

Mortgage Glossary

A collection of sometimes confusing mortgage terms

Our Mortgage Glossary is updated frequently. If there are any mortgage related terms that you do not see in this glossary, please contact us, and we will be glad to clarify it for you.

A

Adjustable Rate – both the interest rate and the mortgage payment vary based on market conditions.

Amortization – is the amount of time over which the entire debt will be repaid. Most mortgages are amortized over 15, 20 or 25 years.

Appraisal – A process for estimating the market value of a particular property. The appraised value seldom matches the actual purchase price exactly as other factors influence the price. **Approved Lender** – A lending institution authorized by the Government of Canada through CMHC & Genworth Financial make loans under terms of the National Housing Act. Only Approved Lenders can negotiate mortgages, which require mortgage loan insurance.

B

Blended Payment – A mortgage Payment that includes principal and interest. It is paid regularly during the term of the mortgage. The payment total remains the same, although the principal portion increases over time and the interest portion decreases.

C

Closed – if you like to have a fixed payment that will allow you to adjust your budget to your new lifestyle. This type of mortgage is not flexible and there are often penalties

Closing Costs – Costs, in addition to the purchase price of the home, such as legal fees, transfer fees and disbursement, that are payable on the closing date. Closing costs typically range about 1.5% of a home's selling price.

Closing Date – The date on which the sale of a property becomes final and the new owner takes possession.

Collateral Mortgage – A mortgage, which secures a loan by way of a promissory note. The money, which is borrowed, can be used to buy a property or another purpose such as home renovation or for a vacation.

Commitment Letter/Mortgage – Approval written notification from the Mortgage Lender to the borrower that approves the advancement of a specified amount of mortgage funds under specified conditions.

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R

Refinance – To pay off a mortgage or other registered encumbrance and arrange for a new mortgage, sometimes a different lender.

S

Second Mortgage – An additional mortgage on a property that already has a mortgage.

T

Term – is the length of time that the agreed-upon mortgage contract conditions, including interest rate, will be fixed.

Title – A freehold title gives the holder full and exclusive ownership of land and buildings for an indefinite period of time. In condominium ownership, all unit owners own land and common elements of buildings collectively, while the residential units belong exclusively to the individual owners. A leasehold title gives the holder a right to use and occupy land and buildings for a defined period of time.

Total Debt Service Ratio (TDS) – The percentage of gross monthly income required to cover all monthly payments for housing and all other debts, such as car payments.

V

Variable Rate – fluctuates based on a market conditions while the mortgage payment remains unchanged.

Vendor Take Back Mortgage – Mortgage Financing arranged between the seller of the property and the buyer. The title is transferred to the buyer. Often this type of loan is a second mortgage, which the seller is willing to arrange at below market rates to ensure the buyer can purchase the house. Most of these arrangements are not renewable or transferable to the next owner of the house.