# Types of Mortgages Chilliwack

Reasons Why It Is Important To Know The Various Kinds Of Mortgages

Open Mortgages
Open mortgages are great for individuals who would like to have the ability to make big payments on their mortgage or be able to pay off their whole mortgage without incurring penalties. These types of mortgages provide for maximum flexibility. The landowners who pick this particular alternative are willing to accept some interest rate fluctuation in a trade off for the flexibility of paying off the complete mortgage prior to completing the term.

Most standard mortgages will let homeowners make lump sum payments of as much as 20 percent of the whole mortgage once a year with no penalties. These are normally referred to as "privilege payments" in the business. That payment is directly applied to paying down the principal of the borrowed amount. Hence, to be able to make additional payments on your mortgage, you do not necessarily have to pick the open mortgage alternative with its interest rates that are higher.

Closed Mortgages
A closed mortgage on the other hand is a commitment over a pre-determined length of time which has a pre-set interest rate. Typically a buyer who selects a closed mortgage should pay the lender a penalty if the loan is fully paid before the end of the closed term.

The interest rate on a closed mortgage would not change during the course of the mortgage deal. In addition, in this particular kind of mortgage, the duration of the term will not change; therefore, payment amounts are predictable. Also predictable is the principal amount left owing at the end of the term.

Closed mortgages would normally be offered at lower interest rates than open mortgages. Most closed mortgages will let the landowners pay one time a year up to 20% of the entire mortgage without penalty. This payment is applied directly toward paying down the principal of the owing amount.

Convertible Mortgages
A convertible mortgage is one where an agreement is made at the start of a term that enables landowners to be able to change the kind of mortgage they hold during its term. For example, if a landowner would like to begin 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 alternative of switching to a closed term.

Reverse Mortgages
The reverse mortgage is usually just used for older homeowners who want to convert their equity in their home for cash payments which are often utilized to cover their living expenses. The homeowner's equity will be slowly withdrawn over a series of monthly payments with this type of mortgage. At the end of the loan period or upon the homeowner's death, the loan balance is due. Usually, this amount is paid by the heirs who often sell the house in order to meet the outstanding obligation.