Equitable Bank

Understanding Your Mortgage:

What You Need to Know About Mortgages and Mortgage Prepayment Charges

Mortgage Glossary of Terms

Amortization Period: The period of time it will take you to pay off a Mortgage Loan in full. It is not to be confused with the Term of the mortgage.
Annual Interest Rate: The percentage used to calculate the Interest to be paid. The Interest is usually expressed as an annual rate.
Interest: The amount paid by you to a lender for borrowing money.
Interest Rate Differential (IRD): The difference between the Annual Interest Rate and the applicable designated Reference Rate closest to the remaining Term of your Mortgage Loan. This rate is used to calculate a Prepayment Charge if you prepay more principal than your Prepayment Privilege permits for a closed term Mortgage. For more details, see page 3, "What is the Interest Rate Differential (IRD)?"
Maturity Date: The date the mortgage Term ends.
Mortgage Loan: A loan secured by real property.
Porting: This allows you to move to another property and keep your existing Mortgage Loan balance, Term and Annual Interest Rate. If you port and decrease your outstanding Mortgage Loan balance, a Prepayment Charge will apply. Please note that there are a number of other conditions and restrictions on Porting your Mortgage Loan, so call us for details.
Prepayment: Total or partial payment of the outstanding principal balance of the Mortgage Loan before the Maturity Date.
Prepayment Charge: An amount payable to compensate the lender for any loss of revenue when you make a prepayment greater than the Prepayment Privilege amount allowed by your Mortgage Loan terms and conditions, or when you pay off a closed term mortgage before the end of your Term.
Prepayment Privilege: The terms applicable to your Mortgage Loan, if it is a closed term mortgage, which allow you to pay an amount toward in excess of your regular payments, without triggering a Prepayment Charge. For example, a lump sum payment up to a certain amount or an increase in the amount of your regular Mortgage Loan payments.
Prime Rate: The Prime Rate is used as a base rate for certain lenders' credit facilities such as variable interest rate loans and lines of credit. The Prime Rate can change at the lenders' discretion at any time.
Reference Rate: The comparison interest rate used in the calculation of a Prepayment Charge. It is used where a Prepayment Charge is based on IRD.
Renewal: The ending of an existing Mortgage Loan Term and signing an agreement to continue under new terms and conditions for a period of time.
Refinance: To arrange a new Mortgage Loan for an increased amount.
Term: The length of time a lender has lent mortgage funds to you. Most terms run from 6 months to 10 years. It is not to be confused with the Amortization Period.

Understanding Mortgage Types

Fixed Rate Mortgage

The Annual Interest Rate in a fixed rate mortgage is guaranteed and will remain the same for the entire Term. The payments remain unchanged throughout the Term.

Fixed rate mortgages make it easy to know how much your payments will be, and how much of your Mortgage Loan will be paid off at the end of your Term.

Variable Rate Mortgage

The Annual Interest Rate in a variable rate mortgage fluctuates when a lender's Prime Rate changes.

Generally, your payment amount stays fixed for a determined period of time as outlined by your Mortgage Loan terms and conditions; however, the interest rate will fluctuate with any changes in a lender's Prime Rate. If the Prime Rate goes down, more of your payment will go towards paying off your principal; if the Prime Rate goes up, more of your payment will go towards Interest costs.

Adjustable Rate Mortgage

The Annual Interest Rate in an adjustable rate mortgage fluctuates when a lender's Prime Rate changes.

Your payment amount adjusts automatically to reflect changes in the Annual Interest Rate and in the number of days in the month. This means your payments may change from payment date to payment date.

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Understanding Mortgage Types (continued)

Closed Term Mortgage

Generally, a closed term mortgage does not allow you to renew, Refinance or pay an amount greater than your Prepayment Privilege before the end of your Term without also paying a Prepayment Charge.

Annual Interest Rates are typically lower than rates for an open term mortgage.

Open Term Mortgage

An open term mortgage allows you to repay, renew or Refinance your mortgage at any time, without having to pay a Prepayment Charge for doing so.

Annual Interest Rates are typically higher than those for a closed term mortgage.

Long Term Mortgage

A long term mortgage is normally between three (3) and five (5) years or longer. Annual Interest Rates are typically higher than those for a short term mortgage.

