A Simple Guide for Investing in Real Estate

Click on the link if you missed Part 1: How to Buy Your First investment Property

Part 2: How Do Mortgages Work?

This week in an attempt to further understand investing in real estate we have taken a closer look at some of the fundamentals of mortgages. Understanding the financial implications of a mortgage can be crucial. It can be considered as important as property management, tenant due diligence, and optimization of expenses. Most people know what a mortgage is but they might lack an understanding of some of the finer details.

A mortgage is broken down into two separate parts, the principal and the interest. The principle is the total amount the bank is willing to lend you in order to purchase the property. The interest is the cost associated with borrowing that money, the principal. Interest rates are often described as Prime + a percentage point. This is a way for banks to benchmark different loan types and their associated risk and return.

Understanding some of the finer points of how mortgages work will allow you to build a strong real estate portfolio strategy. This fundamental knowledge will help you time the market, understand how to build equity, and the true cost associated with borrowing.

We will be building upon the introductory knowledge of this infographic in the coming weeks. Our goal is to give you the tools to approach realtors, lenders, and tenants with confidence.