Langley Mortgage Rates

The Definition Of Various Mortgage Terminology

It is important that a prospective borrower when applying for a mortgage understands and knows the terms that is associated with the contract. The borrower will have lots of options and packages available to them. The mortgage broker can help you understand all things about mortgages. Below are several basic mortgage vocabulary that will truly help you understand your new or existing mortgage.

The term of the mortgage is the number of years or months that you will be required to pay a specific rate to the lending institution. Terms will usually range from 6 months to 12 months. The payment frequency is the frequency in which you pay back your loan. There are some alternatives available, including monthly, semi-monthly, biweekly, or weekly payment plans.

Amortization is a term which refers to the total time before a fixed payment will become paid off completely. Each and every payment includes both the interest amount together with the principal payment.

Open mortgages are agreements which 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 certain 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 higher.

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 depending on the prime rate, the interest would change. The prime rate is the lowest rate the bank would lend money at.

A mortgage where either part or the entire amount is held in a line of credit is known as a Home Equity Line of Credit. This particular kind of mortgage is normally re-advanceable. Hence, when you pay back the mortgage, you could then borrow it back.

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

Before going into a binding agreement, this is a few of the basic information which each client must know. These must help you better understand your financing alternatives. If you have any questions, it is essential that you talk to your mortgage broker. It is their job to make obtaining a house as seamless and efficient as possible.