

Mortgage Terms

Amortization Period

The time over which all regular payments would pay off the mortgage. This is usually up to 25 years for a new mortgage.

Appraisal

The process of determining the value of property, usually for lending purposes. This value may or may not be the same as the purchase price of the home.

Assumable Mortgage

A type of financing arrangement in which the outstanding mortgage and its terms can be transferred from the current owner to a buyer. By assuming the previous owner's remaining debt, the buyer can avoid having to obtain his or her own mortgage.

Blended Payments

Payments consisting of both a principal and an interest component, paid on a regular basis (e.g. weekly, biweekly, monthly) during the term of the mortgage. The principal portion of payment increases, while the interest portion decreases over the term of the mortgage, but the total regular payment usually does not change.

Canadian Mortgage and Housing Corporation - CMHC

A division of the Government of Canada that acts as Canada's national housing agency. The CMHC's mandate is to help Canadians access a variety of affordable housing options. It also researches housing and real estate trends in Canada and around the world, providing research to consumers, businesses and other government divisions. The major activity of the CMHC, and the one for which it is best known, is mortgage loan insurance, which insures approved lenders (such as Canada's chartered banks) against borrower default. Mortgage loan insurance provides approved borrowers access to low-cost mortgage rates. CMHC approved buyers may purchase property with as little as 5% down payment.

Certificate of Search or Abstract of Title

A document setting out instruments registered against the title to the property, e.g. deed, mortgages, etc.

Closed Mortgage

A mortgage agreement that cannot be prepaid, renegotiated or refinanced before maturity, except according to its terms.

Collateral

Properties or assets that are offered to secure a loan or other credit. Collateral becomes subject to seizure on default.

Conventional Mortgage

A mortgage that does not exceed 80% of the purchase price of the home. Mortgages that exceed this limit must be insured against default, and are referred to as high-ratio mortgages.

Debt-Service Ratio

The percentage of the borrower's gross income that will be used for monthly payments of principal, interest, taxes, heating costs and condominium fees.

High Ratio Mortgage

If you don't have 20% of the lesser of the purchase price or appraised value of the property, your mortgage must be insured against payment default by a Mortgage Insurer, such as CMHC. And the availability of government-backed mortgage insurance is restricted to homes with a value of \$1 million or less.

Interest Rate Ceiling

The absolute maximum rate of interest that a financial institution can charge for an adjustable rate mortgage or loan.

Mortgage

A debt instrument, secured by the collateral of specified real estate property, that the borrower is obliged to pay back with a predetermined set of payments. Mortgages are used by individuals and businesses wishing to make large value purchases of real estate without paying the entire value of the purchase up front. Mortgages are also known as liens against property, or claims on property.

Mortgage Banker

A company, individual or institution that originates, sells and services mortgage loans.

Mortgage Broker

The matchmaker between a home buyer and a lender whose goal is to originate a mortgage loan. The broker draws from a pool of various lenders to find the right match.

Mortgagee

An entity that lends money to a borrower for the purpose of purchasing a piece of real property. By accepting a mortgage on the real property, the lender creates security in the full repayment of the loan in the future.

Mortgagor

An individual or company who borrows money to purchase a piece of real property. By granting the lender an interest in the property, which allows it to lend the funds with an accurate assessment of risk, the mortgagor provides the lender with a guarantee for the full repayment of the loan. Also known as a "chargor".

Total Debt Service (TDS) Ratio

The percentage of gross income needed to cover monthly payments for housing and all other debts and financing obligations.