A long term mortgage is often the best choice when you are comfortable with the Annual Interest Rate, want the security for budgeting for the future and do not anticipate making any changes to your Mortgage Loan for a few years.

Short Term Mortgage

A short term mortgage is normally less than two (2) years. Annual Interest Rates are typically lower than those for a long term mortgage.

A short term mortgage is a good option if you believe interest rates will drop by your Maturity Date or if you anticipate making changes to your Mortgage Loan within the next couple of years.

How To Pay Off Your Mortgage Faster Without Having To Pay A Prepayment Charge

Accelerate Your Payments (for a Fixed Rate mortgage only):
If you have a fixed rate mortgage, you can change your regular monthly mortgage payments to accelerated bi-weekly or accelerated weekly payments, which saves you money in Interest charges over the long run as your principal is paid down faster.

Take Advantage of Your Prepayment Privilege of 15% or 20% Depending on Your Product:

- **Lump sum payments**:
  You have the option of making a lump sum Prepayment up to the maximum allowable Prepayment Privilege of the original principal amount of your mortgage (as specified in your mortgage documents), once in each 12-month period starting on the Interest Adjustment Date* or the anniversary of that date. To avoid any Prepayment Charges, your payment must not exceed your allowable Prepayment Privilege. A lump sum payment is applied directly to the outstanding balance if there is no Interest owing. This saves you money over the life of your Mortgage Loan.
- **Payment Increases**: On select Equitable Bank mortgage products, you may also be able to increase your regular payments (as specified in your mortgage documents, if applicable), once in each 12-month period starting on the Interest Adjustment Date or the anniversary of that date.

Prepay at Renewal:
All Equitable Bank mortgage loans become open at maturity. You can repay either in part or in full without a Prepayment Charge before you renew.

* You can find this information in your Mortgage Loan Statement of Disclosure, under Additional Information about your Mortgage. Please see your Mortgage Loan documents for the specific terms of the Prepayment Privilege that apply to your Mortgage Loan.

How To Avoid Prepayment Charges

Portability: For select Equitable Bank mortgage products and subject to certain conditions and approval, you may be able to move your Mortgage Loan to a new home and transfer the existing Mortgage Loan balance, Annual Interest Rate and Term to the new home (i.e. a straight port) or increase your Mortgage Loan balance (i.e. port and increase) with a new blended rate.

Open Mortgage: Enjoy the flexibility to pay off as much of your Mortgage Loan at any time without paying a Prepayment Charge.

Actions That Result In A Prepayment Charge

- Prepaying an amount greater than your Prepayment Privilege allows.
- Transferring your Mortgage Loan to another financial institution before the end of your Term.
- Prepaying the full amount of your Mortgage Loan, if it is a closed term mortgage, before the end of your Term.
- Porting your Mortgage Loan to a new home and decreasing the loan amount.

In certain circumstances, we may also charge you a Prepayment Charge when refinancing your Mortgage Loan.

How Prepayment Charges Are Calculated For A Standard Equitable Bank Fixed Rate Closed Term Mortgage

For most of our standard Equitable Bank fixed rate closed term mortgages, if you want to pay out your Mortgage Loan before the end of your Term or make a Prepayment greater than your allowable Prepayment Privilege, your estimated Prepayment Charge will be the **greater** of the following:

- **Three (3) Months' Interest Amount**: This means an amount equal to three (3) months' Interest on the amount being prepaid. It is calculated by multiplying the amount being prepaid by the existing Annual Interest Rate and dividing that result by four (4); **OR,**

- **The Interest Rate Differential Amount**: This means an amount equal to the number of months remaining in the Term divided by 12, multiplied by the amount being prepaid, further multiplied by the Interest Rate Differential.

What is the Interest Rate Differential (IRD)?

