Nelson & District
CREDIT UNION Logically. Locally.

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# Loans 101 - 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 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."

At Nelson & District Credit Union, 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.

**100 Mile Mortgage:** This is Nelson & District Credit Unions mortgage program. A mortgage from our Credit Union is a true commitment to community. Funds for mortgages and loans are lent out from member deposits, an investment that is always kept local and contributes to a healthy and vibrant local economy.

**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.

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**High Ratio Mortgage:** A high ratio mortgage is the term applied to a mortgage when the amount borrowed is 80% or more of the appraised value or purchase price of the property (whichever is less). High ratio mortgages can be risky, because of the small amount of equity in the home. On the other hand, a high ratio mortgage can help you move into a great next house, or make the transition from renting, sooner instead of later. A high ratio mortgage must be insured by the CMCH or a private company.

**Home Buyers Plan (HBP):** The Home Buyers' Plan (HBP) is a Federal government program that allows you to withdraw funds from your RRSPs for the purpose of buying or building a qualifying home. The withdrawal limit is $25,000 per year, and the amount must be repaid back into your RRSPs over a 15 year period. Learn more about the HBP at http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/rrsp-reer/hbp-rap/menu-eng.html.

**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 save thousands in interest, and end their mortgage years sooner.

At Nelson & District Credit Union, we're here to help make your mortgage research and decision-making process easy and rewarding. Contact us today at 1.877.352.7207 or visit us online at www.100milemortgage.com or www.nelsoncu.com to get the clear and honest mortgage information, advice and answers you need.