

FINANCING FOR RENOVATING OR NEW HOMES

What's in a mortgage?

(NC)—For most Canadians, buying a home represents the largest single purchase of a lifetime. Few can afford to write a cheque for the entire purchase price. They need a mortgage - a long-term loan - to pay for the property.

A mortgage is security for a loan on the property you own. It is your guarantee to the lender to repay the money borrowed. It is also collateral against the amount owed.

Mortgages are available from banks, trust and life insurance companies and credit unions. Homes can also be financed by lawyers, realtors, mortgage brokers and private individuals.

The amount loaned depends on the cost of the property, your level of income and debt, and the availability of mortgage money in the financial market.

Usually, the buyer pays a percentage of the cost of the property as a down payment. A large down payment lowers the monthly mortgage payment and reduces the amount of interest paid over time.

Lenders prefer large down payments to small ones, but it may sometimes be easier to sell your home if you make only a small down payment. More potential buyers will be able to afford the small down payment. And, of course, if you make a small down payment when you buy a house, you will have money left in the bank for other things.

Mortgages have three characteristics: amortization period, interest rate and term. CMHC has prepared a "Glossary of House Building Terms", and other related items as a guide to purchasers going to a lending institution to ask for a mortgage on a dream house.

A - Z of Mortgages

Amortization Period: The actual number of years it will take to repay a mortgage loan in full. The period is normally 20 to 30 years. A shorter length of time means higher monthly payments but savings in the total interest paid.



Closed Mortgage: No prepayment allowed on the principal amount of the mortgage during a given period of time.

Default: Failure to abide by the terms of a mortgage loan agreement. Usually this means failure to make mortgage payments at the time set by the contract.

Equity: The owner's investment (interest) in a property over and above all claims to the property. It is usually

the difference between the amount of the mortgage principal and the total value of the property.

Foreclosure: A legally enforced transfer of real property ordered by a court to satisfy default in payment on a mortgage.

Insured Mortgage: A mortgage loan for which the lender is insured against default by the borrower.

Interest Rate: A percentage of the borrowed amount added to the principal (as a charge for the service). It is affected by the size of the loan and length of time over which it is borrowed.

Lending Value: The appraised market value of the property. It is usually, but not always, the sale price of the property.

Life-Insured Mortgage: A form of term life insurance recommended for families with young children. If one of the homeowners dies, the estate is paid the balance owing on the mortgage. Survivors are thus protected against losing their home if they cannot meet the mortgage payments.

Mortgage: A claim against real property given by the owner of the property to the lender as security for money borrowed.

Mortgage Contract: A written agreement between borrower and lender,

setting out the terms of the loan.

Mortgage Renewal: The agreement between lender and borrower extending the mortgage for a further period of time after the initial term has expired.

Open Mortgage: A mortgage allowing prepayment on the principal at a specified time before the end of the term. There may be a penalty attached which is charged to the borrower.

Paydown: A lump sum payment to the lender to reduce the mortgage principal.

Prepayment Privileges: Payment of the principal amount in full or in part at a date earlier than the termination date indicated in the mortgage contract.

Principal: The amount owing on the mortgage debt.

PI: The combined principal and interest due monthly on a mortgage.

Insured second mortgages for renovations

(NC)—A large part of Canada's existing housing stock was built over 20 years ago to satisfy the demand created, in part, by the post-war baby boom. Like their original occupants, many of these homes may now have started to show a few wrinkles.

As the turn of the century looms closer, Canada Mortgage and Housing Corporation cites the need for the rehabilitation of the existing national housing stock as one of Canada's biggest challenges.

CMHC's second mortgage insurance program for home rehabilitation and improvement was created to encourage homeowners to improve their older dwellings. Previous CMHC mortgage insurance programs applied only to first mortgages.

Insured second mortgage loans have the advantage of the same (lower) interest charges normally applied to first mortgage loans.

Second mortgage loan insurance is available for the rehabilitation or purchase of single units and for two-unit

buildings if one unit is occupied by the owner.

As with all CMHC mortgage insurance programs, the lender has full protection against borrower default. The loan is backed by the federal government according to provisions of the National Housing Act.

Naturally, the insured loans carry conditions specified by CMHC. Although there is no fixed maximum loan amount, the first and second mortgages cannot exceed 90 per cent of the first \$125,000 and 80 per cent of the remaining total value.

The minimum second mortgage loan amount is set at \$10,000 and the term must be no less than one year.

To protect itself against borrower default, CMHC also applies mandatory conditions to these and all mortgages it insures.

