

MONEY MONTHLY

open mortgages



Leonard Rosenberg

Major banking institutions are following the lead of smaller companies and introducing open mortgages. Recently, two major banks announced open mortgage plans whereby a borrower is not penalized for prepayments on his mortgage.

This comes only two months after the introduction by one company of completely open mortgages which permit unlimited prepayments without penalty.

An open mortgage allows the borrower to pay any amount at any time on his mortgage. That is, by paying off part of the mortgage, aside from regular payments, the borrower can substantially reduce his amortization period and the amount of interest he pays.

The open mortgage plans recently announced by the two banking institutions both charge an extra quarter point of interest above the going conventional mortgage rate (10 1/4 percent) for the privilege of prepayment. The deal is that, for the extra quarter point of interest, no penalty is incurred if borrowers pay off their mortgages before the expiration of the mortgage term.

Until recently, an open mortgage usually meant that a borrower could make a prepayment or prepayments on his mortgage but only in accordance with certain provisions. Some required a three month notice, others allowed only one prepayment date during a five-year term, and in most, prepayment was accompanied by a three month to six month interest penalty.

Another open mortgage plan, announced last May by a

smaller company, is completely open at no extra charge to the borrower. There is no added interest charge to the going mortgage rate. All that is required is a three month notice before prepayment. Loans can be arranged for up to 95 percent of the combined value of your home and land. And, if the required documentation is available, it can be processed within 24 hours.

Now you may well ask why all this talk about open mortgages, anyway? What are the advantages?

The reasoning behind open mortgages is that, through prepayments, no matter how small, the total amortization period and consequently the interest payments can be reduced.

For example, if we take a \$60,000 mortgage, amortized over 25 years at a rate of 11 percent, we see that monthly payments are \$577.53 and that the total cost of the mortgage comes to \$173,239.77.

Now, if the borrower in question makes a monthly prepayment of \$20.00, the mortgage would be paid off in 21 years and seven months, with a net saving of \$19,024.61.

How to . . .

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from a location of high sunlight, to low sunlight. A very compact, densely-leaved plant with lush green color indicates it was grown under high light conditions. Although this appeared outwardly as a happy sign, it's really a warning that the plant needs above average light conditions to survive. Green plants don't last forever in your home and it is usually overkindness that kills them. For long-lasting plants, ensure correct light exposure and thorough waterings when the soil has dried out.



Plan of the week four bedroom home

Plan No. P7-140

Luxury family living at its best is achieved in this elaborate family home. The exterior is luxury plus with the bay window, the double door entry, shutters and field-stone trim. The mixture of horizontal and vertical siding blends well with the shake roof, and serves to enhance the home's natural lines.

The entry foyer has a large guest coat closet and is open to the central hallway. An open stairway enhances this hall which connects all activity rooms on the main floor.

The sunken living room off to the right is the full width of the house, giving an outside view in three directions, through the fireside corner windows, or through the large front bay window. The room itself is large enough to arrange the furniture into two or three "conversation" groups.

Two stairs up lead to the family size dining room which has its own bay window facing the rear garden.

All conceivable modern appliances have been included in this "U" shape kitchen. Cupboards galore in

this design, which is laid out for easy food preparation.

Featuring the second fireplace, the family room large enough for the largest party, has twin doors to a side deck and outdoor bar-b-q. A second door leads to the utility, with washer and dryer, and the stairway to the full unfinished basement. Also a door direct to the double garage will make unloading groceries during winter weather more convenient.

Off the inner hall is the guest powder room close to all activities.

The upper hall off three of the bedrooms, has a large galley for reading or lounging, an extra luxury. A twin vanity, split full bath serves all bedrooms. A vanity bath ensuite is luxury plus in the master suite. There's room for a full bedroom suite and lounging furniture. Twin his and her closets cover one wall and twin doors open to a private balcony.

Over the double garage two steps down from the bedroom hall, is a large recreation room, complete with wet bar. A stairway leads down to a hall by the family room.

Should additional bed-

rooms, a workshop, storage or recreational facilities be required, the complete unfinished basement can be utilized.

This is truly a beautiful family home boasting over 3,000 square feet and designed for luxury living.

Plans for design No. P7-140 may be obtained at a cost of \$120 for a set of three and \$10 for each additional copy. Allow \$2 to cover postage and handling.

To view more than 100 well-designed quality homes of every type, send for the current publication of the Home Plan Catalogue, available for \$2.60 (\$2.25 plus 35 cents postage and handling). Make all cheques and money orders payable to "Plan of the Week" and mail to:

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If the borrower makes a prepayment of \$100. per month instead, then the amortization period would be reduced to 16 years and two months, with a net reduction in mortgage payments of \$46,734.22!

From this example, then, it is obvious that the borrower can reap substantial savings through prepayments on his mortgage.

And if you're a homeowner, regular prepayments will give the satisfaction of owning your own home that much sooner.

It's simply a fact that more and more consumers are interested in shorter, more flexible, loan terms and it's a lender's responsibility to find new and inventive ways to respond to these demands. Open mortgages are one such way.

Leonard Rosenberg is President of Greymac Mortgage Corporation, an Ontario-based financial firm specializing in mortgages. Write to him in care of this newspaper.

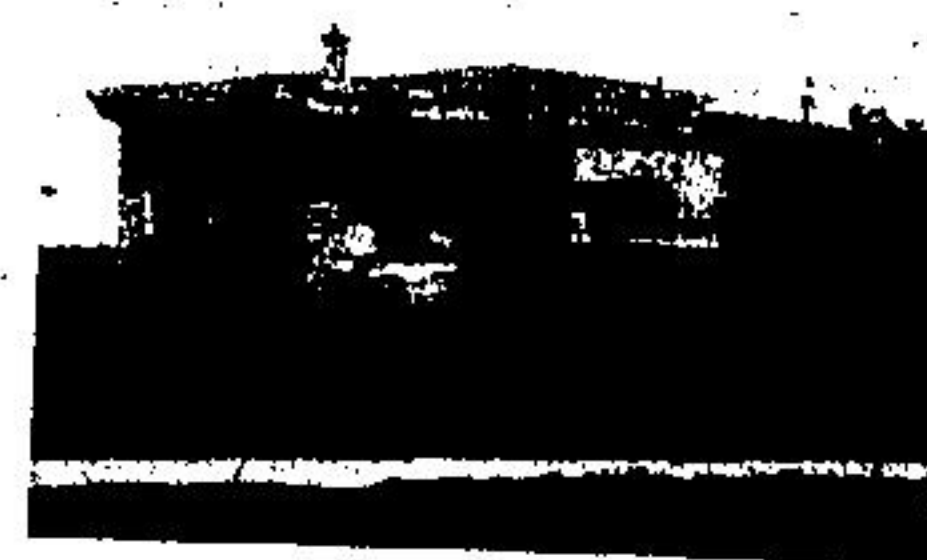
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EXECUTIVE

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GEORGETOWN

Move right into this sharp four bedroom backsplitted with many extras! Family room with w/o to lovely yard in a most desirable area, priced right.



URGENT SALE

3 bedroom townhouse, huge 18'10" x 9'1" living room, separate dining room, broadloom throughout, fridge and stove included. Listed at \$40,400. With \$2,500 down it could be yours. No mortgaging to arrange and no mortgage fees to pay.



TOWN AND COUNTRY

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