Types of Mortgages Langley

Types Of Mortgages To Choose From

Open Mortgages
An open mortgage is an ideal alternative for people who would like to make huge payments on their mortgage or who want to pay off their whole mortgage without incurring any penalty. Open mortgages offer maximum flexibility. The homeowners who select this alternative are willing to accept some interest rate variation in a trade off for the flexibility of paying off the whole mortgage prior to completing the term.

Nearly all mortgages would just allow a homeowner to make lump sum payment one time a year without penalties. Normally, the borrower will only be permitted to make payments of 20%. In the business, these are called "privilege payments". That payment is directly applied to paying down the principal of the borrowed amount. Thus, in order to make additional payments on your mortgage, you do not necessarily have to pick the open mortgage alternative with its higher interest rates.

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

The interest rate on a closed mortgage will not fluctuate over the course of the mortgage deal. Also, in this type of mortgage, the duration of the term will not change; thus, 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 compared to open mortgages. Most closed mortgages would let the homeowner make a payment one time a year as much as 20% of the whole 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 beginning of a term which allows homeowners to be able to change the kind of mortgage they hold during its term. Like for example, if a landowner wants to start with an open mortgage and afterward lock into a closed mortgage, then a convertible mortgage is the right 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 allows older homeowners to change their home equity into monthly cash payments, typically used for living costs. With this particular type of mortgage, a homeowner's equity is gradually drawn down by a series of monthly payments from the lender to the borrower or the homeowner. Upon the homeowner's death or at the end of the loan period, the loan balance is due. Usually, this amount is settled by the heirs who normally sell the house to be able to meet the outstanding obligation.