Chilliwack Mortgage Rates

Mortgage Terminology - Know The Best Option Available

When you apply for a mortgage, it is vital that you know the words that are used. There are a variety of options available and it is the duty of the mortgage broker to ensure that their clients understand everything their mortgage has to provide. Here are some basic mortgage vocabulary which would truly help you understand your new or existing mortgage.

The number years or months that you would pay a particular rate to the lender is referred to as the term. Usually, a term could vary anywhere from 6 months to a year. The payment frequency is the frequency in which you pay back your loan. There are several alternatives available, such as semi-monthly, monthly, biweekly, or weekly payment plans.

Amortization means the amount of years it would take utilizing fixed payments before the loan is totally paid off. Each payment includes both the principal payment together with the interest amount.

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

A fixed rate mortgage is when the interest rate on your mortgage stays fixed for the whole term. An adjustable rate mortgage is sometimes provided at a discount off prime, but the interest would vary depending on the prime rate. The prime rate is the lowest rate the bank would lend money at.

A mortgage where either part or the entire amount is held in a line of credit is called a Home Equity Line of Credit. This particular kind of mortgage is normally re-advanceable. This means that, when you pay back the mortgage, you could then borrow it again.

When a downpayment of more than 20 percent 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 make certain that the client doesn't fail to repay the loan. Mortgage insurance is in place to be able to protect the lenders and banks.

Prior to going into a binding contract, this is some of the basic information that each client must know. These should help you better understand your financing options. If you have any questions, it is vital that you talk to your mortgage broker. It is their job to make buying a property as seamless and efficient as possible.