Some tips to help you control your mortgage

Buyers of new homes can create their "dream home" from the wide range of locations, layouts, features and options available. Similarly, home buyers can tailor a financing package which will save them money and provide convenience and flexibility.

Tom Alton, president of Bank of Montreal Mortgage Corporation and a long-time member of the Toronto Home Builders' Association, advises that "the best mortgage depends on each family's situation. Buyers who make the effort to be informed can select the right options for them."

The first step is to understand what's available.

Mortgages can be for as much as 90 per cent of the first $125,000 of the property's value and up to 80 per cent of the remainder. (For example, on a $210,000 house, at least a $29,500 down payment would be required). Many purchasers, however, prefer to make a larger down payment, say 25 per cent, leaving a smaller mortgage . . . and a smaller mortgage payment.

This is how long it will take to pay off the mortgage based on the current payment. Twenty-five year amortizations are most common for new mortgages, but the borrower can select a shorter period.

A long amortization period means lower mortgage payments and less strain on the family budget. A shorter one, however, will pay off the mortgage more quickly and can save tens of thousands of dollars over the long run. Tables available from lenders allow home buyers to see the impact of different amortization periods on their payments.

For example, on a $150,000 mortgage at 12 per cent, the monthly payment would be $2,127.00 with a 10-year amortization; $1,772.40 (15 years); $1,621.50 (20 years); $1,547.85 (25 years).

This is the length of time that mortgage payments (which include both principal and interest) are fixed.

It is usually shorter than and never exceeds the amortization period. (For example, a mortgage may have a 25-year amortization with an initial term of five years. After the fifth year, if payments have been made as agreed, it would be renewed for another term based on the interest rates in effect at that time.) Terms range from six months to five years or longer.

Alton says many first-time buyers select a three- or five-year term, and Bank of Montreal also offers a seven-year term. Longer terms provide protection against interest rate increases during the term of the mortgage; by locking in the payment, they also make it easier to budget.

Shorter terms, on the other hand, allow borrowers to take advantage of declines in interest rate levels. Shorter term rates usually lower than those for longer terms but this has not been the case in 1989 and into 1990.

A closed mortgage allows you to make only limited pre-payments during the term. An open mortgage allows you to pay off as much as you want without penalty, at any time, providing more flexibility. Open mortgages are almost always more expensive than closed mortgages for each term.

Many lenders add flexibility to closed mortgages by allowing borrowers to:

1) pre-pay up to, say, 10 per cent of the mortgage, and

2) to increase their payments by a similar percentage without penalty.

These options combine the benefit to lower cost closed mortgages with flexibility and potential savings of up to tens of thousands of dollars in interest costs.

Traditional mortgage payments were monthly, but lenders now offer the option to pay weekly, every two weeks and twice a month. "More frequent payments offer substantial savings and convenience, because payments can be matched with pay periods," said Alton.

With an accelerated weekly pay mortgage (where the weekly payment is one-quarter the monthly payment), a $150,000 mortgage at 12 per cent could be paid off 7-1/2 years early, saving more than $110,000 in interest over the life of the mortgage.

There are two unrelated types of mortgage insurance.

* Default insurance from CMHC (a Crown Corporation) or MICC (a private sector insurer) is mandatory for mortgages greater than 75 per cent of the house's value. It protects the lender against possible default on the loan; it does not protect the borrower. The lender will arrange for the insurance, and the one-time premium (up to 3 per cent of the mortgage amount) is usually added to the loan amount.

* Mortgage life insurance protects the borrower; it will pay off the mortgage, allowing your family to receive your home free and clear in the event of your death. It is low cost and the premiums can be added directly to the mortgage payment; most borrowers take mortgage life insurance.

Other options offered by many lenders include, portability and assumability, mortgage switches, variable rates, early renewal and mortgage pre-approvals. Information is available from any branch of a bank or other lender.

"Buying a home involves many choices. Selecting the right mortgage options is just as important and rewarding," said Alton.

For more information contact the Toronto Home Builders' Association Home Hotline at 391-HOME.

Heat pump has been improved

ICG has recently announced its new product line for 1990 and, as always with ICG, product changes for the 1990s have taken the form of refinement and fine-tuning.

Through its history the company's philosophy has been to create excellent, basic dependable designs, then, from year to year use developing technology to improve on these, always taking great care not to lose the essential quality and soundness of the original.

The 1990 version of the ICG Nordic II Heat Pump is a case in point. The Nordic II has been a strong, dependable performer for several years. For the 1990s, anticipating new, more stringent sound regulations, ICG has introduced a new "Copeland compliant scroll compressor" to the design of the Nordic II. This virtually eliminates the noise associated with gas pulsations occurring in other makes and models that continue to use the conventional reciprocating compressor.

Further quietness of operation is obtained in the Nordic II through the elimination of valve noise and perfect balance.

Scroll compressor also enhances low outdoor temperature operation saves, money. The scroll compressor has 100 per cent volumetric efficiency. This allows the heat pump to operate at lower outside temperature than before. In other words, the new Nordic II can continue to heat your home much longer than previous models could before having to have assistance from expensive electric heat. This reduces your energy bill.