

Types of Mortgages

There are 4 main types of mortgages:

- ❑ **National Housing Act (NHA) mortgages** are loans granted under the provisions of the National Housing Act of 1954. The Canada Mortgage and Housing Corporation (CMHC) insure lenders against loss. Borrowers must pay an application fee that usually includes the cost of a property appraisal and an insurance fee that is usually added to the principal amount of the mortgage. The insurance fee may sometimes be paid in cash. Your financial institution should be able to provide you with up-to-date information or requirements which borrowers must meet in order to obtain NHA backing.
- ❑ The **conventional mortgage** is a loan that does not exceed 75% of the appraised value or purchase price of the property; whichever is the lesser of the two.
- ❑ The **high-ratio mortgage** is a conventional mortgage loan that exceeds 75% of the appraised value or purchase price of the property; whichever is the lesser of the two. By law, these mortgages must be insured.
- ❑ A **collateral mortgage** is a loan backed up by a promissory note and the security of a mortgage on real property. The money borrowed by be used for the purchase of the property itself or for other purposes such as home improvements, a vacation, or a business investment