

## Alberta Mortgage Rates

### Mortgage Terminology - Helping Customers Understand Their Mortgage Better

When applying for a mortgage, it is vital that you know the words that are used. There are various alternatives available and it is the duty of the mortgage broker to make certain that their clients know everything their mortgage has to offer. Here are several basic mortgage terminology which will help you understand your existing or new mortgage.

The number years or months that you would pay a particular rate to the lender is known as the term. Normally, a term could vary anywhere from 6 months to a year. The payment frequency is the frequency in which you repay your loan. There are some alternatives available, including monthly, semi-monthly, biweekly, or weekly payment plans.

Amortization means the number of years it will take using fixed payments before the loan is totally paid off. Each payment consists of both the interest amount together with the principal payment.

An open mortgage can be completely paid off at any time without penalty, whereas a closed mortgage can't be paid out without the customer being subject to a payout penalty. The payout penalty, which is incurred by a client when they pay out their mortgage early, is determined by either 3 months interest or an interest rate differential, whatever is greater.

A mortgage where your interest rate stays fixed for the entire term is called a fixed rate mortgage. An adjustable rate mortgage is occasionally offered at a discount off prime, but the interest will change depending on the prime rate. The prime rate is the lowest rate the bank would loan money at.

A Home Equity Line of Credit is when all or part of the mortgage is held in a line of credit. This particular type of mortgage is usually re-advanceable. This means that, when you pay back the mortgage, you could then borrow it again.

Mortgages are known as conventional when the borrower makes a downpayment of over 20%. A high ratio mortgage has a downpayment of less than 20% and needs mortgage insurance to ensure that the customer doesn't default on the loan. Mortgage insurance is in place in order to protect the banks and lenders.

This is the basic info which every client needs to know before entering into a binding contract and must help you understand your financing options better. If you have any questions, it is vital that you talk to your mortgage broker. It is their responsibility to make buying a property as efficient and seamless as possible.