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Mortgage loans make the dream of owning your own home a reality

Getting a house of your own is a lifetime achievement and a home mortgage helps you in achieving this milestone much earlier than it would otherwise have been possible. In fact, the first home mortgage is also filled with a lot of emotion. You can make your dreams come true by way of a home mortgage. So let's begin by knowing what a home mortgage actually is?

Home mortgage makes it possible for you to buy a house even if you do not have the required amount to pay for it right away. This is made possible by borrowing money from someone and paying it back in monthly installments. The person who lends you money is called the home mortgage lender. The home mortgage lender lends you money for a specific period (up to 30 years) during which you are expected to pay back the money in monthly installments. There are certain terms and conditions associated with the home mortgage agreement and these terms and conditions govern the home mortgage throughout its tenure.

The most important thing among others is the interest rate that the home mortgage lender charges you. A way for mortgage lenders to earn on this financial transaction called home mortgage is to charge interest. There are a wide variety of home mortgage schemes/options that virtually all home mortgage lenders offer. The most important variation in these schemes is in terms of the interest rate and the calculations related to it. It is the type of interest rate that is used for a particular home mortgage option that it gets its name from.

Broadly speaking, there are two types of home mortgage interest rates - FRM (fixed rate mortgage) and ARM (adjustable rate mortgage). For FRM, the interest rate is fixed for the entire tenure of the home mortgage loan. For ARM, as the name suggests the home mortgage rate changes or adjusts throughout the tenure of the home mortgage. This change or adjustment of mortgage rates is based on a pre-selected financial index like treasury security (and on the terms and conditions agreed between you and the mortgage lender). That is how mortgage works.

You can't escape paying back the mortgage lender the entire home mortgage loan amount as well as the interest, regardless of the type of home mortgage you have opted for. Failing to pay back the mortgage lender can result in foreclosure on your home and the mortgage lender can even auction it off to recover the remaining debt.

Therefore, home mortgage provides you with a wonderful chance of stepping into your dream home much earlier in your life. Getting into your dream home would not have taken a long time if this concept had been there. Really, a home mortgage is one of the best concepts from the world of finance.

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