- This is one of several methods of calculating Prepayment Charges. At Equitable Bank, in most cases, the IRD is the difference between the existing Annual Interest Rate of your Mortgage Loan and one of the applicable designated **Reference Rates** (or comparison rates) below:

  (i) if the remaining Term of your Mortgage Loan is **equal to or less than 24 months**, the applicable designated **Reference Rate** will be the yield for one-year daily series Government of Canada Treasury Bills on the business day immediately before the date on which the payout/discharge statement is prepared; **OR,**

  (ii) if the remaining Term of your Mortgage Loan is **greater than 24 months**, the applicable designated **Reference Rate** will be the Government of Canada Selected Benchmark Bond Yield on the business day immediately before the date on which the payout/discharge statement is prepared, **for the bond yield with the term closest to, but not longer than**, the remaining Term of your Mortgage Loan.

How do you determine the designated Reference Rate that applies to you?

- If the remaining Term of your Mortgage Loan is **equal to or less than 24 months**, use the applicable yield for one-year daily series Government of Canada Treasury Bills as stated in (i) above. Visit our website at equitablebank.ca/helpful-links for a link to obtain the 1 year daily series Government of Canada Treasury Bill yields. You will need to (i) input the business day immediately before the date the payout/discharge statement is prepared as the '**Start** (or single date)', (ii) select the 1 year 'V39067' series, and (iii) click 'Submit'.

- If the remaining Term of your mortgage is **greater than 24 months**, use the applicable Government of Canada Selected Benchmark Bond Yield with the term closest to, but not longer than, the remaining Term of your Mortgage Loan as stated in (ii) above. Visit our website at equitablebank.ca/helpful-links for a link to obtain the Government of Canada Selected Benchmark Bond Yields.

The number of months remaining in the Term is equal to the difference between the month of maturity and the month of payout, as per your request. For example, if you are requesting to payout in the month of December and your month of maturity is October of the next year, the number of months remaining in the Term would be 10.

The resulting Prepayment Charge (whether it is the Three (3) Months' Interest Amount or the IRD Amount) is rounded up or down to the nearest cent.

Example Of Estimating The Prepayment Charge For A Standard Equitable Bank Fixed Rate Closed Term Mortgage

If you have a standard Equitable Bank fixed rate closed term mortgage, your estimated Prepayment Charge will be calculated as follows:

1. To calculate the Three (3) Months' Interest Amount:

Step #	Nature of Step	Sample Calculation
1	(A) amount of Prepayment (for example, $100,000)	(A) $100,000
2	(B) Annual Interest Rate expressed as a decimal (for example, 6.4% = 0.064)	(B) 0.064
3	(C) A x B = C	(C) $6,400
4	(D) C ÷ 4 = D **D is the Three (3) Months' Interest Amount.**	**(D) $1,600**

2. (a) To estimate the IRD Amount <u>if the remaining Term of your mortgage is equal to or less than 24 months</u>:

Step #	Nature of Step	Sample Calculation
1	(A) Annual Interest Rate expressed as a decimal (for example, 6.4% = 0.064)	(A) 0.064
2	(B) the designated Reference Rate (one-year daily series Government of Canada Treasury Bills), expressed as a decimal. (for example, 1.10% = 0.011)	(B) 0.011
3	(C) A – B = C, the IRD (for example, 0.064 - 0.011 = 0.053)	(C) 0.053
4	(D) number of months remaining in the Term of the Mortgage Loan (for example, 18)	(D) 18
5	(E) D ÷ 12 = E (for example, 18 ÷ 12 = 1.5)	(E) 1.5
6	(F) the amount of Prepayment (for example, $100,000)	(F) $100,000
7	(G) E x F = G (for example, 1.5 x $100,000 = $150,000)	(G) $150,000
8	(H) G x C = H (for example, $150,000 x 0.053 = $7,950) **H is the estimated IRD Amount.**	**(H) $7,950**

OR

2. **(b) To estimate the IRD Amount if the remaining Term of your mortgage is greater than 24 months:**

Step #	Nature of Step	Sample Calculation
1	(A) Annual Interest Rate expressed as a decimal (for example, 6.4% = 0.064)	(A) 0.064
2	(B) the designated Reference Rate (Government of Canada Selected Benchmark Bond Yield) expressed as a decimal (for example, 1.2% = 0.012)	(B) 0.012
3	(C) A – B = C is the IRD (for example, 0.064 - 0.012 = 0.052)	(C) 0.052
4	(D) number of months remaining in the Term of the Mortgage Loan (for example, 30)	(D) 30
5	(E) D ÷ 12 = E (for example, 30 ÷12 = 2.5)	(E) 2.5
6	(F) amount of Prepayment (for example, $100,000)	(F) $100,000
7	(G) E x F = G (for example, 2.5 x $100,000 = $250,000)	(G) $250,000
8	(H) G x C = H (for example, $250,000 x 0.052 = $13,000) **H is the estimated IRD Amount.**	**(H) $13,000**

