

Mortgage Rates Chilliwack

Know The Terms And Rates Of Your Mortgage Prior To Signing The Contract

Terms

The term of a mortgage means the duration of time a lender will loan mortgage money to a borrower. This period is most commonly 2 to 5 years, although it can be from 6 months to 10 years. Normally, the shorter the mortgage term period, the lower the interest rate is and the less it costs to borrow the money. As soon as the term ends, you will be able to pay off the due balance or renegotiate the mortgage for another term until the full mortgage has been paid completely.

Short Term

The short term mortgage agreements or contracts are those which are generally for 2 years or less. Short term mortgages offer a less interest rate with their cost of borrowing than a longer term. These terms are common with individuals who feel that interest rates are currently higher than they will be in the future. Short term agreements are usually chosen by people who anticipate that interest rates will be much lower at the time of renewal.

Long Term

The long term agreements are normally for at least three years. These mortgages usually cost a little bit more compared to short term mortgages and thus the interest rate will be higher. For those borrowers who value the predictability and stability of fixed expenses over a set period of time, a higher interest rate is appealing. It could be easier to budget a stable mortgage payment and this can bring peace of mind to numerous individuals.

The average time to completely pay off your mortgage could be quite awhile, from 15 to 25 years on average. Amortization is the method of completely repaying your loan by installments of principal and interest over a specific length of time. Recently, mortgage lenders and insurers have provided home owners longer amortization periods of 30, 35 and even 40 years.

There are several ways of paying back your mortgage. Some consumers want the comfort in having a predetermined fixed rate since it enables them to plan and budget for other things in their life. To pay back your mortgage, there are various methods. Some like to have predetermined fixed rates which allow them to completely plan their budget for the foreseeable future. Other consumers prefer more flexibility in their repayment. Some of their circumstances may include wanting to make bigger payments whenever they can put more money down because of changes in their cash flow. There are several different types of mortgages which appeal to various kinds of borrowers. A mortgage professional can clarify the differences and even help you decide which type is right for you.

Rates

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

Fixed Rate Mortgage

Fixed rates mean that mortgage interest rates would not change over the terms of the contract. There are no surprises because you can always count on how much your payments will be and know how much of your mortgage would be paid off by the end of your term.

Variable Rate Mortgage

When the borrower agrees to a fluctuating rate over the term of the mortgage, it is considered a variable rate mortgage. These rates can change from one month to the next since the interest rates change with the bank's prime lending rate. You pay the same amount if interest rates change, nevertheless, the amount that is applied to the principal would change. If interest rates drop for example, more of your mortgage payment is applied to the owed principal balance. This type of mortgage is a better alternative for homeowners who believe that the interest rates will drop eventually if they are presently high.