**Words to Know When Buying a Home**

**Adjustable mortgage interest rate:**
With an adjustable rate, both the interest rate and the mortgage payment vary, based on market conditions.

**Amortization:**
Length of time over which the debt will be repaid.

**Appraisal:**
Process for estimating the market value of a property.

**Appraiser:**
Certified professional who carries out an appraisal.

**Appreciation:**
The increase in value of something because it is worth more now than when you bought it.

**Approved Lender:**
A lending institution authorized by the Government of Canada through CMHC to make loans under the terms of the National Housing Act. Only Approved Lenders can negotiate CMHC insured mortgages.

**Assumption Agreement:**
A legal document signed by a homebuyer that requires the buyer to assume responsibility for the obligations of a mortgage by the builder or the previous owner.

**Blended Payment:**
A mortgage payment that includes principal and interest. It is paid regularly during the term of the mortgage. The payment total remains the same, although the principal portion increases over time and the interest portion decreases.

**Builder:**
A person or company that builds homes.

**Carriage home:**
A carriage, or link home, is joined by a garage or carport. The garage or carport gives access to the front and back yards. Builders sometimes join basement walls so that link houses appear to be single-family homes on small lots. These houses can be less expensive than single-family detached homes.

**Certificate of location (or land survey):**
A document that shows property boundaries and measurements, specifies the location of buildings on the property and states easements or encroachments.

**Certificate of status:**
Also called an Estoppel certificate, it is a certificate that outlines a condominium corporation's financial and legal state. Fees may vary and may be capped by law (does not apply in Quebec).

**Closed mortgage:**
A closed mortgage cannot be paid off, in whole or in part, before the end of its term. Many closed mortgages limit prepayment options such as increasing your mortgage payment or lump sum prepayment (usually up to 20% of your original principal amount).

**Closing costs:**
Costs in addition to the purchase price of the home, such as legal fees, transfer fees and disbursements, that are payable on closing day. They range from 1.5% to 4% of a home's selling price.

**Closing day:**
Date on which the sale of the property becomes final and the new owner takes possession of the home.

**CMHC:**
Canada Mortgage and Housing Corporation. A Crown corporation that administers the National Housing Act for the federal government and encourages the improvement of housing and living conditions for all Canadians. CMHC also develops and sells mortgage loan insurance products.

**CMHC Insurance Premiums:**
The CMHC Mortgage Loan Insurance premium is calculated as a percentage of the loan and is based on the size of your down payment. The higher the percentage of the total house price/value that you borrow, the higher percentage you will pay in insurance premiums.

**Commitment Letter (or Mortgage Approval):**
Written notification from the mortgage lender to the borrower that approves the advancement of a specified amount of mortgage funds under specified conditions.

**Compound Interest:**
Interest calculated on both the principal and the accrued interest.

**Conditional offer:**
An Offer to Purchase that is subject to specified conditions, for example, the arrangement of a mortgage. There is usually a stipulated time limit within which the specified conditions must be met.

**Condominium (or strata):**
A unit, usually in a highrise or lowrise, or a townhouse that can be owned. You own the unit you live in and share ownership rights for the common space of the building. Common space includes areas such as corridors, the grounds around the building, and facilities such as a swimming pool and recreation rooms. Condominium owners together control the common areas through an owners' association. The association makes decisions about using and maintaining the common space.

**Contractor:**
A person responsible for overall construction of a home, including buying, scheduling, workmanship, and management of subcontractors and suppliers.

**Conventional mortgage:**
A mortgage loan up to a maximum of 80% of the lending value of the property. Typically, the lending value is the lesser of the purchase price and market value of the property. Mortgage insurance is usually not required for this type of mortgage.

**Counteroffer:**
If your original offer to the vendor is not accepted, the vendor may counteroffer. This means that the vendor has amended something from your original offer, such as the price or closing date. If a counteroffer is presented, the individual has a specified amount of time to accept or reject.

**Credit bureau:**
A company that collects information from various sources and provides credit information on a person's borrowing and bill paying habits to help lenders assess whether or not to lend money to the person.

**Credit history or Credit Report:**
The main report a lender uses to determine your creditworthiness. It includes information about your ability to handle your debt obligations and your current outstanding obligations.

**Curb appeal:**
How attractive the home looks from the street. A home with good curb appeal will have attractive landscaping and a well-maintained exterior.

**Deed:**
A legal document that is signed by both vendor and purchaser, transferring ownership. This document is registered as evidence of ownership.

**Default on payment:**
Failure to make a mortgage payment.

**Delinquency:**
Failing to make a mortgage payment on time.

**Deposit:**
Money placed in trust by the purchaser when an Offer to Purchase is made. The sum is held by the real estate representative or lawyer/notary until the sale is closed and then it is paid to the vendor.

**Depreciation:**
The decrease in value of something because it is now worth less than when you bought it.

**Down payment:**
The portion of the home price that is not financed by the mortgage loan. The buyer must pay the down payment from his/her own funds or other eligible sources before securing a mortgage.

**Duplex:**
A duplex is a building containing two single-family homes, located one above the other.

**Easement:**
This is where someone else has the right for access to or over another person's land for a specific purpose, such as a driveway or public utilities.

