

Glossary

Amortization

A term used to describe the period of time over which the entire mortgage is to be paid assuming regular payments.

Appraisal

An independent assessment of the property by a qualified individual.

Assuming a mortgage

Taking over the previous owner's (or builder's) mortgage when you buy a property.

Bridge Financing

A special short term loan needed to cover or bridge the gap in time between completing the purchase of one property and finalizing arrangements to pay for it. Usually this is a result of mismatched closing dates.

Closed and Open mortgages

A closed mortgage agreement does not provide for payout prior to maturity. A lender may permit payout under certain circumstances but will levy a penalty charge for doing so if such exceeds certain limits specified in the mortgage (i.e. 15% prepayment provision). An open mortgage allows prepayment / repayment at any time without penalty.

Closing costs

Costs that are in addition to the purchase price of a property and which must be paid on the closing date. Examples include legal fees, land transfer taxes, and disbursements.

Closing date

The date on which the sale becomes final, the new owner takes possession of the property, and funds are transferred from the purchaser to the vendor.

Conventional mortgage

A mortgage where the borrower is contributing 20% or more of the value of the property as the down payment.

Convertible mortgage

A mortgage that you can change from short-term to long-term, depending on your financial needs.

Debt service ratio

The percentage of the borrower's income used for monthly payments of principal, interest, taxes, heating costs and condo fees (if applicable).

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Default

A homeowner is 'in default' when he or she breaks the terms of a mortgage agreement, usually by not making required mortgage payments or by not making payments on time.

Down payment

The money that you pay up-front for a house. Down payments typically range from 5%-20% of the total value of the home.

Equity

The difference between the market value of a property and the amount owed on the property. This difference is the amount a homeowner actually owns outright.

Fixed Rate Mortgage

A fixed rate mortgage is one for which the rate of interest is fixed for a specific period of time (the term).

High ratio mortgage

A mortgage where the borrower is contributing less than 20% of the value of the property as the down payment.

Home inspection

A visual inspection of the major components of a home by a qualified individual, who will give the home buyer a true and unbiased picture of the home's condition.

Home insurance

Insurance to cover both your home and its contents (also referred to as *property insurance*). This is different from *mortgage life insurance*, which pays the outstanding balance of your mortgage in full if you die.

Interest adjustment

The amount of interest due between the date your mortgage starts and the date the first mortgage payment is calculated from. Sometimes there is a gap between the closing date of your home purchase and the first payment date of your mortgage.

Joint Tenancy

Ownership of land by two or more persons whereby, on the death of one, the survivor or survivors take the whole property.

Land transfer tax

A tax that is levied (in some provinces) on any property that changes hands.

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Loan to Value Ratio

The ratio of the loan to the appraised value or purchase price of the property, whichever is less, expressed as a percentage.

Lump sum payment

An extra payment that you make to reduce the amount of your mortgage.

Maturity Date

The last day of the term of the mortgage agreement. The mortgage agreement must then be renewed or the mortgage balance paid in full.

Mortgage

A loan that you take out in order to buy property. The collateral is the property itself.

Mortgagee/mortgagor

Mortgagee is the lender; mortgagor is the borrower.

Mortgage broker

A company or individual who helps the homeowner find the right financing to buy a property. A broker does not actually lend money but seeks out a lender and arranges the mortgage terms. This may include negotiating with the lender for the best possible deal for the homebuyer.

Mortgage default insurance

Required if you are contributing between 5% and 20% of the value of the property as the down payment. The premium is a percentage of the mortgage. The mortgage insurance insures the lender against loss in case of default by the borrower.

Mortgage life insurance

This form of insurance pays the outstanding balance of your mortgage in full if you die. This is different from *home or property insurance*, which insures your home and its contents.

Mortgage term

The length of time the interest rate is guaranteed for a mortgage. Mortgage terms normally range from six months to ten years or more, after which you can repay the balance of the principal owing or re-negotiate the mortgage at current rates.

Multiple Listing Service (MLS)

A computerized listing of the properties available in your area, including information and pictures of each property.