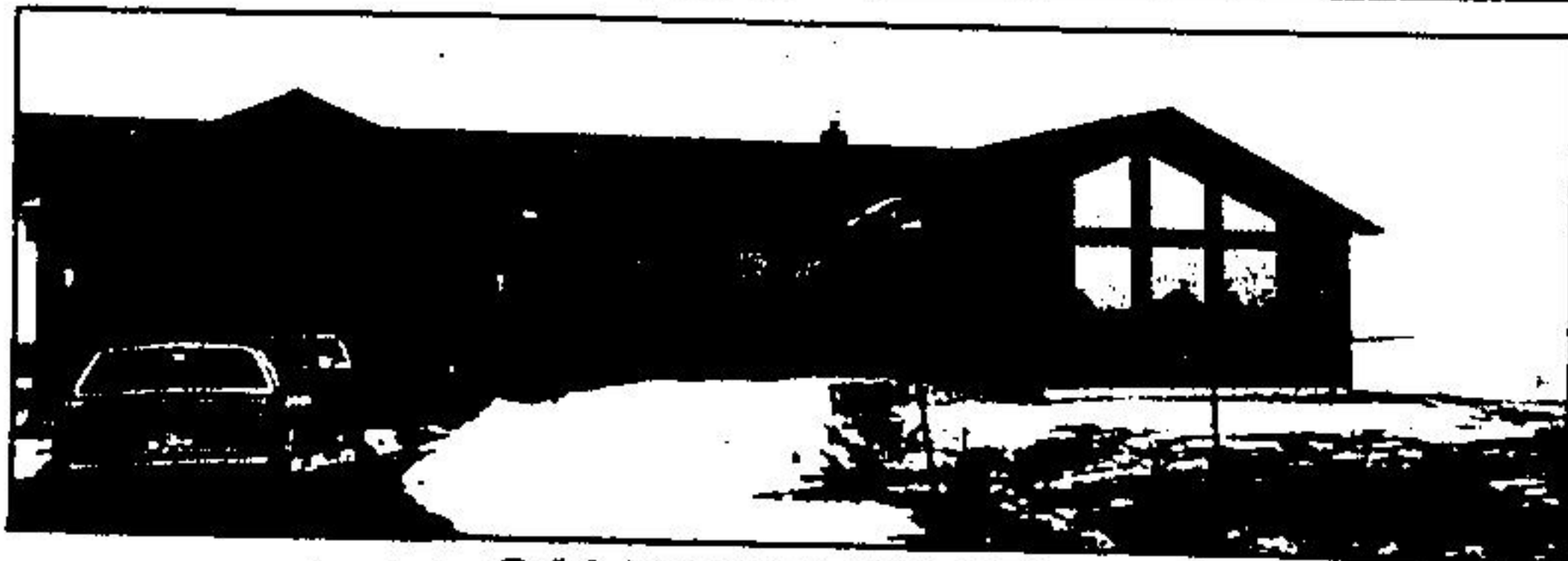
NHA second mortgage loans are available from some lenders approved by CMHC. These may include banks, trust companies, insurance companies, credit unions and caisses populaires.



GEORGETOWN 1 1/2 STOREY

3 bedrooms, finished rec room with wood-stove and stone hearth, gleaming hardwood floors. Hurry on this one! Only \$144,900.00.

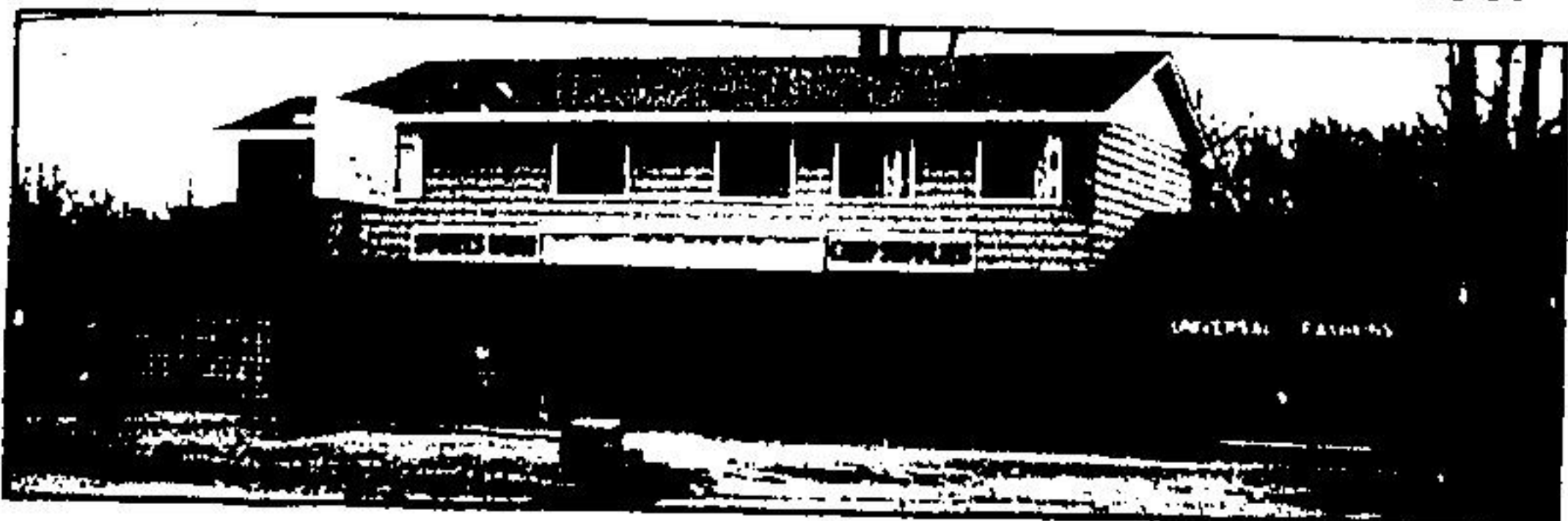
102-88



CALEDON BEAUTY

1850 sq. ft. bungalow, 4 miles east of Caledon Village. Sunken living room/cathedral ceilings. Custom built 1 year old with magnificent view of Caledon. Offered at \$274,900.00. Call Bill or Andy for personal viewing.

75-88



SAUBLE BEACH GETAWAY

Sporting goods business and 3 bedroom residence. A chance to enjoy the good life. Only \$159,900.00 plus stock.

15-88



BILL McKEOWN
Sales Rep.
873-2437
457-9788

STONE ROAD MALL BUSINESS
Call us for a preview on this great opportunity in the food industry.
88-88



RE/STAR

MARLATT REALTY GROUP INC.

NETWORK OF THE STARS ★ MEMBER REALTOR



ANDY KING
Sales Rep.
873-1058
457-9788