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# ARRANGING A MORTGAGE

Now is a great time to consider buying a home. Interest rates are very attractive and there is a wide choice of homes available to suit just about any budget. Still, it's most likely you will have to deal with financing and this will mean taking on a mortgage.

Sorting through the numerous mortgage options available to today's homebuyers can be intimidating, but professional help is readily available. Your REALTOR can offer you invaluable information along with your financial institution's mortgage specialist and other advisors.

First, it's necessary to know which kinds of institutions will lend you money. Banks and trust companies lead the pack, but credit unions and private lenders also offer funds. There is also the option of consulting a mortgage broker.

You may also find yourself in a situation where you can assume an existing mortgage held by the seller. Advantages of assuming a mortgage are that you can speed the buying process due to reduced paperwork and save money in lower legal fees and closing costs. A disadvantage is that the current lending rate may be less than that of the assumed mortgage.

## Different mortgages

A number of different mortgage options are available. Under a conventional mortgage, lenders will loan you up to 75 per cent of the appraised value or purchase price of the property (whichever is lower) to a maximum set by government regulation and you must come up with the remaining 25 per cent yourself.

If you don't have the 25 per cent down payment, a high-ratio mortgage may be available which will provide you with up to 95 per cent of the appraised value or purchase price of the property (whichever is lower) to a maximum set by government regulation. The proviso is that high-ratio mortgages must be insured and the cost falls to you.

Variable-rate mortgages are usually offered for both conventional and high-ratio mortgages. If interest rates climb, you will be paying more per month in interest; if rates drop, you will be paying more off your principal. Fixed-rate mortgages, on the other hand, maintain the same rate of interest over the entire negotiated term.

## Other terms

There are some other concepts to bear in mind.

Amortization refers to the time period in which the mortgage is assumed to be paid. A common amortization period is 25 years. This means interest and principal are set as if you were paying the amount borrowed over a 25 year payment schedule. Obviously, the shorter the amortization period, the less interest you will pay.

Prepayment privileges are very important for borrowers to consider. These allow you to pay money against the principal, reducing the total amount of interest you will ultimately pay.

Buying or selling a home need not be a daunting task. Your REALTOR can provide you with invaluable information on finances and all other aspects of the buying and selling process.

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