Learn the Mortgage Basics

Conventional Mortgage vs. High Ratio Mortgage

A Conventional Mortgage does not exceed 80% of the purchase price, or the appraised value of the home, whichever is less. This option doesn't require you to have it insured against default. **BENEFIT:** If you can save at least 20% for your down payment you'll save the additional expense of mortgage insurance required with a High Ratio Mortgage.

A High Ratio Mortgage is a loan above 80% up to 95% of the purchase price, or appraised value of the home, whichever is less. This mortgage option requires the value of the mortgage to be insured by an approved mortgage insurer like the Canada Mortgage and Housing Corporation, a Federal Government Corporation, or Genworth Financial Canada, a private insurer. There will be a premium paid for this insurance, which can be paid up front or included in the principal portion of your mortgage. **BENEFIT:** If you are unable to secure a 20% down payment this option allows you to purchase a home sooner.

The chart below outlines the features and benefits of your mortgage options. A credit union Mortgage Specialist can help you determine which options are best suited for your needs based on a full assessment of your financial situation, goals, and realities.

Type	**Feature**	**Benefit**
Fixed Rate Closed Mortgage	Interest rate locked in for the term of the mortgage.	Security and peace of mind. The interest rate will not increase over the term of the mortgage. Monthly payments do

		not change. However, penalties may apply if the term is broken early. If interest rates go down you risk paying more interest over the term of your mortgage.
Variable Closed Rate Mortgage	Interest rate changes with the market.	Lower interest rate. Potential interest savings. If interest rates go down you could pay off your mortgage faster. If interest rates go up you risk paying more interest over the term of the mortgage. Monthly payments would fluctuate with an “uncapped” or “adjustable variable mortgage. Payments will remain constant if the mortgage is “capped.”
Open Mortgage	Pay off your mortgage in part, or in full, at any time without penalties.	Flexibility. Short-term option. An open mortgage offers flexibility to pay off your mortgage in part, or in full, at any time without penalty. It also allows you to renegotiate at any time. This option comes at a higher interest rate and therefore is likely only considered for the short-term. This could be a great option if you plan to sell again in the short-term.
Closed Mortgage	Cannot pay off your mortgage in part or in full without penalty.	Lower interest rate. Long-term option. A closed mortgage does not offer the flexibility to pay off or renegotiate your mortgage at any time. However, you do receive a lower interest rate reducing the overall interest cost of your mortgage over the term.
Mortgage Secured Line of Credit / Home Equity Line of Credit	Use the equity in your home to secure up to 80% (with a credit union only) of the purchase price or value of your home. For all other financial institutions, it is up to 65%.	Low interest rate. Flexibility. This is a great option for anyone who is confident in their ability to manage the line of credit responsibly. And, anyone who can ensure that a payment schedule will be put in place to manage the funds. Funds can be used for any reasonable purchase, such as home renovations, a new car, etc.

Collateral Mortgage / Collateral Charge Mortgage	Register your mortgage for up to 125% of the value of your home at closing.	Access to more funds after closing without extra costs. A collateral mortgage allows you to use your home as security for a loan or more than one loan and, potentially, borrow additional funds. Because a lender may register the mortgage for an amount that is more than the initial loan, you are able to change loans and other credit agreements without having to register a new mortgage provided the total amount owing is less than the principal amount of the collateral mortgage. A collateral mortgage is also used when some or all of the debts have a “revolving” feature, such as a credit line.