Mortgage loans and bad credit mortgage loans

Property prices almost all over the world are reportedly at an all time high. Simply because finding an empty patch of land is not as easy as before, especially with commercial properties and other recreation centers willing to pay much more for land and then building on it. Having one's house or flat remains one of the most sought after securities that a family can have even today. So, where does one get the needed money for such a purchase?

That is where mortgage steps in. A 'mortgage' is simply this- money is borrowed from a bank or lender, which is paid back with interest over a certain number of months or years. Like in a normal loan, a security needs to be put up as a guarantee for the payment. In a mortgage however the security put up is the flat or house itself. In case the mortgage is not paid back over the specified amount of time nothing stops the bank or money lender from seizing the property. Mostly, the property would then be sold, as a means of money recovery.

Mortgages fall into two classifications. The first one is called a 'Fixed Rate Mortgage', where the amount to be repaid and the interest to be paid remains fixed for the entire decided period. This is generally the method followed in the USA and UK and is considered standard. The second kind of mortgage is called an 'Adjustable Rate Mortgage'. Here the interest rate remains fixed for a certain period of time and after that the interest rate automatically adjusts itself (by going up or down) against some index such as the Prime Rate, or Treasury Index. The second one is considered more of a risk but in some cases has its own advantages. In both cases however, there are four important points that need to be thought over clearly -

Interest- What is the interest that you are paying ?
Term- What is the time period in which the loan has to be repaid?
Payment Amount- What is the amount of money that needs to be given? Frequency- How many times a month should the payment be paid?
Prepayment- Is there any downpayment involved?

There are various ways in which a mortgage can be repaid back, and the method of repayment depends on your creditor and you. A repayment'' mortgage means that the money borrowed and interest fixed is paid back in small amounts each month. An "interest only'' mortgage, would mean that it is only the interest being paid back on a daily basis, and not the initial amount which was borrowed. In some countries, exceptions on mortgage payment are made for senior citizens, through a 'reverse' mortgage, where the loan and interest is paid back only after the borrower dies.

Taking on a mortgage is a serious decision which should be made in all fairness. If you take steps to cut down on other expenses such as credit cards and other heavy expenses like taking a holiday, you would be able to pay back the loan and still have enough to take care of monthly expenses without any trouble at all. Also take care to get your mortgage loan from a reputed creditor such as a bank or a financial institution. That would ensure you get all the needed help and support along the way.

About the Author

Sanjana George John is a professional writer on mortgage, mortgage loans, refinance mortgage