Mortgage Types

Why does this matter to title insurance?
Most mortgages will have similar requirements; however, the type of mortgage may trigger specific requirements for a closing agent. Also, it is always good to know these terms for our lender customers.

Fully Amortized Mortgage
Amortization involves the payment of a specified amount over time through planned, incremental payments of principal and interest. The mortgage will be fully paid after the last payment. Often the interest rate will be fixed.

Balloon Mortgage
A balloon mortgage has fixed payments like a fully amortized mortgage, but at a certain time there will be a final payment that is larger than others. Since there is a larger “balloon” payment at the end, it is not fully amortized.

Variable Rate Mortgage
The loan does not have a fixed rate of interest during the term; the payments will not be the same but change depending on the rate applied to the principal balance. The rate is often tied to some external benchmark.

Adjustable-Rate Mortgage
This is like a variable rate mortgage because the interest rate fluctuates up or down based on public economic indicators. The interest rate changes are contained within the promissory note. Sometimes they are limited to one adjustment per year, but there are situations where they could be adjusted monthly.

Rollover Mortgage
The interest rate and terms of payment are renegotiated during its lifetime. Also called a “Canadian Rollover Mortgage.”

Reverse Mortgage
Instead of paying money, the borrower receives money from the lender using equity in his or her property. There is an interest rate applied to the loan. Eventually the loan is paid off by selling the property or by the estate of the borrower.

Other Types of Mortgages
There are many other types of mortgages used where the consumer has a need for a specific type of product. They all will use a promissory note or some evidence of indebtedness and have similar requirements for the recording or filing.