the period of time a lender would loan mortgage money to a borrower. This period is usually 2 to 5 years, although it could be from 6 months to 10 years. Usually, the shorter the mortgage term length, the lower the interest rate is and the less it costs to borrow the money. When the term ends, you can pay off the owing balance or renegotiate the mortgage for one more term until the full mortgage has been paid completely.

Short Term
The short term mortgage contracts or agreements are those that are normally for 2 years or less. Short term mortgages offer a lower interest rate with their cost of borrowing compared to a longer term. These terms are popular with individuals who feel that interest rates are currently higher than they would eventually be. Short term contracts are usually chosen by people who anticipate that interest rates will be lower at the time of renewal.

Long Term
A long term contract would generally span at least three years. This particular type of mortgage features a higher cost compared to short term mortgages since the interest rates are higher. For those borrowers who value the stability and predictability of fixed cost over a set period of time, a higher interest rate is appealing. It can be easier to budget a stable mortgage payment and this could bring peace of mind to many people.

The typical time to fully pay off your mortgage can be quite awhile, from 15 to 25 years on average. Amortization is the process of completely repaying your loan by installments of principal and interest over a specific period of time. Lately, insurers and mortgage lenders have offered home owners longer amortization periods of 30, 35 and even 40 years.

There are various methods of paying back your mortgage. Some customers want the comfort in having a predetermined fixed rate since it enables them to budget and plan for other things in their To repay your mortgage, there is a variety of ways. Some like to have predetermined fixed rates that enable them to fully plan their budget for the foreseeable future. Other consumers prefer more flexibility in their repayment. Some of their circumstances might include wanting to make larger payments whenever they can put more money down because of fluctuations in their cash flow. There are some different kinds of mortgages that appeal to different kinds of borrowers. A mortgage professional would be able to clarify the differences and help you decide which kind is best for you.

Rates
The amount of interest that is charged against the monthly loan payment is called the interest rate. Rates are expressed as percentages. It is based either on bond yields or on the rate which the Bank of Canada charges to lend money lenders. Usually, interest rates are lower if you borrow money for a short time period and higher when you borrow money for a longer duration of time.

Fixed Rate Mortgage
A fixed rate mortgage is where your interest rate will not change during your mortgage term. There are no surprises because you could always count on how much your payments will be and determine how much of your mortgage will be paid off by the end of your term.

Variable Rate Mortgage
When the borrower agrees to a changing rate over the term of the mortgage, it is considered a variable rate mortgage. These rates could vary from one month to the next as the interest rates fluctuate with the bank's prime lending rate. Your payment remains the same when interest rates change, nonetheless, the amount which is applied to the principal will change. If interest rates go down for instance, more of your mortgage payment is applied to the owed principal balance. This particular type of mortgage is a better alternative for homeowners who think that the interest rates will drop eventually if they are presently high.