

THE LEGAL POINT OF VIEW

— JANE MONAGHAN

Real Estate - Mortgages

Last month I wrote about the purchase of a home and this month I will tell you a bit about financing such a purchase.

The law divides mortgages into two basic types - just as there are two basic types of property - land and chattels. This article will deal with land or real property mortgages, which are loans taken to buy a house. In return for the loan, the borrower (the mortgagor) promises the lender (the mortgagee) to repay the loan and pledges the property as security. If the borrower does not repay the loan, the lender can take over title to the property.

When buying a house you may "assume" a mortgage. This means that you take over responsibility for the payment of a mortgage which the vendor already has on the property. When you do this you should carefully look at the terms of the mortgage to make sure they suit your needs and you must obtain approval from the lender in order to assume the mortgage.

Instead of assuming a mortgage you may arrange your own financing. This would result in you paying cash to the vendor for the house and then repaying the mortgage lender in monthly installments. If you need to arrange financing you should make sure your offer to purchase is conditional upon finding acceptable financing, so that if financing cannot be found you will be able to get out of the deal without too much trouble.

Another way of getting mortgage financing is what is known as a "mortgage back". This is where the vendor agrees to take a mortgage on the property and monthly payments are made by the purchaser to the vendor.

A second mortgage may be obtained in situations where the amount covered by the first mortgage is not quite enough to finance the purchase of the house. The second mortgage falls behind the first mortgage, and is not as well secured. Therefore, the interest rate charged on a second mortgage is usually higher than on a first.

Mortgage Terms

The amount of the monthly payments of a mortgage are based on the principle amount of the mortgage and on the rate of interest charged on that amount. Monthly payments consist partially of principle, and partially of interest. The amortization period of a mortgage is the length of time over which monthly payments have been calculated on the assumption that the mortgage will be fully paid at the end of that period. The common amortization period is 25 years. The term of a mortgage is the length of time which the mortgagor (borrower) will actually have to repay the mortgage. This is commonly 5 years. At the end of the term the balance of the principle and interest owing on the mortgage becomes due and payable. At this time you must either pay off the mortgage or negotiate a new financing arrangement with the lender. Most mortgages contain a prepayment privilege, which allows you to make lump sum payments

