

Second Mortgage: Second Chance

The beginning of a new year is a good time to take stock of your finances, review your assets and your debts, and make plans to take charge of your financial situation for the coming year.

Whether you find yourself worried about making payments for existing debts – auto loans, credit cards, medical bills, tuition fees, etc. – or you need money to repair or renovate your existing property, or are even considering a new business venture this year, you will want to learn about obtaining a second mortgage as a financing option.

If you have equity in your home (calculated as being the difference between the current value of your home and the amount already paid towards the first mortgage), you can apply for a second mortgage. When you do, you'll notice that the interest rate is likely higher than that of your primary mortgage interest rate. The reason for this difference is that, in the event a borrower defaults, the first mortgage will be paid off first, therefore putting the second mortgage in a somewhat higher risk category to the lender.

Applying for a second mortgage is similar to the process you went through when you applied for your first mortgage. There is still paperwork to complete, options to compare and rates to negotiate. Alternatively, you may want to ask about the possibility of refinancing, in order to obtain the money you need. Direction on what's best for you, plus dedicated service and individual advice, are included in the support that mortgage brokers provide to their clients.

Let's take some time to discuss the benefits and risks of all your options, to ensure you make the right decision for your own personal needs.



Terminology Tip

Acceleration Clause — Included to protect the lender, an acceleration clause is a common provision within a mortgage loan contract. The clause grants the lender the right to demand full and immediate payment of the remaining balance of the loan in the event the borrower violates any of the conditions of the mortgage agreement. Such violations can include the sale or destruction of the property, refinancing of the mortgage loan, or failure to make a payment, or payments, in a timely manner.

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Rob Dotzert
Principle Broker/Owner

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