Types of Mortgages Kelowna

Types Of Mortgages - Selecting The One Which Meets Your Requirements

Open Mortgages
Open mortgages are perfect for individuals who want to have the ability to make large payments on their mortgage or be able to pay off their entire mortgage without incurring penalties. These kinds of mortgages offer maximum flexibility. The homeowners who pick this option are willing to accept some interest rate variation in exchange for the flexibility of paying off the complete mortgage prior to the term being complete.

Most regular mortgages would let homeowners make lump sum payments of up to 20 percent of the entire mortgage once a year with no penalty being given. These are normally called "privilege payments" within the business. That payment is applied directly to paying down the principal of the borrowed amount. Hence, in order to make additional payments on your mortgage, you do not necessarily need to choose the open mortgage alternative with its higher interest rates.

Closed Mortgages
Closed mortgages are different compared to an open mortgage in that the borrower is locked into a commitment over a specific time period at a pre-set rate of interest. Normally a buyer who chooses a closed mortgage should pay a penalty to the lender if the loan is fully paid before the end of the closed term.

Throughout the term of a closed mortgage, the interest rate will not fluctuate over the length of the term. Furthermore, in this kind of mortgage, the duration of the term will not change; hence, payment amounts are predictable. Also predictable is the principal amount left owing at the end of the term.

Normally, closed mortgages have less interest rates than open mortgages. Nearly all closed mortgages would let the landowners pay once a year up to 20 percent of the whole mortgage with no penalty. This payment is directly applied toward paying down the principal of the amount owed.

Convertible Mortgages
A convertible mortgage agreement is one which will allow for the borrower to make changes in the kind of mortgage during the life of the term. Like for instance, if a landowner would like to start with an open mortgage and afterward lock into a closed mortgage, then a convertible mortgage is the proper alternative. This way they are offered the lower rates of an open mortgage and still maintain the choice of switching to a closed term.

Reverse Mortgages
The reverse mortgage is usually just utilized for older landowners who wish to change their equity in their home for cash payments that are normally utilized to cover their living expenses. The homeowner's equity will be gradually withdrawn over a series of monthly payments with this kind of mortgage. At the end of the loan period or upon the homeowner's death, the balance of the loan is due. Normally, this amount is settled by the heirs who often sell the property to be able to meet the outstanding obligation.