# Second Mortgage

Prior to going into a long-term binding contract, every client must know what the various mortgage terms mean. Here is a list that covers the basic terminology that are usually utilized in a mortgage contract.

Amortization
Amortization is the payment schedule that establishes the duration and payments of your loan. It separates the principal amount from the loan amount and shows how much of your periodic payments are going to each. At first, most of your payments would go towards the interest.

Appraised Value
In order to establish the mortgage amount, the lender will use the appraised value. This refers to the approximate market value of the property and is generally made by a appraiser.

Assessment
To be able to determine the property taxes that are due, the local municipality assesses the property value.

Assumable Mortgage
A mortgage that is transferred to the buyer from the seller. Once the property is purchased, the buyer takes over the responsibility for making the mortgage payments.

Blended Mortgage
A blended mortgage is the combination of two mortgage rates, one of the rates is typically higher compared to the other. The new mortgage would have an interest rate which hovers between the two initial rates.

Bridge Financing
Bridge financing could help the borrower by assisting them with the cash in order to meet their current obligations between the periods of closing their existing house and buying a new house.

Buy-down
A buy-down involves paying the lender in monthly installments or in one lump sum to obtain a lower interest rate.

Canada Mortgage and Housing Corporation (CMHC)
The Mortgage Insurance Fund is managed by the Canada Mortgage and Housing Corporation. This fund ensures that lenders that are approved by NHA are fully insured over any losses which result from the borrower defaulting on the loan.

Closed Mortgage
The borrower could not make pre-payments or renegotiate the mortgage contract in a closed mortgage.

Commitment
Under several circumstances, a lender can decide to advance mortgage funds of a specified amount. A commitment is a written notification that guarantees the prospective borrower of the lenders intention.

Conventional Mortgage
When the downpayment is more than 20 percent, a standard mortgage is given. The lender will not require loan insurance for this kind of mortgage.

Debt Service Ratio
This ratio represents the percentage of the borrower's earnings which the lender will permit them to utilize in the loan qualifications. Total Debt Service Ratio refers to the highest amount that a lender will allow for paying all debts, like credit cards, other loans, and mortgages.

Default
When the borrower does not pay the installments which were agreed upon in the mortgage terms agreement.

Discharge
When whatever financial burdens, including mortgages, are removed from the house.

Equity
Equity is the total difference between the overall selling property value and the amount mortgage owed. It is considered the owner's "stake" in their property.

First Mortgage
The first mortgage that is taken out on a home. Whatever other mortgages that are secured against the property are referred to as secondary mortgages.

Foreclosure
If the borrower defaults on a loan, the lender could take possession and ownership of the house. This is known as foreclosure.

Gross Debt Service (GDS) Ratio
This is a percentage of the gross income a customer must in order to cover monthly housing costs. It is suggested that this ratio should be no higher than 32% of your whole monthly income.

Gross Household Income -
This number represents the total earnings of a household prior to deductions, like for instance commissions, salary and wages. Any member of the household who are co-applicants for the mortgage are included in this amount.

Hazard Insurance
This particular kind of insurance policy is needed by the lender to make certain that the home is protected from weather, fire,

water and other damage.

High Ratio Mortgage
This is a mortgage where the downpayment is lower than 20 percent of the loan. A private insurer or the Canada Mortgage and Housing Corporation must insure the loan in order to protect the lender against non-payment.

Hold-back
The lender could decide to hold back some of the money that is to be paid out at intervals or at the end of construction, to be able to make sure that the house construction is entirely acceptable. usually, the held amount is equal to the projected cost to complete constructing the home.

Interest Rate Differential Amount (IRD)
You can be subject to an IRD charge if you pay off the mortgage principal prior to the maturity date or would be required to pay beyond the prepayment amount previously agreed which was agreed upon within the contract. This amount is determined by calculating the amount being prepaid utilizing an interest rate that is equivalent to the difference between the interest rate which the lender is presently charging when re-lending the funds for the remaining mortgage term and your current mortgage interest rate.

