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 – 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**.*