GLOSS ARY OF COMMON MORTGAGE TERMS

ADJUSTMENTS
Common expenses, if any, such as property taxes or utility bills, that have been prepaid by the vendor are pro-rated and paid by the purchaser to the vendor on closing.

ADJUSTABLE MORTGAGE
A mortgage whose interest rate and payments are changed at an agreed upon frequency based on a plus/minus adjustment to the prime lending rate. It may be converted to a fixed rate mortgage for a term equal to or greater than the remaining term.

AMORTIZATION
The time over which the mortgage is to be completely repaid, assuming equal payments. For example, if you have a mortgage with a 25-year amortization period, it would take 25 years to bring the balance to zero, if all regular payments were made on time.

AMORTIZATION SCHEDULE
A breakdown of the principal and interest payments for the initial term.

CONVENTIONAL MORTGAGE
A mortgage of up to a maximum of 80% of the lending value of the property.

CONVERSION
A feature that allows borrowers to fix the rate of their variable rate mortgage to a term equal to or greater than the remaining term with no penalty.

FIXED TERM MORTGAGE
A mortgage with a fixed rate for a specific term.

HIGH-RATIO MORTGAGE
A mortgage loan that exceeds 80% of the lending value of the property, and which is insured through a mortgage insurance program or self insured by some lenders.

INTEREST ADJUSTMENT DATE (IAD)
The date from which interest is calculated, at the rate and compounded at the frequency, set out in the mortgage contract. It is normally the first day of the month following the closing of the mortgage transaction.

INTEREST RATE
The rate of return the lender gets for letting the borrower use the mortgage money for a specified term. The interest rate is usually expressed as an annual percentage rate.

LOAN TO VA LUE (LTV)
A calculation that expresses the amount of a first mortgage lien as a percentage of the total appraised value of the property. The resulting percentage is commonly called the loan to value ratio.

Example: An appraised property value of $120,000 and a first mortgage of $90,000 produce an LTV ratio of 75%. Lenders consider loan to value as one of the key risk factors when qualifying borrowers.

MORTGAGEE/MORTGAGER
The Mortgagee is the lender that advances the funds for a mortgage loan; the Mortgagor (that's you!) is the borrower who gives title to, or a lien on, real property to a Mortgagee to secure repayment of a mortgage loan.

PENALTY
A sum of money paid to a lender for the privilege of prepaying a mortgage in part, or in full, before the mortgage matures.

PORTABILITY
A feature that allows an existing mortgage to be transferred to a new property (generally with credit approval and property appraisal).

PREPAYMENT
Full or partial payment of all or part of the principal amount owing. A separate payment from regular payments allowed in a mortgage agreement.

PRINCIPAL
The amount of the loan owed to the lender at any specified time, not including interest.

TERM
The length of the current mortgage agreement.

TITLE
Right of ownership of property, including evidence of such ownership.

TITLE INSURANCE
A contract by which the insurer, a title insurance company, agrees to pay the insured a specific amount for any loss

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