Glossary

Amortization: The period of time required to completely pay off a mortgage debt, if all payments are made on time and the terms of the mortgage stay the same.

Appraisal: An estimate of the current market value of a home.

Appraiser: An appraiser can tell you exactly how much a home is worth, so you don't pay too much.

Approved Lender: A lending institution, such as a bank, which is authorized by the Government of Canada to make loans under the terms of the National Housing Act. Only Approved Lenders can offer CMHC-insured mortgages.

Assumption Agreement: A legal document that requires a person buying a home to take over responsibility for the mortgage of the home builder or previous owner.

Blended Payment: A mortgage payment that includes both the principal loan amount and the interest. The payment remains the same throughout the life of the mortgage, but the percentages of the payment that go towards the principal or interest change over time.

Closed Mortgage: A mortgage that cannot be prepaid or renegotiated before the end of the term without the lender's permission and an interest penalty.

Closing Costs: The costs you will have to pay in addition to the purchase price of a home on the day you officially own the home. These costs include legal fees, transfer fees and disbursements. They usually range from 1.5% to 4% of the purchase price.

Closing Date: The date at which the sale of a property becomes final and the new owner takes possession of the home.

CMHC: Canada Mortgage and Housing Corporation. A Crown corporation that administers the National Housing Act for the federal government and encourages the improvement of housing and living conditions for all Canadians. CMHC also develops and sells mortgage loan insurance.

Conditional Offer: An Offer to Purchase a home that includes one or more conditions that must be met before the sale is official (for example, getting a mortgage or home inspection).

Conventional Mortgage: A mortgage loan for up to 80% of the value of a property. Mortgage loan insurance is usually not needed for this type of mortgage.

Counteroffer: If your original offer to the vendor is not accepted, the vendor may counteroffer. A counteroffer usually changes something from your original offer, such as the price or closing date.

Credit Report: The report a lender uses to determine your creditworthiness for getting a mortgage.

Curb Appeal: How attractive a home looks from the street. A home with good curb appeal will have attractive landscaping and a well-maintained exterior.

Deed: A legal document signed by both the vendor and purchaser to transfer ownership of a home.

Default: Failing to abide by the terms of a mortgage loan agreement. If you default on (fail to make) your mortgage payments, your lender can take legal action to take possession of your home.

Delinquency: Failing to make a mortgage payment on time.

Deposit: Money placed in trust by a home buyer when he or she makes an Offer to Purchase a home. The deposit is held by the real estate representative or lawyer/notary until the sale is complete.

Down Payment: The portion of the price of a home that is not financed by the mortgage loan, and which you must pay out of your own savings or other eligible sources before you can get a mortgage.

Estoppel Certificate (or certificate of status): A certificate that outlines a condominium corporation's financial and legal status.

Foreclosure: A legal process where a lender takes possession of your property if you default on a loan, and sells it to cover the debts you have failed to pay.

High-Ratio Mortgage: A mortgage loan for higher than 80% of the value of a property. This type of mortgage usually requires mortgage loan insurance.

Home inspector: A home inspector will examine a home to tell you if anything is broken, unsafe or needs to be replaced. They may also be able to tell you if there have been any major problems in the past.

Insurance broker: An insurance broker can help you choose and buy insurance, including property insurance and mortgage loan insurance.

Interest: The cost of borrowing money. Interest is usually paid to the lender in regular payments along with repayment of the principal (loan amount).

Land surveyor: If the seller of the home does not have a Survey or Certificate of Location, or if their Survey is more than five years old, you will probably need to hire a surveyor (with the seller's permission) before you can get a mortgage. Your real estate agent can help you coordinate the survey with the current owner of the home.

Lawyer or notary: A lawyer (or notary in Quebec) will protect your legal interests and review any contracts.

Lender or mortgage broker: Lenders will loan you money (a "mortgage") to help you buy a home. Lenders include banks, trust companies, credit unions, caisses populaires, pension funds, insurance companies and finance companies. A mortgage broker can work with many different lenders to get you a mortgage that meets your needs.

Lump Sum Prepayment: An extra payment made to reduce the principal balance of your mortgage, with or without a penalty. Lump sum payments can help you pay off your mortgage sooner and save on interest costs.

Maturity Date: The last day of the term of the mortgage. On this day, the mortgage loan must either be paid in full or renewed.

MLS (Multiple Listing Service): A service offered by Canada's realtors with descriptions of most of the homes that are for sale across the country.

Mortgage: A loan to help you buy a home or other property. The mortgage loan is usually repaid in regular monthly payments, which generally include both principal and interest.

Mortgage Life Insurance: Insurance which can protect your family by paying off your mortgage if you die.

Mortgage Loan Insurance: Insurance that protects your lender against default. If your mortgage is for more than 80% of the lending value of the property, your lender will probably require mortgage loan insurance from CMHC or a private company.

Mortgage Payment: A regularly scheduled payment that is often blended to include both principal and interest.

Net Worth: Your financial worth, calculated by subtracting your total liabilities (everything you owe) from your total assets (everything you own).

New Home Warranty Program: A program in every province and the Yukon Territory which guarantees that any defects in a new home will be repaired, if the builder fails to repair them. There are currently no such programs in Nunavut or the Northwest Territories.

Offer to Purchase: A written offer that sets out the terms under which a buyer agrees to buy a home. If the offer is accepted by the seller, it becomes a legally binding contract.

Open Mortgage: A mortgage that can be prepaid, paid off or renegotiated at any time without an interest penalty. The interest rate on an open mortgage is usually higher than on a closed mortgage with an equivalent term.

Operating Costs: The monthly expenses that come with owning a home. These include property taxes, property insurance, utilities, and maintenance and repairs.

Principal: The amount that you borrow for a loan.

Property Insurance: Insurance that protects you in case your home or building is destroyed or damaged by fire or other hazards listed in the policy.

Property Taxes: Taxes charged by the municipality where a home is located based on the value of home.

Real estate agent (or "realtor"): A real estate agent can help you find a home, make an offer and negotiate the best price.

Reserve Fund: An amount of money you set aside on a regular basis for emergencies or major repairs. It is usually a good idea to save around 5% of your monthly income for emergencies.

Survey or Certificate of Location: A document that shows the legal boundaries and measurements of a property, specifies the location of any buildings, and states whether anyone else has the right to cross over your land for a specific purpose.

Term: The length of time that the conditions of a mortgage, such as the interest rate you will pay, are carried out. Terms are usually between six months and ten years. At the end of the term, you can either pay off the mortgage or renew it, usually with new terms and conditions.