Common mortgage terms

These days, researching mortgage information is a good news, bad news scenario.

The good news is that there's more information available than ever before. The Internet, TV, newspapers, bookstores, libraries, colleagues, family members and neighbours are flush with mortgage advice, insights and tips.

The bad news, though, is that making sense of all of this information can be difficult and even overwhelming – especially when it comes to figuring out all of the mortgage "jargon."

Our goal is to make your mortgage research process as simple, stress-free and satisfying as possible. And that's why we're pleased to provide you with an overview of some common mortgage terms, and what they might mean to you.

Open Mortgage: An open mortgage allows you to pay back (in addition to your regular payments) any amount toward your mortgage at anytime. While this can help you pay off your mortgage sooner, open mortgage interest rates are higher than fixed mortgage rates.

Closed Mortgage: A closed mortgage doesn't let you pay back any amount towards your mortgage at anytime. However, depending on your mortgage agreement, you may be able to make extra (i.e. non-scheduled) payments at certain times, and up to certain amounts.

Closed mortgage interest rates are lower than open mortgage interest rates, but you'll incur a penalty for paying your mortgage off early.

Variable Mortgage: A variable mortgage has a fluctuating interest rate, which means that while your payments remain the same each month, the amount that goes towards principal vs. interest will change based on the interest rate. This can either extend or decrease the life of your mortgage. A variable mortgage can be a good option if you think that interest rates will remain the same or fall during the life of your mortgage.

Fixed Mortgage: A fixed mortgage gives you "peace of mind" in knowing that you'll be paying the same amount towards principal and interest each month, regardless of what happens with interest rates. A fixed mortgage can be a good option if you think that mortgage rates will rise, or if you simply want cost certainty.

Mortgage Payment Schedule: The mortgage payment schedule refers to the frequency of your mortgage payments. The standard schedule is monthly. However, many of our members take advantage of a weekly or bi-weekly payment schedule to end their mortgage years sooner.

Contact us. We're here to help make your mortgage research and decision-making process easy and rewarding.

FINANCIAL INSPECTIONS

The plans, tools and expert advice for your finances

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Synergy CREDIT UNION

This article is brought to you by Synergy Credit Union. We've got the plans, tools and expert advice so you can end up with more money now - and for years to come.