Prince George Mortgage Brokers

Most Common Mortgage Terminology Purchasers Must Know Before Signing A Contract

Before entering into a long-term binding contract, each and every customer should know what the various mortgage terminology mean. Below is a list that includes the basic terms that are usually involved in a mortgage contract.

Amortization
Amortization is the payment schedule which establishes the duration and payments of your loan. It separates the principal amount from the loan amount and shows how much of your regular payments are going to each. At first, the majority of your payments will be put towards the interest.

Appraised Value
To determine the mortgage amount, the lender would make use of the appraised value. This refers to the approximate property market value and is normally made by a appraiser.

Assessment
The local municipality evaluates the value of a property so as to calculate the property tax that is due.

Assumable Mortgage
A mortgage that is transferred from the seller to the buyer. Once the property is sold, the buyer must take over the responsibility of paying the mortgage.

Blended Mortgage
A mortgage rate that is created by combining two mortgage rates, and one having a higher rate compared to the other. The new mortgage will have an interest rate that hovers between the two initial rates.

Bridge Financing
Bridge financing can help the borrower by assisting them with the money to be able to meet their present obligations between the periods of closing their existing home and buying a new home.

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 Canada Mortgage and Housing Corporation operated the Mortgage Insurance Fund. This fund ensures that NHA approved lenders are fully insured over any losses that result from the borrower defaulting on the loan.

Closed Mortgage
In this particular kind of mortgage, the borrower is not allowed to make any pre-payments or to renegotiate the mortgage agreement.

Commitment
Under some circumstances, a lender may choose to advance mortgage funds of a specified amount. A commitment is a written notification which assures the potential borrower of the lenders intent.

Conventional Mortgage
When the downpayment is over 20%, a standard mortgage is given. The lender will not need loan insurance for this particular kind of mortgage.

Debt Service Ratio
This is a specific percentage of a borrower's income which a lender would allow them to utilize towards qualifying for a loan. Total Debt Service Ratio refers to the highest amount which a lender will consent to for paying all debts, like credit cards, other loans, and mortgages.

Default
When the borrower does not pay the installments that were established in the mortgage terms agreement.

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

Equity
This is the total difference between the owed mortgages and the selling value of the property. It is considered the owner's "stake" in their property.