

Mortgage Types and Products

When it comes to your mortgage, there are various mortgage types and products available to you – from the traditional mortgage to additional options!

Firstly, let's take a look at your mortgage type. There are three options:

Closed Mortgage

A closed mortgage is the most common mortgage type as it is predictable, consistent and often comes with lower rates. Closed mortgages typically allow you to pay off your mortgage faster due to the lower interest costs. Keep in mind, this mortgage type doesn't usually allow for pre-payments.

Convertible Mortgage

A convertible (or convertible closed mortgage) is very similar to a closed mortgage and has the same benefits. However, a convertible mortgage will allow you to change your mortgage to a longer, closed term at any point without prepayment charges.

Open Mortgage

Lastly, an open mortgage is ideal for individuals who may want to pay off their loan faster. Interest rates on these types of mortgages tend to be higher due to the prepayment flexibility and shorter terms. These mortgages can be repaid in part or in full with zero charges. In addition, they can be converted to any other term without a charge.

Next, let's take a look at some of the mortgage products available to you:

Traditional (Conventional) Mortgage

A traditional or conventional mortgage is the most common mortgage product. These loans typically come in fixed-rate or variable-rate options and your rate depends on what you qualify for and your borrowing power. These types of mortgage loans generally run on a 25-year amortization term and have various options for pre-payments, payment schedules, terms and more.

No-Frills Mortgage

No-frills mortgage products typically offer a much lower interest rate compared to other mortgage products. While this is ideal for individuals that are tight

on cash, it does not benefit those who may want to take advantage of benefits to pay off their mortgage faster down the line. Pre-payment privileges, lump-sum payment options, etc. are typically not available within a no-frills mortgage as it is just that – "no frills". However, this type of mortgage can be ideal for first-time homebuyers who want fixed payments and have limited opportunities to make lump-sum payments. Do be aware that if you are planning on moving before your mortgage term is up, you likely won't have portability options with the no-frills mortgage product.

Hybrid (50/50) Mortgage

Hybrid mortgages (or 50/50 mortgage products) include an equal mix of fixed-rate and variable-rate components within your single mortgage. This means you get the best of both worlds – the security of fixed repayments with the flexibility of a variable rate. As it is difficult to accurately predict rates over the long term, a 50/50 mortgage offers interest rate diversification, which can help reduce your level of risk.

If you opt for a 50/50 product, half of your mortgage is locked into a five-year fixed rate and half is at a five-year variable rate. You can lock in your variable-rate portion at any time without paying a penalty. As well, each portion of the 50/50 mortgage operates independently – like two separate mortgages – yet the product is registered as only one collateral charge. This is a great mortgage option for anyone who would normally go fully variable but are afraid prime rate is at its bottom, isn't comfortable being fully locked-in or can't decide between a fixed or variable mortgage.

Unlike the no-frills mortgage, the hybrid mortgage option also allows for: 20% annual lump-sum pre-payment privileges, 20% annual payment increase ability and portability (the option to transfer your existing loan amount to a new property without penalty).

Get started!

If you are ready to get started on your home ownership journey or have questions about your existing mortgage product, please don't hesitate to reach out to me today for expert advice!

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