



BLACK KNIGHT CAPITAL INC.

FINANCE AGILITY OVER RED TAPE

DIGITAL TOOL · REFERENCE GUIDE

Mortgage Glossary

50+ Canadian mortgage terms — defined in plain English. Everything you'll hear from lenders, brokers, realtors, and lawyers.

Tip: Bookmark key ratios on page 6 — GDS, TDS, and stress test limits determine how much you qualify to borrow.



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A

Accelerated biweekly payment

26 half-payments per year equal to half a monthly payment — one extra full payment annually.

Amortization

Total time to pay off your mortgage (typically 25 or 30 years in Canada).

Appraisal

Professional property valuation ordered by the lender to confirm purchase price.

Assumption

Buyer takes over seller's existing mortgage. Rare in Canada; lender approval required.

B

B-lender

Alternative lender for borrowers who don't qualify at big banks. More flexible, slightly higher rates.

Blended rate

Combined rate when increasing your mortgage mid-term (e.g., renovation).

Bridge financing

Short-term loan when buying before selling your current home.

Break penalty

Fee for paying off or refinancing before term end — often 3 months' interest or IRD.

C

Closed mortgage

Restrictions on prepayment before term end. Lower rates than open mortgages.

CMHC

Crown corporation providing default insurance on high-ratio mortgages (down payment < 20%).

Closing costs

Fees at purchase beyond down payment — typically 1.5%–4% of price.

Closing date

Date ownership transfers. First payment usually one month after.

Co-borrower

Second person on mortgage sharing repayment responsibility.

Conventional mortgage

At least 20% down (80% LTV or less). No default insurance required.

Convertible mortgage

Short-term mortgage convertible to longer term without penalty.



D

Debt service ratios

How much income goes to housing and total debt. See GDS and TDS.

Default insurance

Protects lender if you stop paying. Required on high-ratio mortgages. CMHC, Sagen, Canada Guaranty.

Down payment

Portion you pay from own funds. Min 5% to \$500K; 10% on portion to \$1.5M (insured).

E

Equity

Home value minus remaining mortgage balance.

Expiry date

Date your mortgage term ends — renew, refinance, or pay off.

F

FHSA

First Home Savings Account — tax-deductible contributions, tax-free withdrawal for first home. \$8K/yr, \$40K lifetime.

Fixed-rate mortgage

Interest rate locked for entire term. Payments stay the same.

Foreclosure

Lender takes possession after default. Power of sale is more common in Ontario.

G

GDS (Gross Debt Service)

Housing costs ÷ gross income. Must generally be ≤ 39%.

Gift letter

Signed confirmation that down payment funds are a non-repayable family gift.

H

HBP (Home Buyers' Plan)

Withdraw up to \$60,000 from RRSPs tax-free for first home. Repay over 15 years.

HELOC

Home Equity Line of Credit — revolving credit secured against home equity.

High-ratio mortgage

Less than 20% down. Requires default insurance.

**I**

Interest rate

Cost of borrowing as annual percentage. Fixed or variable.

Interest rate differential (IRD)

Prepayment penalty based on rate difference for remaining term.

L

Land transfer tax (LTT)

Provincial tax on purchase. Toronto adds municipal LTT. Alberta/Saskatchewan have none.

LTV (Loan-to-Value)

Mortgage ÷ property value. 80% LTV = 20% down.

M

Maturity date

End date of current mortgage term.

Monoline lender

Mortgages only — no banking products. Often competitive rates.

Mortgage broker

Licensed professional who shops multiple lenders. Paid by lender on standard deals.

Mortgage term

Length of rate contract (1–5 years typical). Different from amortization.

N

NOA (Notice of Assessment)

CRA document confirming reported income. Lenders require 2 years.

NRST

25% surcharge on Ontario purchases by foreign nationals. Citizens/PRs exempt.



O

Open mortgage

Pay off in full anytime without penalty. Higher rate than closed.

Offer to purchase

Legally binding agreement between buyer and seller.

P

Payment default

Failure to make payments as agreed.

Portability

Transfer existing mortgage to new property without penalty.

Power of sale

Ontario process — lender sells property after default without court foreclosure.

Pre-approval

Conditional commitment with rate hold (90–120 days). Stronger than pre-qualification.

Pre-qualification

Informal estimate from self-reported income. Not sufficient for offers.

Prepayment privilege

Pay extra without penalty — typically 10–20% annually.

Principal

Original borrowed amount, or portion of payment reducing balance.

Prime rate

Bank benchmark for variable rates (e.g., prime - 0.75%).

Private mortgage

Non-institutional lender. Approval based primarily on property equity.

Property tax

Annual municipal tax. Often collected monthly with mortgage payment.

R

Rate hold

Lender guarantees a rate for 90–120 days while you shop or renew.

Refinance

Replace mortgage — access equity, consolidate debt, or get better rate.

Renewal

New term at maturity with same or different lender. No penalty at maturity.

Reverse mortgage

For homeowners 55+. Tax-free cash, no required monthly payments.

S

Second mortgage

Additional loan behind first mortgage using home equity.

Stress test

Qualify at contract rate + 2% or 5.25%, whichever is higher.

T

TDS (Total Debt Service)

All debts ÷ gross income. Must generally be ≤ 44%.

Title

Legal ownership registered with provincial land registry.

Title insurance

Protects against title fraud and ownership disputes. One-time premium.

V

Variable-rate mortgage

Rate fluctuates with prime. Payment may stay fixed or change.



Quick Reference — Key Ratios & Rules

Rule	Standard Limit
GDS ratio	≤ 39%
TDS ratio	≤ 44%
Stress test	Contract rate + 2% or 5.25%
Min. down payment	5% to \$500K + 10% to \$1.5M
Insured purchase cap	\$1.5M
Max amortization (insured)	30 years
Pre-approval validity	90–120 days
Rate hold before renewal	90–120 days

Questions About a Term?

Bobby explains mortgage language in plain English — book a free finance discovery.

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