

GLOSSARY



ADJUSTMENTS

Property taxes and/or utility bills and condominium common expenses, if any, that have been prepaid by the vendor are pro-rated and paid by the purchaser to the vendor on closing.

AMORTIZATION

Number of years it takes to repay the entire amount of the mortgage.

APPRAISAL

A process undertaken by an independent appraiser hired by the bank to determine the value of the property and whether it meets lending criteria. This value may or may not match the purchase of the home.

BLENDED PAYMENTS

Equal payments consisting of both a principal and an interest component, paid each month during the term of the mortgage. The principal portion increases each month while the interest portion decreases. The monthly payment does not change during the term.

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BREAKAGE COSTS

A sum of money paid to compensate the lender for the repayment of a closed mortgage in part or in full prior to maturity of the term.

CERTIFICATE OF LOCATION

A document prepared by a qualified surveyor specifying the exact size and location of the property and describing the type and size of the building(s), including additions, and the exact location of the building(s) on the property.

CLOSED MORTGAGE

A mortgage which cannot be prepaid, renegotiated or refinanced prior to the expiry of the term, except with compensation or breakage costs.

CLOSING COSTS

Costs which are payable when the sale is closed. Standard closing costs include adjustments for prepayments of taxes, utilities and condominium common expenses, if any, made by the vendor; property land transfer taxes; property insurance; and legal/notarial fees.

CONDITIONAL OFFER

An offer to purchase subject to specified conditions. These conditions could include the arranging of satisfactory mortgage financing, a satisfactory inspection or the selling of a present home. A time limit in which the specified conditions must be met should be stipulated in the offer to purchase.

CONVENTIONAL MORTGAGE

A First mortgage – the principal amount of which cannot exceed 76% of the lesser of the appraised value of the property or the purchase price for the property.

CONVERTIBLE MORTGAGE

A Fixed-rate mortgage which offers the same security as a closed mortgage, but which can be converted to a longer, closed mortgage at any time without penalty.

DEED

The document prepared by a lawyer or notary containing a detailed description of the property which transfers ownership from the vendor to the purchaser. This document is then registered against the title to the property as evidence of ownership.

DEFAULT

Non-payment by the borrower of the installments due under the mortgage when due, or failure to fulfill any other term or condition of the mortgage.

DEPOSIT

A sum of money paid by the purchaser on making an offer. Usually held in trust by the real estate broker or the vendor's lawyer or notary until the closing of the sale.

EASEMENT

The right acquired for access to or over another person's property for a specific purpose, such as for a driveway or public utilities. This is referred to as "servitude" in the Province of Quebec.

EQUITY

The interest the owner holds in a property over and above all claims to the property. It is usually the difference between any outstanding mortgage amount(s) and the market value of the property.

FIRE AND PROPERTY INSURANCE

Before closing date, the purchaser must have fire and property insurance arranged and in effect. Evidence of the insurance is required by the mortgage lender prior to advancing mortgage funds.

FIXED-RATED MORTGAGE

The interest rate on a fixed-rate is set pre-determined term – usually between 6 months and 25 years – and cannot be renegotiated, except upon payment of the breakage costs. Interest is calculated semi-annually, not in advance.

FORECLOSURE

A legal procedure whereby the lender obtains ownership of the property following default by the borrower by terminating all of the borrower's rights in the property covered by the mortgage.

GROSS DEBT SERVICE RATIO

The percentage of the borrower's gross income that will be used for monthly payments of principal, interest, taxes, heating and condominium fees.

INSPECTION

The examination of the house for structural and other defects by an expert selected by the buyer.

INTEREST RATE

The rate of return the lender receives for permitting the borrower to use the mortgage money for a specified term. The interest rate is usually expressed as an annual percentage rate.

LENDER

The individual, party or financial institution from whom money is borrowed. Also known as the mortgagee, in the case of a mortgage loan.

MORTGAGE DEFAULT INSURANCE

This insurance is available in all urban areas and is mandatory for borrowers with a down payment of less than 35%. The minimum permissible down payment is 10% (5% for eligible first-time home owners only).

MORTGAGEE

A lender who advances a mortgage to a borrower, where repayment of the loan is secured by a charge on real property.

MORTGAGE LIFE INSURANCE

Insurance under which the benefits are used to pay off the balance due on a mortgage upon the death of the insured borrower. The intended is to protect survivors from losing their homes.

MORTGAGOR

A borrower who gives title to, or a charge on, real property to a mortgagee to secure repayment of a mortgage loan.

OFFER TO PURCHASE

A written contract setting forth the terms under which the buyer agrees to purchase a property. Upon acceptance by the seller, it forms a contract which determines the rights and obligations of the buyer and seller concerning the purchase and sale. It includes the legal and/or municipal description (this may consist of lot numbers as well as street address), purchase price, closing date, mortgage and terms of repayment, and lists specific items included or excluded from the sale.

OPEN MORTGAGE

A mortgage which can be prepaid at any time prior to maturity, without breakage costs.

PREPAYMENT OPTION

The right to pay specified amounts of the principal balance prior to the maturity date of the mortgage. Breakage costs may be payable when prepayment options exercised under a closed mortgage.

PRINCIPAL

The amount of the loan owned to the lender at any specified time, not including interest.

REAL ESTATE SALES REPRESENTATIVE

A licensed agent employed to negotiate the purchase and sale transaction between the buyer and the seller.

TERM

The length of time during which the specific mortgage agreement is effective. When the term expires, the balance of the principal is either repaid in full or the mortgage is renegotiated at then-current market rates and conditions.

TITLE

Right of ownership of property, and including evidence of such ownership.

TOTAL DEBT SERVICE RATIO

The percentage of the borrower's gross income that will be used for monthly payments of principal, interest, taxes, heating and other outstanding loans and debts.

VARIABLE-RATE MORTGAGE (FLOATING RATE)

A mortgage in which payments are fixed for a period of one to two years although interest rates may fluctuate from month to month depending on market conditions. If interest rates go down, more of the payment goes towards reducing the principal; if rates go up, a larger portion of the monthly payment goes towards covering the interest. Most variable-rate mortgages allow prepayment of any amount (with certain minimums) on any monthly payment date and usually without breakage costs.

ZONING LAWS

Municipal laws prescribing the use of land for specific purposes, and the use to which buildings on the land may be put.