Mortgage Rates Prince George

Different Rates And Terms Of A Mortgage

Terms
"Mortgage" is a term which means the time that a lender will loan funds to a borrower. Usually, the duration of the loan will be around 2 to 5 years and can some times be as short as 6 months and as long as 10 years. Normally, the shorter the mortgage term duration, the lower the interest rate is and the less it costs to borrow the money. As soon as the term ends, you could pay off the owing balance or renegotiate the mortgage for a new term until the full mortgage has been fully paid.

Short Term
The short term mortgage agreements or contracts are those which are normally for 2 years or less. Short term mortgages provide a less interest rate with their cost of borrowing than a longer term. These terms are common with people who feel that interest rates are currently higher than they would be in the future. Short term agreements are normally chosen by individuals who anticipate that interest rates would be a lot less at the time of renewal.

Long Term
The long term agreements are usually for 3 years or more. These mortgages generally cost a bit more compared to short term mortgages and thus the interest rate would be higher. For those borrowers who value the predictability and stability of fixed cost over a set length of time, a higher interest rate is appealing. It could be easier to budget a stable mortgage payment and this can bring peace of mind to many individuals.

The typical time to fully pay off your mortgage could be quite awhile, from 15 to 25 years on average. Amortization is the process of fully paying off your loan by installments of principal and interest over a definite length of time. Recently, mortgage lenders and insurers have offered home owners longer amortization periods of 30, 35 and even 40 years.

There are several methods of paying back your mortgage. Some clients would like the comfort in having a predetermined fixed rate because it enables them to budget and plan for other things in their In order to repay your mortgage, there is a variety of methods. Some like to have predetermined fixed rates which enable them to completely plan their budget for the foreseeable future. Other customers prefer more flexibility in their repayment. Some of their circumstances can include wanting to make larger payments at any time they can put more money down because of changes in their cash flow. There are a variety of different types of mortgages which appeal to different kinds of borrowers. A mortgage professional would be able to clarify the differences and even help you choose what type is best for you.

Rates
The amount of interest that is charged against the monthly loan payment is known as the interest rate. Rates are expressed as percentages. It is based either on bond yields or on the rate that the Bank of Canada charges to lend money lenders. Normally, interest rates are less if you borrow money for a short duration of time and higher if you borrow money for a longer period of time.

Fixed Rate Mortgage
Fixed rates imply that mortgage interest rates would not change over the terms of the contract. There are no surprises since you could always count on how much your payments will be and determine how much of your mortgage will be paid off by the end of your term.

Variable Rate Mortgage
A variable rate mortgage is when you agree to a fluctuating interest rate for the period of the term. Since interest rates fluctuate with the bank's prime lending rate and could change from each month to the next. Your payment remains the same when interest rates change, however, the amount that is applied to the principal will change. If interest rates drop for example, more of your mortgage payment is applied to the owed principal balance. This particular kind of mortgage is a great choice for homeowners who believe that the interest rates will drop eventually if they are currently high.