

Real Estate Terminology

What is a lifetime cap?

The highest amount that an adjustable mortgage can be raised over the initial interest rate. These caps usually fall within the range of 5.0% - 7.0%. For example, if the initial interest rate is 5.25% and the lifetime cap is 6.0%, the highest interest rate a borrower might be required to pay during the life of the loan would be 11.25% (5.25% + 6.0%).

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