Kelowna Mortgage Rates

Mortgage Terminology - Know The Right Deal That Suits Your Requirements

It is important that a prospective borrower when applying for a mortgage understands and knows the vocabulary that is associated with the contract. The borrower would have numerous options and packages available to them. The mortgage broker can help you know all things related to mortgages. Below are some basic mortgage terminology which would help you understand your new or existing mortgage.

The number years or months that you would pay a specific rate to the lender is called the term. Normally, a term can vary anywhere from 6 months to 12 months. The payment frequency is the frequency in which you repay your loan. There are some options available, like for example semi-monthly, monthly, biweekly, or weekly payment plans.

Amortization refers to the amount of years it will take using fixed payments before the loan is totally paid off. Every payment includes both the interest amount together with the principal payment.

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

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

A Home Equity Line of Credit is when all or part of the mortgage is held in a line of credit. This type of mortgage is usually re-advanceable. Thus, when you repay the mortgage, you could 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 requires mortgage insurance to ensure that the customer doesn't fail to pay the loan. Mortgage insurance is in place to protect the banks and lenders.

This is the basic information which each and every consumer needs to know before going into a binding agreement and should help you understand your financing options better. If you have any questions, it is essential that you ask your mortgage broker. It is their duty to make purchasing a home as seamless and efficient as possible.