



Five things to ask before you sign a mortgage

Finding the answers to these questions could save you thousands of dollars

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What penalties could I face?

Ask your mortgage provider what will happen if you pay off your mortgage early, refinance it or sell your house. You may be facing a three-month interest penalty or an interest-rate differential, which is the difference between the interest charged at the time you signed your mortgage and the interest available at the time of refinancing. These penalties could add up to thousands of dollars.

What are my prepayment privileges?

Find out how much of your mortgage can be paid off without incurring penalty fees. The speed at which you pay down your mortgage has a huge effect on the amount of interest you pay over time.

Is my mortgage portable or assumable?

If you sell your house before your mortgage is paid and buy another one, find out whether your mortgage is portable, meaning you can take it with you to the new property at the same interest rate. Or, if you sell the house, can the new owners assume your mortgage, meaning can they take over your mortgage at the same rate? This can be a good selling feature.

What's my risk tolerance?

You will be faced with a choice of a fixed or variable interest rate, so ask about the pros and cons. Also, ask yourself whether you can handle rising rates, which will increase either your monthly payment or your amortization, depending on the type of mortgage. And find out what happens if you take a variable-rate mortgage and later decide to lock in at a fixed rate.

Can I accelerate my payment frequency?

Find out whether you can pay weekly or bimonthly, rather than monthly. This simple measure can knock years off your amortization and thousands of dollars off your total interest costs.

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