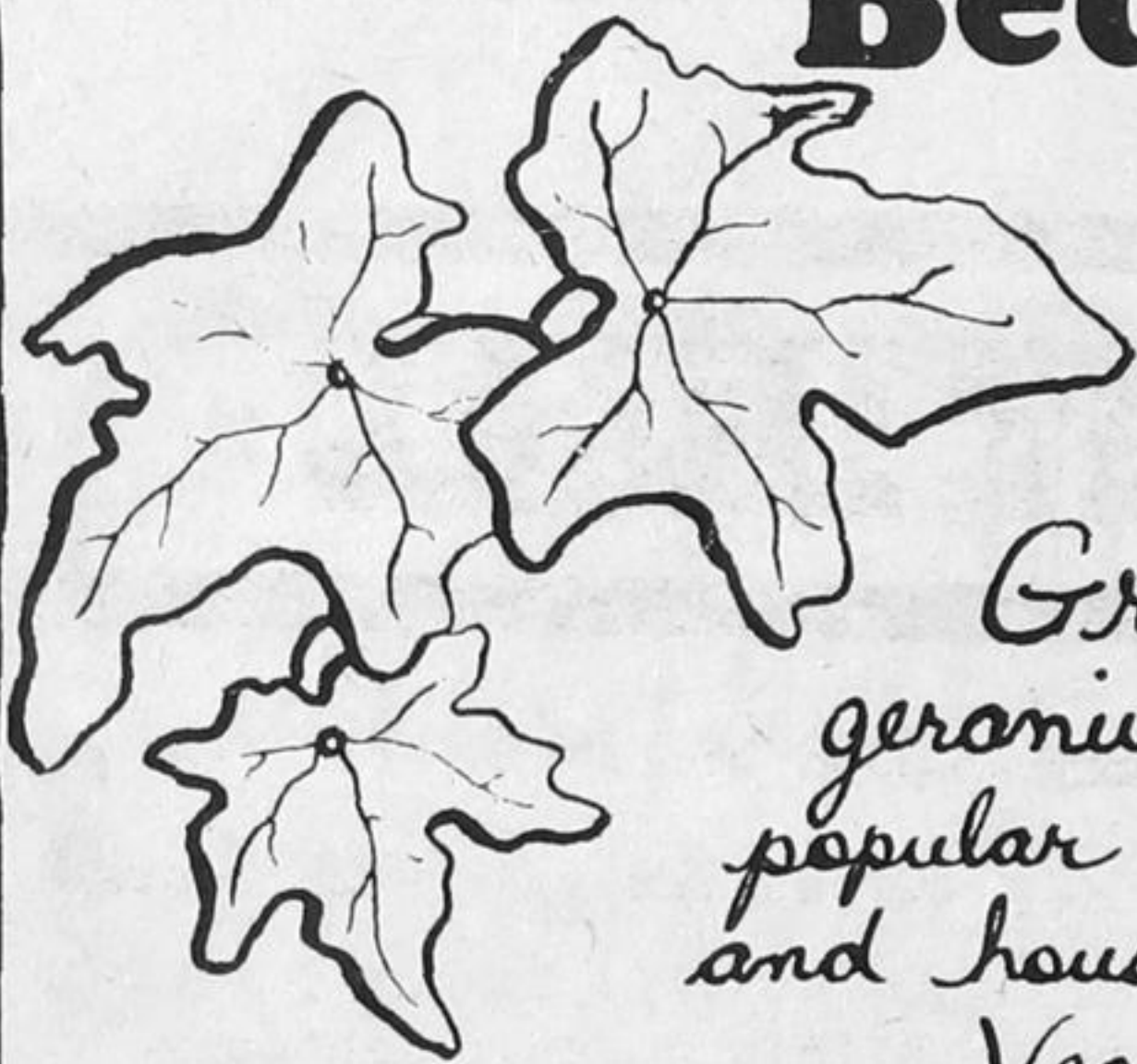
against the principal, thereby reducing your total interest charges. Some mortgages stipulate that a bonus or penalty must be paid if this is done and you or your lawyer should check to see whether this is so. Also many mortgages will require that if the property is sold the mortgage must be paid off and cannot be transferred without the lender's approval.

Interest rates on mortgages may vary from time to time and different lending institutions may charge different rates, particularly on second mortgages. Therefore, it may pay to compare before entering into a mortgage agent with any particular lender.

Alternative Camp for Children

The SECOND ANNUAL ALTERNATIVE CAMP for children ages 7-13, located at the Grindstone Island Centre in the Big Rideau Lake, half way between Ottawa and Kingston. Program will include the usual summer fun (swimming, boating, A & C, campfires, etc) and enjoyable social learning experiences in music and movement, non-competitive games and ecology and nature. June 28-July 4 and July 4-10. One week: regular rate-\$150., family rate, per child -\$135 (includes all costs). Limited number of camper-ships available. For information: Grindstone Co-op PO BOX 564 Station "p" Toronto, Ont. M5S 2T1