**Equity:**

The difference between the price for which a home could be sold and the total debts registered against it. Equity usually increases as the mortgage is reduced through regular payments. Market values and improvements to the property may also affect equity.

**Estoppel Certificate:**
Also called a certificate of status, it is a certificate that outlines a condominium corporation's financial and legal state. Fees may vary and may be capped by law (does not apply in Quebec).

**Fixed mortgage interest rate:**
A locked-in rate that will not increase for the term of the mortgage.

**FlexHousing™:**
A housing concept that incorporates, at the design and construction stage, the ability to make future changes easily and with minimum expense, to meet the evolving needs of its occupants.

**Foreclosure:**
The legal process where the lender takes possession of your property and sells it to cover the debts you have failed to pay off. When you default on a loan and the lender feels that you are unable to make payments, you may lose your home to foreclosure.

**Freehold :**
Ownership of land and buildings (house) by one person (or two, such as joint ownership by spouses). Detached and semi-detached homes, duplexes and townhouses are usually owned freehold. Freehold owners can do what they want with their property — up to a point. They must obey municipal bylaws, subdivision agreements, building codes and federal and provincial laws, such as those protecting the environment.

**Gross Debt Service Ratio (GDS):**
The percentage of the borrower's gross monthly income that will be used for monthly payments of principal, interest, taxes and heating costs (P.I.T.H.) and half of any condominium maintenance fees.

**Gross monthly income:**
Monthly income before taxes and deductions.

**High-ratio mortgage:**
A mortgage loan higher than 80% of the lending value of the property. This type of mortgage may have to be insured — by CMHC, for example — against payment default.

**Home inspector:**
A person who visually inspects a home to tell you if something is not working properly, or is unsafe. He or she will also tell you if repairs are needed, and maybe even where there were problems in the past.

**Home warranty:**
(New Home Warranty Program) A guarantee that if something covered under the warranty needs to be repaired it will be. If the builder doesn’t repair it, the repair will be made by the organization that provided the warranty.

**Household budget:**
A plan that allocates income for household expenses.

**Insurance:**
insurance provides coverage to ensure a loan is paid. See also Mortgage Loan Insurance and Mortgage Life Insurance.

**Insurance premium:**
Payment for insurance.

**Interest:**
The cost of borrowing money. Interest is usually paid to the lender in regular payments along with repayment of the principal (loan amount).

**Interest rate:**
The price paid for the use of money borrowed from a lender.

**Land registration:**
A legal document that records the ownership of a property and land.

**Land survey:**
(Survey or Certificate of Location) : A document that shows property boundaries and measurements, specifies the location of buildings on the property and states easements or encroachments.

**Land surveyor:**
A professional who can survey a property in order to provide a certificate of location.

**Lawyer:**
A legal advisor who assists people by representing them on legal matters.

**Lender:**
A mortgage lender is an institution (bank, trust company, credit union, etc.) that lends money for a mortgage.

**Life insurance:**
See Mortgage life insurance.

**Lien:**
A claim against a property for money owing. A lien may be filed by a supplier or a subcontractor who has provided labour or materials but has not been paid.

**Link home:**
A link, or carriage home, is joined by a garage or carport. The garage or carport gives access to the front and back yards. Builders sometimes join basement walls so that link houses appear to be single-family homes on small lots. These houses can be less expensive than single-family detached homes.

**Lump Sum Prepayment:**
An extra payment, made in lump sum, to reduce the principal balance of your mortgage, with or without penalty. A closed mortgage typically restricts the amount and frequency of the prepayments you can make. With an open mortgage, however, you can make a lump sum

prepayment at any time without penalty. Making prepayments can help you pay off your mortgage sooner and ultimately save on interest costs over the life of your mortgage.

**Manufactured home:**
Sometimes called a mobile home is a factory-built, single-family home. It is transported to a chosen location, and placed onto a foundation.

**Maturity Date:**
The last day of the term of the mortgage. On this day, the mortgage loan must either be paid in full or the agreement renewed.

**Mobile home:**
These are built in factories, and then taken to the place where they will be occupied. While these homes are usually placed in one location and left there permanently, they do retain the ability to be moved.

**Modular Home:**
A factory-built, single-family home. The home is typically shipped to a location in two, or more, sections (or modules).

**Mortgage:**
A mortgage is a security for a loan on the property you own. It is repaid in regular mortgage payments, which are usually blended payments. This means that the payment includes the principal (amount borrowed) plus the interest (the charge for borrowing money). The payment may also include a portion of the property taxes.

**Mortgage approval:**
Written notification from the mortgage lender to the borrower that approves the advancement of a specified amount of mortgage funds under specified conditions.

**Mortgage broker:**
The job of the mortgage broker is to find you a lender with the terms and rates that will best suit you.

**Mortgage life insurance:**
Mortgage life insurance gives coverage for your family, if you die before your mortgage is paid off.

**Mortgage loan insurance:**
If you have a nigh-ratio mortgage (more than 80% of the lending value of the property) your lender will probably require mortgage load insurance, which is available from CMHC or a private company.

