Prince George Mortgage Rates

Mortgage Terminology Explained

When you apply for a mortgage, it is important that you know the words which applies to it. There are various alternatives available and it is the job of the mortgage broker to make certain that their customers know everything their mortgage has to provide. Below are several basic mortgage vocabulary which would help you know your current or new mortgage.

The number years or months that you will pay a specific rate to the lender is known as the term. As a general rule, a term could range anywhere from 6 months to a year. The payment frequency is the frequency in which you pay back your loan. There are several alternatives available, including monthly, semi-monthly, biweekly, or weekly payment plans.

Amortization is a term that means the total time before a fixed payment will become paid off completely. Each and every payment consists of both the interest amount along with the principal payment.

Open mortgages are agreements that allow the borrower to pay off any part of the principal at any time without penalty. A closed mortgage does not permit the borrower to pay off the principal unless they pay some penalties. The payout penalty, that is incurred by a customer when they pay out their mortgage in advance, is determined by either an interest rate differential or 3 months interest, whichever is greater.

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

A Home Equity Line of Credit is when part or all of the mortgage is held in a line of credit. This particular kind of mortgage is usually re-advanceable. Thus, when you repay the mortgage, you can then borrow it again.

When a downpayment of over 20 percent is made, the mortgage is called a conventional mortgage. A high ratio mortgage has a downpayment of less than 20% and needs mortgage insurance to make certain that the customer doesn't default on the loan. Mortgage insurance is in place in order to protect the banks and lenders.

Before entering into a binding agreement, this is some of the basic information that each client must know. These should help you better understand your financing options. If you have any questions, it is essential that you talk to your mortgage broker. It is their responsibility to make buying a property as seamless and efficient as possible.