3. **The Estimated Prepayment Charge**
In this example, the IRD Amount is greater than the Three (3) Months' Interest Amount of $1,600.00. Therefore, the estimated Prepayment Charge is $7,950.00 if the remaining Term of the Mortgage Loan is 18 months (which is equal to or less than 24 months) or $13,000.00 if the remaining Term of the Mortgage Loan is 30 months (which is greater than 24 months).

There are fees associated with paying off in full your Mortgage Loan such as a Discharge Registration Fee, a Mortgage Statement Fee, and, where permitted by law, a Discharge Administration Fee.

To calculate your estimated Prepayment Charge, we invite you to visit our website (equitablebank.ca) and use the **Mortgage Prepayment Charge Calculator**. If you have questions or would like to obtain the exact amount of your Prepayment Charge please call us at 1-888-334-3313.

How Prepayment Charges Are Calculated For A Standard Equitable Bank Adjustable Rate Closed Term Mortgage

If you want to pay out your standard Equitable Bank adjustable rate closed term mortgage before the end of your Term or make a Prepayment greater than your allowable Prepayment Privilege, your estimated Prepayment Charge will be calculated based on:

(a) **Five (5) Months' Interest Amount for Prepayment during the first year of your Term.** This means an amount equal to five (5) months' Interest on the amount being prepaid. It is calculated by multiplying the amount being prepaid by the existing Annual Interest Rate and dividing that result by 12 and then further multiplying that result by five (5);

(b) **Four (4) Months' Interest Amount for Prepayment during the second year of your Term.** This means an amount equal to four (4) months' Interest on the amount being prepaid. It is calculated by multiplying the amount being prepaid by the existing Annual Interest Rate and dividing that result by 12 and then further multiplying that result by four (4);

(c) **Three (3) Months' Interest Amount for Prepayment after the second year of your Term.** This means an amount equal to three (3) months' Interest on the amount being prepaid. It is calculated by multiplying the amount being prepaid by the existing Annual Interest Rate and dividing that result by 12 and then further multiplying that result by three (3).

Please note that the resulting Prepayment Charge is rounded up or down to the nearest cent.

Example Of Estimating The Prepayment Charge For A Standard Equitable Bank Adjustable Rate Closed Term Mortgage

Assume you have a 5-year standard Equitable Bank adjustable rate closed term mortgage with an Annual Interest Rate of 6%, advanced on February 1, 2014. On December 19, 2014 (10 months into your Term), you decide to prepay the full amount of your Mortgage Loan, which is $100,000. To estimate your Prepayment Charge, you would:

1) Calculate the Interest cost for one (1) month using the following formula:
   (Amount of Prepayment x Annual Interest Rate expressed as a decimal) ÷ 12 months in the year

   ($100,000 x 0.06) ÷ 12 = **$500.00** Interest cost for one (1) month

2) Since you are prepaying during the first year of your Term, your Prepayment Charge will be based on five (5) months' Interest, using the following formula:
   Interest cost for one (1) month x five (5)

   $500.00 x 5 = **$2,500.00** is the estimated Prepayment Charge.

There are fees associated with paying off in full your Mortgage Loan such as a Discharge Registration Fee, a Mortgage Statement Fee, and, where permitted by law, a Discharge Administration Fee.

To calculate your estimated Prepayment Charge, we invite you to visit our website and use the **Mortgage Prepayment Charge Calculator**. If you have questions or would like to obtain the exact amount of your Prepayment Charge please call us at 1-888-334-3313.

