CPA CHARTERED PROFESSIONAL ACCOUNTANTS CANADA

JUST THE FACTS:
HELPING YOU TALK ABOUT MONEY

Home Ownership

For most people, buying a home requires making regular payments.

- Your payments go toward an investment, eventually resulting in ownership of the property.
- This differs from rent, which is essentially paying a fee to reside in a dwelling for as long as you live there.

Mortgages are home ownership loans, with the property as collateral.

- A financial institution will lend you the money to buy the property, with a fixed schedule to pay back the amount of the loan plus interest, which is a percentage of the total.
- The bank can take possession of the property and sell it to raise money still owing if you are unable to pay.
- You are responsible for selling the home if you move, even if you haven't finished paying it off. You can negotiate with the bank to move the mortgage to your new home.

Mortgages are often amortized – paid back over a longer term than regular loans.

- Because home ownership usually involves relatively large sums of money, mortgages are regularly amortized (structured over a longer period) for 25-30 years, enabling more manageable monthly payments.

Interest rates over the term of the mortgage will fluctuate, in response to economic factors.

Within the mortgage, interest rates can either be variable or fixed.

- Variable – the market rate on any given day, which could go up or down, affecting your payments.
- Fixed – the interest rate is locked in for a set period of time, giving you certainty about the amount of your payments during that term. (At the time of signing the mortgage, you will generally be paying a higher rate than variable – in essence you are "buying back the risk" of interest rates climbing. The fixed rate will be renegotiated at the end of the term, usually 4-5 years.)

LEARN MORE AT cpacanada.ca/justthefacts

Looking to better understand money basics and how they apply to you?
*You may also be interested in taking our **Financial Wellness Guide questionnaire**.*

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