

Langley Mortgage Rates

The Meaning Of Different Mortgage Terminology Used In Deals

It is important that a prospective borrower when applying for a mortgage knows and understands the words that is associated with the contract. The borrower would have many alternatives and packages offered to them. The mortgage broker can help you know all things regarding mortgages. Here are some basic mortgage terminology which would help you understand your new or existing mortgage.

The term of the mortgage is the number of months or years that you will be required to pay a certain rate to the lending institution. Terms will normally range from 6 months to a year. The payment frequency is the frequency in which you pay back your loan. There are several alternatives available, like monthly, semi-monthly, biweekly, or weekly payment plans.

Amortization is a term which means the total time before a fixed payment would become paid off completely. Each payment consists of both the principal payment together with the interest amount.

Open mortgages are contracts that allow the borrower to pay off any portion of the principal at whatever time without penalty. A closed mortgage does not allow the borrower to pay off the principal unless they pay some penalties. The payout penalty, that is incurred by a client when they pay out their mortgage early, is determined by either an interest rate differential or 3 months interest, whichever is higher.

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

A Home Equity Line of Credit is when all or part of the mortgage is held in a line of credit. This type of mortgage is normally re-advanceable. Thus, when you pay back the mortgage, you can then borrow it back.

Mortgages are called conventional when the borrower makes a downpayment of over 20 percent. A high ratio mortgage has a downpayment of less than 20 percent and requires mortgage insurance to ensure that the customer doesn't fail to repay the loan. Mortgage insurance is in place to protect the lenders and banks.

Prior to entering into a binding agreement, this is some of the basic information that each consumer must know. These should help you better understand your financing alternatives. If you have any questions, it is vital that you ask your mortgage broker. It is their task to make obtaining a home as seamless and efficient as possible.