

## Glossary of Mortgage Terms

- **Amortization:** The number of years it takes to repay the entire amount of the mortgage
- **Buyer's agent:** a realtor (a real estate agent) who acts contractually on behalf of the buyer. A buyer's agency agreement allows the realtor to negotiate on behalf of the buyer with no legal conflict of interest. The seller is responsible for paying the agent's fee, this is noted and acknowledged in the Offer to Purchase.
- **Credit Rating:** Borrowers are rated by lenders according to the borrower's credit worthiness or risk profile. The credit rating is based various factors; such as payment history, total outstanding debt, foreclosures, write-off and bankruptcies.
- **Credit Report:** A record of an individual's payment history available at a credit bureau. Consumers can go on line and buy their credit report or order a copy of their own report by contacting them via fax, mail or in person. To access your credit report visit: [www.equifax.ca](http://www.equifax.ca) or [www.transunion.ca](http://www.transunion.ca)
- **Commitment Letter:** A written commitment letter from a lender to lend mortgage funds to specific borrowers as long as certain conditions are met within a specified time period before closing.
- **Closing Costs:** Various expenses associated with purchasing a home. These costs can include legal fees and disbursements, property land transfer taxes as well as adjustments for prepaid property taxes or condominium common expenses.
- **Closing Date:** The date on which the sale of a property becomes final and the owner usually takes possession.
- **Debt Service Ratio:** The percentage of a borrower's income that can be used for housing costs.
- **Default:** Failure to make monthly mortgage payments as agreed, or to meet certain other terms of a mortgage agreement.
- **Down Payment:** The buyer's cash payment toward the property. The difference between the purchase price and the amount of the mortgage loan.
- **Equity:** The difference between the value for which you could sell your property and what is owed against it.
- **Home Inspection Report:** A report ordered and paid by the purchaser, to verify the condition of a property prior to proceeding with the Real Estate transaction.
- **Interest:** A surcharge on the repayment of debt (borrowed money).
- **Interest Rate:** The percentage of an amount of money that is paid for its use over a specified time period.
- **Land Transfer Tax, Deed Tax, or Property Purchase Tax:** A fee paid to the municipal and or provincial government for the transferring of property from seller to buyer.
- **Loan:** The principal or amount of total borrowed money that is repaid with interest.
- **Loan Amount:** The amount of money that you intend on borrowing from a financial institution for the purchase of your property.
- **Loan Officer:** The person who is the go between the lending institution and borrowers.

- **Loan Servicing:** A service performed by lender to protect a mortgage investment, including collecting monthly payments from borrowers and dealing with delinquencies.
- **Maturity:** The due date of a loan.
- **an Origination:** Is the process of obtaining new loans.
- **Maturity:** The due date of a loan.
- **Minimum Credit:** This refers to the minimum credit rating the borrower must have in order to qualify for the mortgage.
- **Monthly Housing Expenses:** Total principal, interest, property taxes and insurances paid by the borrower on a monthly basis. Used with gross income to determine affordability.
- **Mortgage Payment:** The regular installments made towards paying back the principal and interest on a mortgage.
- **Mortgagee:** The person or financial institution lending the money, secured by a mortgage.
- **Mortgagor:** The property owner borrowing the money, secured by a mortgage.
- **Mortgage Broker:** A person or company having contacts with financial institutions or individuals wishing to invest in mortgages. The mortgagor pays the broker a fee for arranging the mortgage. Appraisal and legal services may or may not be included in the fee.
- **Mortgage Insurer:** In Canada, high-ratio mortgages (those representing greater than 75% of the property value) must be insured against default by either CMHC or private insurers. The borrower must arrange and pay for the insurance, which protects the lender against default. For more information on mortgage insurance visit: [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca).
- **Mortgage Life Insurance:** Insurance that pays off the mortgage debt should the insured borrower die. To find out about other mortgage insurances visit: [www.cba.ca](http://www.cba.ca)
- **Mortgage Prepayment Penalty:** Is a fee paid by the borrower to the lender in exchange for being permitted to break a contract (a mortgage agreement); usually three months' interest, but it can be a higher or it can be the equivalent of the loss of interest to the lender.
- **Principal:** the amount of money owing on your mortgage, including accrued paid interest.
- **Rate:** (Interest) The return the lender receives for advancing the mortgage funds required by the borrower to purchase a property.