Interim Financing
This represents short-term financing. It helps the buyer to smooth the gap between the closing date of their new residence and the closing date on their current home.

Maturity Date
This date is the day or time the mortgage agreement will come to an end.

Mortgage
This is an agreement which is made between a lender and a borrower. To be able to guarantee repayment of the loan, the borrower would pledge the house as collateral.

Mortgage Broker
A licensed person who acts as a liaison between a borrower and a lender for a fee.

Mortgage Insurance Premium
This is a premium that is added over the mortgage and paid by the borrower over the mortgage terms. This particular amount is usually just charged on a mortgage loan where the downpayment was less than 20%. This helps protect the lender against loss in case of default.

Mortgage Life Insurance
All borrowers can get this type of insurance. If the owner, or one of the owners, come to an untimely end the insurance company will pay the mortgage's remaining balance. This helps to make sure that the survivors would not lose their home.

Mortgage Payment
Mortgage payments are paid on a routine timetable and goes towards the interest on the mortgage agreement and towards the principal amount.

Mortgage Term
The borrower has a predetermined amount of time in order to pay back the lender. At the end of the term, the borrower may choose to either renegotiate the mortgage or they could repay the remaining principal due. Terms generally run from six months to 60 months.

Mortgage Prepayment Penalty
If the borrower decides to break a contract with their lender, they are usually charged a mortgage prepayment penalty. This is generally the equivalent of three month's interest. In various cases, it could likewise be the same amount that the lender would have been given via interest until the end of the contract.

Mortgagee
Also known as a lender. This is the entity who lends the cash to the borrower.

Mortgagor
The mortgagor is the person or borrower of cash from the lender. In order to promise repayment, the borrower pledges a home as collateral.

Open Mortgage
An open mortgage allows the borrower to prepay or renegotiate their mortgage payments at whatever time and without penalty.

Payment Frequency
Payment frequency is how frequently the borrower makes a regular mortgage payment. This can be every other week, every week, twice a month, or on a monthly basis.

Principal
The first amount loaned or the portion of the mortgage which is still owed to the lender. The interest amount charged is determined on the principal amount.

P, I & T
This represents the taxes, principal and interest still owing on the mortgage.

P & I
The total amount of interest and principal owed on a mortgage.

Partially Open or Closed Mortgage
At certain times during the mortgage the borrower is allowed to prepay a prearranged portion of their mortgage principal with or without penalty.

Penalty
A specific amount of money which the lender charges the borrower if they choose to prepay a mortgage in part or in full.

Porting
This permits you to move to a different home without having to lose your current interest rate. You could keep your current mortgage balance, term and interest rate plus save cash by avoiding penalties for early discharge.

Open Mortgage
This particular kind of mortgage enables the borrower to fully pay off the mortgage or renegotiate terms while not incurring penalties.

Refinancing
Refinancing is the process of replacing the present mortgage model with a new mortgage that has a lower interest rate.

Renewal
When the mortgage term is finished, the borrower and lender can negotiate for new terms and conditions which are agreeable to both parties. If a settlement could not be made, the lender is entitled to be repaid in whole. At this point, other funding can be sought by the borrower.

Roll-over Mortgage
This particular kind of loan features a fixed interest rate over a specific length of time. The mortgage "rolls over" when the end of the specified term comes around. At this point, the lender and the borrower can decide to extend the loan or, alternatively, they could part ways. If they cannot reach a satisfactory solution for both parties, the lender is entitled to be repaid in full. At this point, other funding can be sought after by the borrower.

Second Mortgage
A second mortgage is an additional financing contract made on a house which is already secured. As a general rule, the second mortgage interest rates are higher and are issued on a shorter term then the first mortgage.

Variable-rate Mortgage
The payments on a variable-rate mortgage is fixed whilst the interest rate would fluctuate according to current market interest rates. If the interest rates go down, a bigger part of the fixed payment is applied onto the principal amount. Similarly, if the interest rates increase, the amount which goes towards interest increases.

Vendor Take Back
This term means the situation wherein the property seller pays all or some of the mortgage financing with the hopes of making the house more appealing to potential buyers.