

Assumption of Mortgage

Someone who takes over your mortgage upon the sale of your home.

Agreement of Purchase and Sale

The legal document prepared when you apply for an offer to buy a home. Most offers are conditional on the confirmation of certain things, such as the financing arrangement.

Appraised Value

An estimate of the market value of the property completed by a qualified appraiser. Lenders base their their lending decision on this value.

Amortization Period

The time period over which the borrower will make regular payments to pay off their mortgage loan. This is normally 25 years for a new mortgage. Currently the maximum amortization available is 35 years.

Closing Date

The date on which the sale of a property becomes final and the new owner takes possession.

CMHC/Sagen/Canada Guaranty

Canada Mortgage and Housing Corporation. CMHC is the government body in Canada that supplies the default insurance on a mortgage when the downpayment is less than 20%. The cost of the insurance is added to the borrower's mortgage as a one-time fee. There is also Sagen (formerly GE) and Canada Guaranty or CG

Conventional/High-ratio Mortgages

An uninsured or insurable mortgage is one that does not exceed 80% of the purchase price or value of the home. Mortgages that exceed this limit are called insured mortgages.

Gross Debt Service Ratio (GDS)

Total mortgage payment (including principal, interest and taxes and heating) divided by gross monthly income. This figure should not exceed 35% but in some cases can be 39%.

Home Equity

The current value of your home minus the total balance outstanding on the mortgage.

Bridge Financing

Short-term financing to help a buyer bridge the gap between the closing date on the purchase of a new home and the closing date on the sale of their current home.

Mortgagee and Mortgagor

The lender is the mortgagee and the borrower is the mortgagor.

Mortgage pre-payment

Any payment over and above your regular scheduled monthly payment. Mortgage pre-payments go towards paying off the principal and can be made to pay off the mortgage sooner.

Mortgage Term

The amount of time for which your mortgage rate is locked in. Terms usually range from 6 months to 10 years.

Portable Mortgage

A mortgage that includes the option to transfer your mortgage, including rate and terms, from your existing property to a new property.

Pre-payment Penalty

A penalty charge for paying back your mortgage before the term expires. This can be in the thousands of dollars. Most lenders charge similar penalties.

Rate Commitment

The number of days the lender will guarantee the mortgage rate on a mortgage approval. The length of the commitment period can vary from 30 to 120 days.

Total Debt Service Ratio (TDS)

The calculation of one's total mortgage payments, including property taxes, plus any other outstanding debts (at the time of application for mortgage approval) divided by the applicant's gross monthly income. This figure should not exceed 42% but in some cases can be as high as 44%.

Weekly and Bi-Weekly Payments

You can usually choose to make your mortgage payments once a week or once every two weeks. This pays your principal down faster because you are making the equivalent of one extra monthly payment per year.

Title Insurance Policy

A contract by which the insurer, usually a title insurance company, agrees to pay the insured a specific amount for any loss caused by defects of title to real estate, wherein the insured has an interest as purchaser, mortgagee or otherwise.