Open Mortgages and Closed Mortgages

You have two choices with mortgage type, either open mortgages or closed mortgages.

The main difference between open and closed mortgages is the amount of flexibility you have in making extra payments on the principal or in paying off the mortgage completely. These types of extra payments on a mortgage are often called ‘prepayments’.

Open mortgages

With an open mortgage you can make prepayments at any time during the term, or even pay the mortgage off completely before the end of the term, without having to pay any charge.

Open term mortgages may be appealing if you are planning to pay off your mortgage in the near future. Also, open mortgages can be converted to any other term, at any time, without a prepayment charge.

However, the interest rate for open mortgages are generally higher than for closed mortgages with a comparable term length.

Closed mortgages

Closed term mortgages are usually the better choice if you're not planning to pay off your mortgage in the short term. The interest rate for closed mortgages are usually lower than for open mortgages with a comparable term length.

However, if you wish to prepay more than your mortgage allows, pay off your mortgage balance, renegotiate your interest rate or change interest type (for example, to take advantage of lower interest rates), during the term, you will pay a prepayment charge.