

## Types of Mortgages Prince George

### Types Of Mortgages Available

#### Open Mortgages

An open mortgage is an ideal option for those who wish to make large payments on their mortgage or who would like to pay off their whole mortgage without incurring any penalty. Open mortgages offer maximum flexibility. The landowners who choose this alternative are willing to accept some variation in the interest rate in a trade off for the flexibility of paying off the whole mortgage prior to the term being complete.

Nearly all mortgages will just allow a homeowner to make lump sum payment one time a year without penalties. Typically, the borrower will only be allowed to make payments of 20 percent. Within the business, these are referred to as "privilege payments". That payment is directly applied to paying down the principal of the amount borrowed. Thus, to be able to make extra payments on your mortgage, you do not necessarily need to select the open mortgage option with its interest rates which are higher.

#### Closed Mortgages

Closed mortgages are different than an open mortgage in that the borrower is locked into a commitment over a specific time period at a pre-set rate of interest. Typically a buyer who chooses a closed mortgage would be required to pay the lender a penalty if the loan is fully paid before the end of the closed term.

During the term of a closed mortgage, the interest rate would not fluctuate during the length of the term. In addition, in this particular kind of mortgage, the duration of the term would not change; therefore, 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 than open mortgages. Nearly all closed mortgages would let the landowners make a payment one time a year up to 20 percent of the whole mortgage with no penalty. This payment is directly applied toward paying down the principal of the owing amount.

#### Convertible Mortgages

A convertible mortgage is the kind where an agreement is made at the beginning of a term that enables homeowners to be able to change the kind of mortgage they hold during its term. For example, if a landowner wants to begin with an open mortgage and then lock into a closed mortgage, then a convertible mortgage is the proper choice. This way they are offered the lower rates of an open mortgage and still maintain the option of switching to a closed term.

#### Reverse Mortgages

The reverse mortgage enables older homeowners to change their home equity into monthly cash payments, normally utilized for living costs. With this particular kind of mortgage, a homeowner's equity is slowly drawn down by a series of monthly payments from the lender to the borrower or the homeowner. At the end of the loan period or upon the homeowner's death, the loan balance is due. Generally, this amount is settled by the heirs who normally sell the house in order to meet the outstanding obligation.