

Checklist for Arranging Your Mortgage

Questions You Should Ask Your Banker Before Signing

Items to Review and Check	Bank A	Bank B	Valueland
<p>1. What is my interest rate? Like paying a rent to lease a place to live, you pay interest when you borrow money from lenders. The interest rate is expressed as a percentage per year. Lower rates save you money!</p>			
<p>2. How does my interest compound? The interest on mortgages is compounded. This is simply "interest on interest". Fixed rate mortgages are compounded semi-annually, by Canadian law. However, with variable rate mortgages, the compounding period varies from lender to lender. The more frequent it compounds, the more interest you pay to the lender. So, monthly compounding is more expensive than semi-annually compounding mortgages!</p>			
<p>3. Is this a collateral mortgage? A collateral mortgage is also known as a collateral charge. Collateral mortgages restrict mortgage switches among banks and also prevent further mortgage registration on your property. Collateral mortgages are not assumable/assignable among lenders, which means that it can not be transferred even your term is matured. There will be extra legal costs if you need to switch lender for your collateral mortgage.</p>			
<p>4. Can I break my mortgage? Breaking your mortgage means paying off the mortgage before maturity, i.e., early break-up of the mortgage contract. Most lenders allow you to break your mortgage with a penalty. Some lenders have restrictions on breaking so that you are not able to pay off the mortgage during the term, which means no transfer, no refinance before maturity.</p>			
<p>5. What is my penalty for breaking it? Penalty happens when you break your mortgage. It is either three-month interest or interest rate differential (I.R.D.). Generally speaking, the I.R.D. is more expensive than the three-month interest.</p>			
<p>6. How much extra can I pay? This refers to Prepayment Privilege and expressed as a percentage to original mortgage amount. Higher the percentage, more money you can pay as extra. This percentage usually ranges from 5% to 25%. Any extra money you pay into the mortgage will be used to reduce your principal amount. As a result, less interest you shall pay to the lender after your extra payment. The higher %, the better!</p>			
Comparison Results			



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