

Mortgage Rates Alberta

Mortgage Terms And Rates

Terms

The term of a mortgage means the period of time a lender will loan mortgage money to a borrower. This duration is normally 2 to 5 years, although it could be from 6 months to 10 years. Usually, the shorter the mortgage term period, the lower the interest rate is and the less it costs to borrow the money. Once the term ends, you can pay off the due balance or renegotiate the mortgage for another term until the full mortgage has been paid completely.

Short Term

Contracts whose period is 2 years or less is considered a short term mortgage contracts or agreements. These kinds of mortgages offer a much lower interest rate compared to the borrowing expenses for a longer term. These terms are common with individuals who feel that interest rates are currently higher than they will be in the future. Short term agreements are normally chosen by individuals who anticipate that interest rates would be a lot lower at the time of renewal.

Long Term

The long term contracts are usually for 3 years or more. These mortgages generally cost a little bit more compared to short term mortgages and hence the interest rate will be higher. For those borrowers who value the predictability and stability of fixed expenses over a set length of time, a higher interest rate is appealing. It can be easier to budget a stable mortgage payment and this could bring peace of mind to lots of people.

To fully pay off your mortgage could take on average 15 to 25 years. The process of amortization is the paying off of principal loan installments and interest over a specific period of time. Recently, mortgage lenders and insurers have provided home owners longer amortization periods of 30, 35 and even 40 years.

There are various ways of repaying your mortgage. Some consumers would like the comfort in having a predetermined fixed rate since it enables them to plan and budget for other things in their To be able to repay your mortgage, there is a variety of ways. Some like to have predetermined fixed rates that enable them to completely plan their budget for the foreseeable future. Other clients choose more flexibility in their repayment. Some of their conditions can involve wanting to make bigger payments whenever they are able to put more money down because of fluctuations in their cash flow. There are a variety of different kinds of mortgages that appeal to various kinds of borrowers. A mortgage expert would be able to explain 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 referred to as the interest rate. Rates are expressed as percentages. It is based either on the rate which the Bank of Canada charges to lend money lenders or on bond yields. Usually, interest rates are less when you borrow money for a short duration of time and higher if you borrow money for a longer time period.

Fixed Rate Mortgage

A fixed rate mortgage is where your interest rate will not change throughout your mortgage term. There are no surprises as you could always count on how much your payments will be and know how much of your mortgage would be paid off by the end of your term.

Variable Rate Mortgage

When the borrower agrees to a fluctuating rate over the mortgage term, it is considered a variable rate mortgage. These rates could change from one month to the next since the interest rates change with the bank's prime lending rate. You pay the same amount when interest rates change, nonetheless, the amount that is applied to the principal will change. If interest rates drop for instance, more of your mortgage payment is applied to the principal balance due. This particular type of mortgage is a great option for homeowners who think that the interest rates will eventually go down if they are currently high.