

Glossary of Mortgage Product Terms

- **Adjustment Date:** The date the interest rate changes on an adjustable rate mortgage.
- **Assumable Mortgage:** A mortgage held on a property by the seller that can be taken over by the buyer, who accepts the responsibility for making the mortgage payments.
- **Balloon Mortgage:** Works like a fixed rate mortgage for a set number of years (specified by borrower) and the must be paid off in full in a single payment.
- **Balloon Payment:** The final lump sum that is paid at the end of the balloon mortgage.
- **Bridge Financing Loan:** An equity loan secured to solve short-term financing problem.
- **Budget Mortgage:** A mortgage that includes a portion for taxes and insurance along with the principal and interest.
- **Conventional Mortgage:** A mortgage loan that is 75% or less of the loan to value ratio, and doesn't require insurance by the Canadian Mortgage Housing Corporation (CMHC) or other private insurer.
- **Convertible Mortgage:** This allows you to convert your mortgage to a new one of longer term while it is still in effect.
- **Early Renewal:** This clause allows you to renew your mortgage before it becomes due.
- **First Mortgage:** The first security registered on a property. Additional mortgages secured against the property are secondary to the first mortgage.
- **Fixed Rate Mortgage:** A mortgage where the interest rate does not change for the life of the loan.
- **High Ratio Mortgage:** A mortgage that exceeds 75% of the loan to value ratio. These types of mortgages must be insured by CMHC or other private insurer to protect the lender against default by the borrower.
- **Leasehold Mortgage:** Is a mortgage on a home where the land is leased rather than owned.
- **Lock-in Clause:** Clause in mortgage agreement that states that the borrower can not repay a loan prior to a specified date.
- **Open Mortgage:** A mortgage that can be prepaid or renegotiated at any time and in any amount, with out penalty.
- **Pre-Approved Mortgage:** Tentatively approved by a financial institution for a specified amount, interest rate and monthly payment.
- **Portability:** A mortgage feature that allows borrowers to take their mortgage with them without penalty when they sell their present property to buy another one.
- **Second Mortgage:** A second financing arrangement, in addition to the first mortgage, also secured by the property.
- **Term Mortgage:** A non-amortizing mortgage under which the principal is paid in full upon the maturity date. Sometimes called a straight loan.
- **Underwriting:** The process undertaken by the financial institution to decide whether or not to lend you money, or how much to lend you based on the information you provided.
- **Variable Rate Mortgage:** A mortgage for which payments are fixed, but whose interest rate changes according to the fluctuating market interest rates. * If mortgage rates go up a large portion of the monthly payment will go to the interest. However, if rates drop, a larger portion of the monthly payment will be applied to the principal.
- **Vendor Take Back Mortgage:** when the seller use their equity in a property to provide some or the entire mortgage financing in order to sell the property.