

Mortgages

Learning Goals

- discuss advantages/disadvantages of renting vs. owning
- discuss what to look for when buying a house
- terms of mortgages
- other items to consider when buying

Living Arrangements

Advantages:

Rent

Landlord fixes things
usually cheaper

Own

equity

<https://www.cibc.com/ca/mortgages/calculator/rent-vs-own.html>



You decided to buy a house.
 What should you consider when choosing a house?

size
 location
 Land
 price
 garage

town/detached
 semi
 age
 how much work does it need

(7.6) Introduction to Mortgages

Match up the terms on the left with their definitions on the right.

1. EQUITY: K	a) The borrower
2. MORTGAGE: C	b) When the interest rate stays the same for the term of the mortgage
3. MORTGAGE BROKER: J	c) A special type of borrowing arrangement between a borrower and a lender
4. MORTGAGOR: A	d) The cost of borrowing money
5. MORTGAGE PAYMENTS: G	e) A mortgage for which only the regular specified payments may be made for the agreed term. If you want to make early extra payments, or pay the mortgage off early, a penalty is charged.
6. MORTGAGEE: F	f) The lender
7. PRINCIPAL: H	g) Regular installments made toward paying back the principal and interest on a mortgage.
8. INTEREST: D	h) The mortgage amount initially borrowed, or the portion still owing on the mortgage.
9. COLLATERAL: M	i) When any or all of the amount borrowed as a mortgage may be repaid at any time.
10. OPEN MORTGAGE: I	j) A licensed person who, for a fee, brings together a borrower in need of a mortgage and a lender willing to provide one.
11. CLOSED MORTGAGE: E	k) A financial gain (value of home minus amount still owed on the home).
12. FIXED-RATE MORTGAGE: B	l) A mortgage for which the rate of interest charged varies as the bank rate changes
13. VARIABLE-RATE MORTGAGE: L	m) Property used to guarantee the repayment of a debt.

term - length of the mortgage agreement
 - usually 1-5 years, rarely 10 years

amortization - gradual elimination of the loan
 - usually 25 years

Mortgage Payments:

Payment Frequency is how *often* a mortgage payment is made. Types of payment frequency include:

- Monthly
- Semi-Monthly
- Weekly
- Accelerated Weekly
- Bi-weekly
- Accelerated Bi-weekly

Example: Rosa will pay \$585.58 per month for her mortgage payments.

Complete the following chart for each type of payment frequency:

Payment Frequency	Definition	Payment Calculation	Amount of Payment	Total Amount per Year
Monthly	Once a month	M	585.58	7026.96
Semi-monthly	Twice a month	$M \div 2$	292.79	$292.79 \times 24 = 7026.96$
Weekly	Once a week	$M \times 12$ (months a year) $\div 52$ (weeks a year)	135.14	$135.14 \times 52 = 7027.28$
Accelerated Weekly	Once a week	$M \div 4$ (weeks a month)	146.40	7612.80
Bi-weekly	Every two weeks	$M \times 12$ (months a year) $\div 52$ (weeks a year) $\times 2$	270.27	$270.27 \times 26 = 7027.02$
Accelerated Bi-Weekly	Every two weeks	$M \div 2$	292.79	7612.54


Closing Costs:


When you receive a mortgage, there are specific costs or expenses that must be paid with the mortgage itself. These are called **closing costs**. Go to the website: http://www.cmhc.schl.gc.ca/en/co/buho/hostst/hostst_003.cfm (or use Google) and summarize the following closing costs:

1. Mortgage Loan Insurance Premium *must be paid if downpayment is less than 25%*
2. Appraisal Fee *worth of the house*
3. Deposit *\$1000-2000 to hold the house until paperwork goes through*
4. Down Payment *3%-25% of the mortgage*
5. Home Inspection Fee *\$500 no required but helpful in older homes*
6. Land Registration Fees (sometimes called a Land Transfer Tax, Deed Registration Fee, Tariff or Property Purchases Tax). *to register ownership with the city*

7. Prepaid Property Taxes and/or Utility Bills. *only need to pay from day of purchase*
8. Property Insurance. *required*
9. Survey or Certificate of Location Cost. *is the house, fence... in the right place*
10. Water Quality Inspection. *not required*
→ good idea in the country
11. Legal Fees and Disbursements. *lawyers fees → \$5000*
12. Title Insurance. *lawyer does it → make sure the house can be legally transferred to you.*


Mortgage Calculator

 <https://www.rbcroyalbank.com/cgi-bin/mortgage/mpc/start.cgi>

 <https://www.rbcroyalbank.com/cgi-bin/mortgage/mpc/start.cgi/start>

Amortization Table

text pg 446

 <https://www.rbcroyalbank.com/cgi-bin/mortgage/mpc/start.cgi/start>

Seatwork

pg 445 # 1-5

pg 450 # 1, 5, 6, 7