Bedding Plants & Vegetables



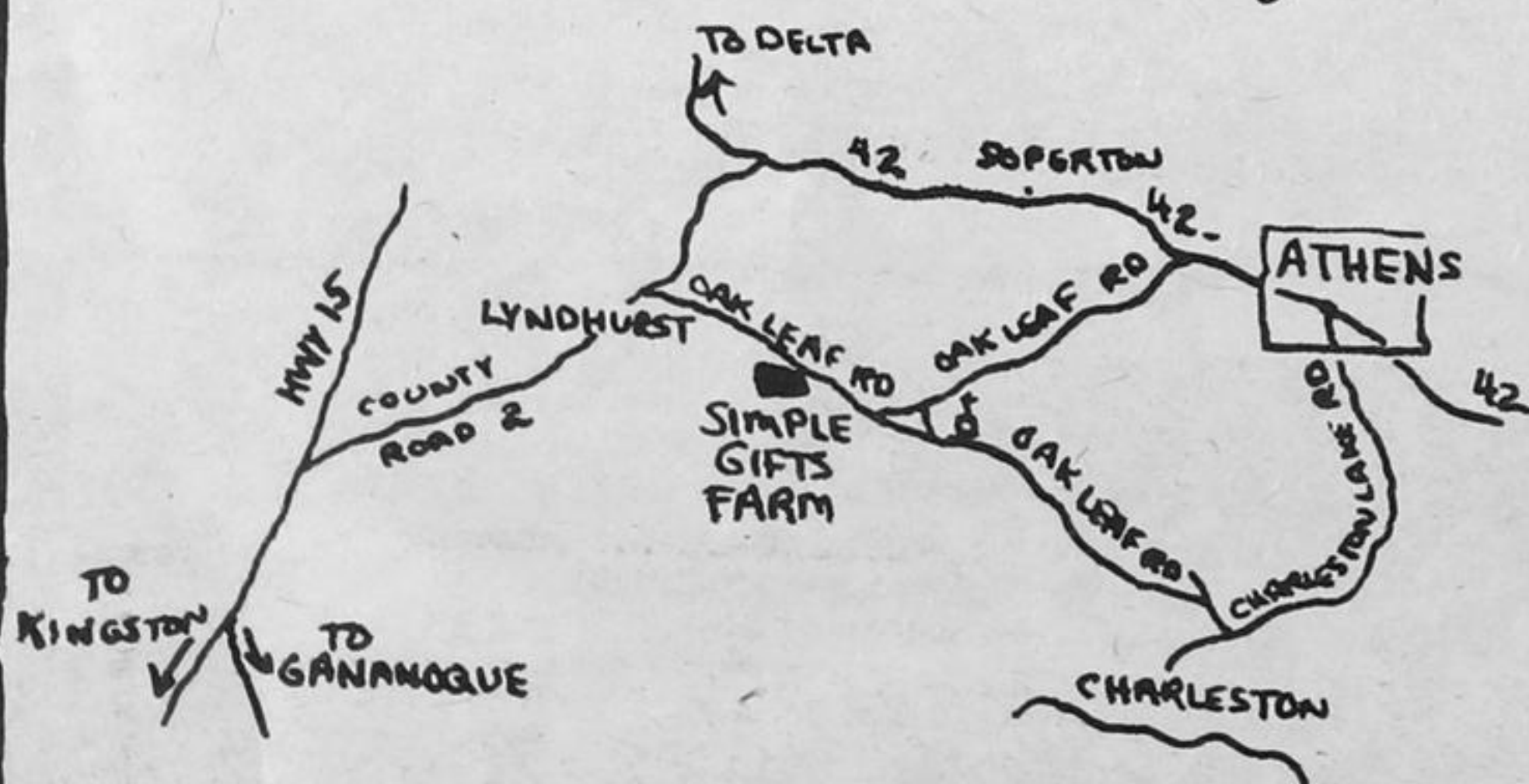
We're in Bloom!

Great variety and colours of petunias, marigolds, pansies, geraniums, impatiens, asters, salvia, alyssum ~ many other popular and unusual annuals. Wide range of perennials and houseplants.

Vegetable seedlings ~ 13 varieties of tomatoes, self-blanching cauliflower, peppers, broccoli, cabbage, brussel sprouts. Rhubarb.

Hanging Baskets ~ 7 varieties of trailing ivy geranium including netmeg lavender, scarlet and pink California Giant tuberous begonias, thunbergia and other spectacular combination plantings.

Open daily.



SIMPLE GIFTS FARM SOLAR GREENHOUSES

Doug and Andrea Green
Oak Leaf Road, R.R. 1
Athens 928-2145