How Prepayment Charges Are Calculated For An EQB Evolution Suite® Fixed Rate Closed Term Mortgage

If you want to pay out your fixed rate closed term mortgage in our EQB Evolution Suite® before the end of your Term or make a Prepayment greater than your allowable Prepayment Privilege, your estimated Prepayment Charge will be the **greater** of the following:

- **Three (3) Months' Interest Amount**: This means an amount equal to three (3) months' Interest on the amount being prepaid. It is calculated by multiplying the amount being prepaid by your existing Annual Interest Rate, plus any rate discount you received, and dividing that result by four (4); **OR**

- **The Interest Rate Differential Amount**: This means an amount equal to the number of months remaining in the Term divided by 12, multiplied by the amount being prepaid, further multiplied by the Interest Rate Differential.

What is the Interest Rate Differential (IRD)?
The IRD is the difference between your existing Annual Interest Rate, plus any rate discount you may have received, and the lowest interest rate offered by us for a similar mortgage within our EQB Evolution Suite® in effect on the Prepayment date, that has a term which is closest to, but not greater than, the remaining Term of your Mortgage Loan (the **Reference Rate**). Where the remaining Term of your Mortgage Loan is less than the shortest term of a similar mortgage, our lowest offered interest rate for a mortgage within our EQB Evolution Suite® with the shortest term will apply.

How do you determine the designated Reference Rate that applies to you?

Use the following chart to identify the term to be used when determining the lowest interest rate currently offered by us for a similar mortgage within our EQB Evolution Suite®:

If the number of months remaining in the Term of your Mortgage Loan, excluding the current month, is…	…the Term used to determine the lowest interest rate offered by us for a similar mortgage within our EQB Evolution Suite® would be:
Less than 12 months	One (1) year closed fixed interest rate
12 months up to 24 months less one (1) day	One (1) year closed fixed interest rate
24 months up to 36 months less one (1) day	Two (2) year closed fixed interest rate
36 months up to 48 months less one (1) day	Three (3) year closed fixed interest rate
48 months up to 60 months less one (1) day	Four (4) year closed fixed interest rate

Once you have determined the term that would apply, you would then visit our website to find the applicable interest rate for a similar mortgage within our EQB Evolution Suite® having that term.

The number of months remaining in the Term is equal to the difference between the month of maturity and the month of payout as per your request. For example, if you are requesting to payout in the month December and your month of maturity is October of the next year, the number of months remaining in the Term would be 10.

The resulting Prepayment Charge (whether it is the Three (3) Months' Interest Amount or the Interest Rate Differential Amount) is rounded up or down to the nearest cent.

Example Of Estimating The Prepayment Charge For An EQB Evolution Suite® Fixed Rate Closed Term Mortgage

If you have an EQB Evolution Suite® Fixed Rate closed term mortgage, your estimated Prepayment Charge will be calculated as follows:

1. **To estimate the Three Months' Interest Amount:**

Step #	Nature of Step	Sample Calculation
1	(A) amount of Prepayment (for example, $100,000)	(A) $100,000
2	(B) Annual Interest Rate, plus any discount you may have received, expressed as a decimal (for example, 6.0% + 0.4% (rate discount) = 6.4% which is 0.064 when expressed as a decimal)	(B) 0.064
3	(C) A x B = C	(C) $6,400
4	(D) C ÷ 4 = D **D is the Three (3) Months' Interest Amount.**	**(D) $1,600**

2. To estimate the IRD Amount:

Once you have determined the term that would apply (as per the chart above), you would then visit our website to find the applicable interest rate for a similar mortgage within our EQB Evolution Suite® having that Term, and use that rate in step 2 of the example calculation below.

Step #	Nature of Step	Sample Calculation
1	(A) Annual Interest Rate, plus any discount you may have received, expressed as a decimal (for example, 6.0% + 0.4% (rate discount) = 6.4% which is 0.064 when expressed as a decimal)	(A) 0.064
2	(B) the lowest Annual Interest Rate offered by us for a similar mortgage within our EQB Evolution Suite® that has a Term closest to, but not greater than, your remaining Term, expressed as a decimal. (for example, 5.10% = 0.051)	(B) 0.051
3	(C) A – B = C, the IRD (for example, 0.064 - 0.051 = 0.013)	(C) 0.013
4	(D) number of months remaining in the Term of the Mortgage Loan (for example, 18 months)	(D) 18
5	(E) D ÷ 12 = E (for example, 18 ÷ 12 = 1.5)	(E) 1.5
6	(F) amount of Prepayment (for example, $100,000)	(F) $100,000
7	(G) E x F = G (for example, 1.5 x $100,000 = $150,000)	(G) $150,000
8	(H) G x C = H (for example, $150,000 x 0.013 = $1,950) **H is the estimated IRD Amount.**	**(H) $1,950**

