

OPTIONAL COVENANT AND CONDITION NO. 139.320

Paying off a mortgage before the maturity date

Although we expect you to pay back your mortgage according to the payment schedule, you may pay off some, or the entire mortgage early based on the type of mortgage you have. If we later agree to change or extend the terms of the mortgage, these prepayment provisions will not apply to the new or extended term. The terms used in this schedule have the same meaning as in the mortgage.

Closed Mortgage

Providing all your mortgage payments are up to date, you may increase your payments, or pay off some of your mortgage early in one of the ways listed in the chart below. These options apply to partial prepayments only. The options are available each year and cannot be saved to use in a later year. Each year is defined as the 12-month period starting on the Interest Adjustment Date (IAD) or the anniversary of that date. If your mortgage term is less than 12 months, these options are available in each term.

PREPAYMENT OPTIONS		
How	When	What it means
1. *by paying an extra regular mortgage payment (principal, interest and taxes)	on any regular payment date during the year	your principal mortgage balance will be reduced by that amount
2. *by paying up to 15% of the original principal amount of your mortgage	at any time, (excluding day prepaid in full) sum total not to exceed the yearly maximum	
3. by increasing your regular monthly mortgage payment by up to 15% of the principal and interest payment set for the term of the mortgage	once each year of the term of your mortgage	

*Only items 1 & 2 qualify for the miss a payment option

Miss a Payment Option

You may miss any scheduled payment as long as you have prepaid an amount equal to the amount of the payment you intend to miss in this term, and your mortgage is not in default. You cannot however, miss your mortgage credit insurance premium, if applicable. Extra payments or prepayments may not be used to miss a payment if this mortgage is assumed by a subsequent purchaser.

Prepayment costs

When you prepay some, or the entire principal of your mortgage, you will incur prepayment costs unless the partial prepayment is in accordance with *Prepayment Options* chart. The costs depend on when you make your prepayment. There are two calculation periods based on the term of your mortgage: *closed period* and *open period*. You can however, reduce these costs if you supply a replacement mortgage as described below.

During the *closed period* you may only prepay your entire mortgage if you have entered into a good faith arms length sale of the mortgaged property and if you pay the penalties set out below.

DETERMINING YOUR CLOSED/OPEN PERIODS		
Term of mortgage	Calculation Periods	
	Closed Period	Open Period
6 month	First 3 months	Last 3 months
1 year	First 3 months	Last 9 months
2 year	First year	Last year
3 year	First 2 years	Last year
4 or 5 year term	First 3 years	Last year or 2 years
7 year term CMHC* insured	First 3 years	Last 4 years
7 year conventional not CMHC insured	First 5 years	Last 2 years

*CMHC refers to Canada Mortgage and Housing Corporation

Closed Period

During the closed period, the cost to pay off some, or the entire principal amount of your mortgage early, is the **higher** of (A) or (B), **plus** a reinvestment fee. That fee is dependent on the length of time you have had the mortgage:

- A) *3 months' interest costs* at the mortgage rate on the amount you want to pay
- B) *the interest rate differential*. This means the difference between your existing mortgage interest rate and the interest rate currently charged for a mortgage similar to yours for the remaining term of the loan. (This is a mortgage which has a term that is the next shortest to the remaining term of your existing mortgage.) The cost is calculated on the amount you wish to prepay.

If you pay off your mortgage within the first year after the Interest Adjustment Date, the reinvestment fee is \$500. In the second year the fee is \$400 and \$300 in the third year. There is no fee if you have had the mortgage for more than 3 years.

Open Period

In the *open period*, the cost to pay off some, or the entire principal amount of your mortgage early is 3 months' interest costs at the mortgage rate on the amount you want to pay.

Reduced Early Payment Costs with a Replacement Mortgage

You can reduce the costs of paying off your entire mortgage early if you concurrently provide us with a qualifying replacement mortgage for an equal or greater amount than your existing mortgage.

If you do, then in the *closed period* of your mortgage term, your cost is the **lesser** of (C) or (D). In no event will your prepayment costs be less than zero.

- C) *interest rate differential*. This means the difference between your existing mortgage interest rate and the interest rate currently charged for a mortgage similar to yours for the remaining term of the loan. (This is a mortgage which has a term that is the next shortest to the remaining term of your existing mortgage.) The cost is calculated on the amount you wish to prepay.
- D) *the interest rate differential* between your existing mortgage rate and the interest rate of the replacement mortgage for the remaining term of the loan. The cost is calculated on the amount you wish to prepay.

We may further reduce the cost by a minimum of \$300, depending on the amount by which the replacement mortgage exceeds the amount of your existing mortgage. We will also waive the reinvestment fee.

In the *open period* of your mortgage term, your cost is the **lesser** of (C) or (D) above, or (E). In no event will your prepayment costs be less than zero.

- E) 3 months' interest costs at your existing mortgage rate.

We may also reduce this cost by a minimum of \$300 as noted above.

Portable Mortgage

As long as we agree in writing, you may transfer your existing mortgage balance to a new home or you may combine your existing balance with additional funds and, depending on the remaining term of the existing mortgage, obtain an extended term. The interest rate on the replacement mortgage will be a blending of the rate you were paying on the funds transferred from your existing mortgage and the rate applicable to the term of the replacement mortgage and/or additional amount.

Continuing Liability

Unless you prepay the balance of the principal amount owing, you must continue to make your regular monthly mortgage payments.