Mortgage Terms and What They Mean:

Fixed vs Variable

- ✓ Fixed mortgage has a fixed interest rate. This is good for budgeting. Often, the longer the rate is fixed the lower it is.
- ✓ Variable mortgage has a rate that moves with the national ‘prime’ interest rate. It is usually less expensive than the fixed rate.

Open vs Closed

- ✓ Open mortgage can often be broken with a three months interest penalty and a small admin fee.
- ✓ Closed mortgages cannot be broken without paying the interest rate differential (IRD).

Amortization

- ✓ How long it takes to pay off the mortgage. Longer amortizations will cost the most in interest, but will give you the greatest cash flow during the life of the mortgage.

Payment frequency

- ✓ Monthly payments, once a month.
- ✓ Bi-weekly payments, once every 2 weeks.
- ✓ Lump-sum payment amount. The maximum amount of the borrowed balance you can pay down each year, not including your mortgage payments, without incurring a penalty. 15% per year is common.

Portable

- ✓ The borrower can ‘port’ (move) this financing to another property.

Assumable

- ✓ Another buyer can assume (take on) the mortgage when they buy the property. Note: The new buyer must qualify with the lender to assume the mortgage.