

Mortgage Rates Langley

Different Terms And Rates Of A Mortgage

Terms

"Mortgage" is a term that refers to the period which a lender would loan money to a borrower. Typically, the duration of the loan would be about 2 to 5 years and may some times be as short as 6 months and as long as 10 years. Typically, the shorter the mortgage term period, the lower the interest rate is and the less it costs to borrow the funds. When the term ends, you will be able to pay off the owing balance or renegotiate the mortgage for another term until the full mortgage has been fully paid.

Short Term

The short term mortgage agreements or contracts are those that are generally for 2 years or less. Short term mortgages offer a less interest rate with their cost of borrowing compared to a longer term. These terms are common with individuals who feel that interest rates are presently higher than they would eventually be. Short term contracts are usually chosen by people who anticipate that interest rates will be less at the time of renewal.

Long Term

A long term agreement will generally span at least three years. This particular type of mortgage features a higher cost compared to short term mortgages as the interest rates are higher. For those borrowers who value the stability and predictability of fixed expenses over a set length of time, a higher interest rate is appealing. It could be easier to budget a stable mortgage payment and this could bring peace of mind to numerous individuals.

The typical time to completely pay off your mortgage could be quite awhile, from 15 to 25 years on average. Amortization is the process of fully paying back your loan by installments of principal and interest over a definite duration of time. Recently, insurers and mortgage lenders have provided home owners longer amortization periods of 30, 35 and even 40 years.

There are different ways of repaying your mortgage. Some clients want the comfort in having a predetermined fixed rate because it enables them to plan and budget for other things in their To repay your mortgage, there are various ways. Some like to have predetermined fixed rates that enable them to fully plan their budget for the foreseeable future. Other clients choose more flexibility in their repayment. Some of their conditions may include wanting to make larger payments at any time they are able to put more money down because of fluctuations in their cash flow. There are some different kinds of mortgages which appeal to different kinds of borrowers. A mortgage expert can clarify the differences and help you choose which type is right 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 that the Bank of Canada charges to lend money lenders or on bond yields. Normally, interest rates are lower when you borrow money for a short duration of time and higher when you borrow money for a longer time period.

Fixed Rate Mortgage

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

Variable Rate Mortgage

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