**Mortgage payment:**
A regular payment to the lender that includes both the interest and the principal.

**Mortgage term:**
Length of time that the agreed-upon mortgage contract conditions, including interest rate, is fixed.

**MLS — Multiple Listing Service:**
A multiple listing service is a real estate agents' cooperative service that contains descriptions of most of the homes that are for sale. Real estate agents use this computer-based service to keep up with properties they are listing for sale in their area.

**Net worth:**
Your financial worth, calculated by subtracting your total liabilities from your total assets.

**New Home Warranty Program:**
Coverage in the event that an item under the warranty needs to be repaired. If the builder doesn't repair it, the repair will be made by the organization that provided the warranty.

**Notary:**
In Quebec a notary handles the legal matters related to homebuying.

**Offer to purchase:**
A written contract setting out the terms under which the buyer agrees to buy the home. If the Offer to Purchase is accepted by the seller, it forms a legally binding contract that binds the people who signed to certain terms and conditions.

**Open mortgage:**
A flexible mortgage that allows you to pay part before the end of its term.

**Open-house:**
A period of time during which a house or apartment for sale or rent is held open for public viewing.

**Operating Costs:**
The expenses that a homeowner has each month to operate a home. These include property taxes, property insurance, utilities, telephone and communications charges, maintenance and repairs.

**Payment schedule:**
The monthly, biweekly, or weekly mortgage payments

**Premium:**
See CMHC Insurance Premiums.

**Principal:**
The amount that you borrow for a loan. Each monthly mortgage payment consists of a portion of the principal that must be repaid plus the interest that the lender is charging you on the outstanding loan balance. During the early years of your mortgage, the interest portion is usually larger than the principal portion.

**P.I.T.H.:**
Principal, interest, taxes and heating — costs used to calculate the Gross Debt Service ratio (GDS).

**Property Insurance:**
Insurance that you buy for the building(s) on the land you own. This insurance should be high enough to pay for the building to be re-built if it is destroyed by fire or other hazards listed in the policy.

**Property taxes:**
Taxes charged by the municipality where the home is located based on the value of the home. In some cases the lender will collect a monthly amount to cover your property taxes, which is then paid by the lender to the municipality on your behalf.

**Real estate:**
Property consisting of houses and land.

**Realtor or real estate agent:**
A person who acts as an intermediary between the seller and the buyer of a property.

**Reserve Fund:**
This amount is set aside by the homeowner on a regular basis so that funds are available for emergency or major repairs. Setting aside 5% of your monthly take-home pay will give you a well-funded reserve.

**Row house:**
Also called a townhouse, a row house is one unit of several similar single-family homes, side-by-side, joined by common walls.

**Security:**
Property that can be claimed by a creditor if a loan is not repaid.

**Single-family detached home:**
Free-standing home for one family, not attached to a house on either side.

**Single-family semi-detached home:**
Home for one family, attached to another building on one side.

**Stacked townhouse:**
Two two-story homes are stacked one on top of the other. The buildings are usually attached in groups of four or more. Each unit has direct access from the outside.

**Strata (or condominium):**
a unit, usually in a highrise or lowrise, or a townhouse that can be owned. You own the unit you live in and share ownership rights for the common space of the building. Common space includes areas such as corridors, the grounds around the building, and facilities such as a swimming pool and recreation rooms. Strata owners together control the common areas through an owners' association. The association makes decisions about using and maintaining the common space.

**Survey or Certificate of Location:**
A document that shows property boundaries and measurements, specifies the location of buildings on the property and states easements or encroachments.

**Sustainable neighbourhood:**
Neighbourhood that meets residents needs while protecting the environment.

**Total Debt Service (TDS) ratio:**
The percentage of gross monthly income required to cover the monthly housing payments and other debts, such as car payments.

**Term:**
Mortgage term is the length of time that the mortgage contract conditions, including interest rate, are fixed.

**Title:**
A freehold title gives the holder full and exclusive ownership of the land and building for an indefinite period. A leasehold title gives the holder the right to use and occupy the land and building for a defined period.

**Title Insurance:**
Insurance against loss or damage caused by a matter affecting the title to immoveable property, in particular by a defect in the title or by the existence of a lien, encumbrance or servitude.

**Total Debt Service Ratio (TDS):**
The percentage of gross monthly income required to cover the monthly housing payments and other debts, such as car payments.

**Townhouse:**
Also called a row house, a townhouse is one unit of several similar single-family homes, side-by-side, joined by common walls.

**Variable mortgage interest rate:**
Fluctuates based on market conditions but the mortgage payment remains unchanged.

**Vendor:**
The seller of a property.

**Vendor take-back mortgage (Sometimes called take-back mortgage):**
The vendor, not a financial institution, finances the mortgage. The title of the property is transferred to the buyer who makes mortgage payments directly to the seller. These types of mortgages, can be helpful if you need a second mortgage to buy a home.

**Warranty (New Home Warranty Program):**
Coverage in the event that an item under the warranty needs to be repaired. If the builder doesn't repair it, the repair will be made by the organization that provided the warranty. All provinces have New Home Warranty programs for newly built homes. However, there are currently no such programs in the Territories.