# OPTIONAL COVENANT AND CONDITION NO. SMC-139.410

PREPAYMENTS TERMS AND CONDITIONS

Prepayment Charges – Paying off your mortgage before the maturity date.

You may pay off some, or the entire mortgage early based on the following terms. If we later agree to change or extend the terms of the mortgage, these prepayment conditions do not apply to the new renewal or extended term.

***Miss-a-Payment® Option***

You may miss any scheduled payment, as long as you have prepaid an amount equal to the amount of the payments you intend to miss in this term and your mortgage is not in default. You cannot however, miss your Mortgage Protection premium, if applicable.

If this is a Progress Draw Construction Mortgage, the Miss-a-Payment option is only applicable during the conversion product term of your mortgage and is not applicable during the initial interest-only term of your mortgage.

***Continuing Liability***

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

***Prepayments***

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 Term Start Date (also referred to as the Interest Adjustment Date) or the anniversary of that date. If your mortgage term is less than 12 months, these options are available in each term.

If this is a Progress Draw Construction Mortgage, these options are only applicable during the conversion product term of your mortgage and are not applicable during the initial interest-only term of your mortgage.

| 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 mortgage payment by up to 15% of the principal and interest payment originally 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.

Prepayment Cost

When you prepay some, or the entire principal of your mortgage, you will incur prepayment costs unless the partial prepayment is in accordance with the prepayment options chart above. The cost to pay off some, or the entire principal amount of your mortgage early, is 3 months interest costs on the amount you want to prepay. The interest rate used to calculate the 3 months interest is the interest rate being charged on the mortgage at the time of the prepayment.

Cashback

If you receive a cashback with your mortgage, the cashback amount will be repayable if your mortgage loan does not remain outstanding with us for the full term. If your mortgage is partially prepaid, paid off in full, transferred, assumed, or renewed prior to expiry of the term, the cashback amount will appear as payable in any assumption, discharge or early renewal statement and will be calculated on an even prorated basis using the following formula;

$$\text{Cashback Repayment} = \frac{\text{Remaining Term in months (rounded up)}}{\text{Original Term in months}} \times \text{Cashback Amount Received}$$

If You Move (Porting the Mortgage)

(1) If you sell your property and purchase another property within 90 days of the sale of your original property and you are not in default, and we agree in writing, you can move your existing mortgage to your new property. This means you may transfer the principal amount outstanding at the time of sale and your interest rate terms for the remaining term of the mortgage to the new property.

(2) This privilege may only be used for one new mortgage. This privilege may not be used for construction mortgages or any non-personal residential mortgages. In addition, to be eligible to move the mortgage to

your new property, you must:

(a) meet our mortgage approval and mortgage transfer criteria, including any requirements of the mortgage default insurer, if applicable; and

(b) pay any processing and administration fees, mortgage default insurance premiums, legal costs and property valuation fees, and any other expenses we incur.

(3) You will still be required to pay all applicable prepayment charges, discharge fees and any cashback amount owing when you sell your property. If we agree to let you move the mortgage, we will refund such charges and amounts when we obtain the new mortgage, with the exception of discharge fees. If the principal amount of the new mortgage is less than the principal amount outstanding when you sold your original property, you are responsible for the applicable prepayment charges and any cashback amount owing on the difference.

(4) If the mortgage has mortgage default insurance, ask us to see if the mortgage default insurance can be moved.

### Early Renewal

You may early renew this mortgage into a fixed rate, closed prepayment type mortgage with us, with an equivalent or greater term than the remaining term of the mortgage without a prepayment cost.

If this is a Progress Draw Construction Mortgage, this option is only applicable during the conversion product term of your mortgage and is not applicable during the initial interest-only term of your mortgage.