

# Mortgage Terminology



**Making sense of home financing terminology can be difficult. We're here to help...**

## ***Agreement of Purchase and Sale***

A legal agreement that offers a certain price for a home. The offer may be firm (no conditions attached), or conditional (certain conditions must be fulfilled before the deal can be closed).

## ***Amortization Period***

The amount of time over which the entire debt will be repaid assuming the same interest rate.

## ***Appraisal***

The process of determining the value of property, usually for lending purposes. This value may or may not be the same as the purchase price of the home.

## ***Conventional Mortgage***

A mortgage that does not exceed 80% of the purchase price of the home. Mortgages that exceed this limit must be insured against default, and are referred to as high-ratio mortgages.

## ***Home Equity***

The difference between the price for which a home could be sold (market value) and the total debts registered against it.

## ***Mortgage Term***

The number of years or months over which you pay a specified interest rate. Terms usually range from six months to 10 years.

## ***Open Mortgage***

A mortgage which can be prepaid at any time, without penalty.

## ***Porting***

This allows you to move to another property without having to lose your existing interest rate. You can keep your existing mortgage balance, term and interest rate plus save money by avoiding early discharge penalties.

## ***Refinancing***

Renegotiating your existing mortgage agreement. May include increasing the principal or paying out the mortgage in full.

## ***Variable Rate Mortgage***

A mortgage for which the rate of interest may change if other market conditions change. This is sometimes referred to as a floating rate mortgage.



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