3. The Estimated Prepayment Charge
In this example, the IRD Amount is greater than the Three (3) Months' Interest Amount of $1,600.00. Therefore, the estimated Prepayment Charge of $1,950.00 is applicable.

There are fees associated with paying off in full your Mortgage Loan such as a Discharge Registration Fee, a Mortgage Statement Fee, and, where permitted by law, a Discharge Administration Fee.

To obtain our current lowest offered Interest rates or to calculate your estimated Prepayment Charge, we invite you to visit our website and use the **Mortgage Prepayment Charge Calculator**. If you have questions or would like to obtain the exact amount of your Prepayment Charge please call us at 1-888-334-3313.

If you want to pay out your EQB Evolution Suite® adjustable rate closed term Mortgage Loan before the end of your Term or make a Prepayment greater than your allowable Prepayment Privilege, your Prepayment Charge will be the following:

Three (3) Months' Interest Amount. This means an amount equal to three (3) months' Interest on the amount being prepaid. It is calculated by multiplying the amount being prepaid by the existing Annual Interest Rate, plus any rate discount you received, and dividing that result by 12 and then further multiplying that result by three (3).

Please note that the resulting Prepayment Charge is rounded up or down to the nearest cent.

Example Of Estimating The Prepayment Charge For An EQB Evolution Suite® Adjustable Rate Closed Term Mortgage

If you have an EQB Evolution Suite® adjustable rate closed term mortgage, your estimated Prepayment Charge will be calculated as follows:

To calculate the Three Months' Interest Amount:

Step #	Nature of Step	Sample Calculation
1	(A) amount of Prepayment (for example, $100,000)	(A) $100,000
2	(B) Annual Interest Rate, plus any discount you may have received, expressed as a decimal (for example, 5.6% + 0.4% (rate discount) = 6.0% which is 0.06 when expressed as a decimal)	(B) 0.06
3	(C) A x B = C	(C) $6,000
4	(D) C ÷ 12 = D	(D) $500
5	(E) D x 3 = E **E is the Three (3) Months' Interest Amount.**	**(E) $1,500**

There are fees associated with paying off in full your Mortgage Loan such as a Discharge Registration Fee, a Mortgage Statement Fee, and, where permitted by law, a Discharge Administration Fee.

To calculate your estimated Prepayment Charge, we invite you to visit our website and use the **Mortgage Prepayment Charge Calculator**. If you have questions or would like to obtain the exact amount of your Prepayment Charge please call us at 1-888-334-3313.

Factors Affecting Prepayment Charges

The Prepayment Charge you will have to pay can change over the Term of your Mortgage Loan.

Factors that may cause your Prepayment Charge to decrease are:
- the remaining principal balance decreases;
- the current designated Reference Rates increases (only where IRD is applicable); and/or
- the Equitable Prime Rate decreases (for an Adjustable Rate mortgage only).

Factors that may cause your Prepayment Charge to increase are:
- the remaining principal balance increases;
- the current designated Reference Rates decreases (only where IRD is applicable); and/or

- the Equitable Prime Rate increases (for an Adjustable Rate mortgage only).

Generally, the more time you have remaining in your Term, the higher your Prepayment Charge will be.

What Additional Charges May Apply When Prepaying a Mortgage?

There are fees associated with paying off in full your Mortgage Loan such as a Discharge Registration Fee, a Mortgage Statement Fee, and, where permitted by law, a Discharge Administration Fee.

Where Can I Get Additional Information?

For additional information regarding **Mortgages** and **Prepaying Your Mortgage Loan**, visit the **Financial Consumer Agency (FCAC)** website at https://canada.ca/en/financial-consumer-agency.html. You can also obtain more information by visiting https://www.canada.ca/en/services/finance.html.