

Understanding Your Reverse Mortgage: What You Need to Know About Mortgages and Mortgage Prepayment Charges

Mortgage Glossary of Terms

Annual Interest Rate: The percentage used to calculate the Interest to be paid. The Interest is usually expressed as an annual rate.

Current Principal Amount: The Current Principal Amount includes all completed advances and any other fees or charges, which have been added to principal, less any principal repayments.

Date of Initial Advance:

This is the date that funds are first advanced to you.

Due Date: An event-related date on which your Outstanding Balance is due.

Interest: The amount to be paid by you to a lender for borrowing money.

Interest Rate Reset: The Annual Interest Rate on your Mortgage Loan will reset on the Interest Rate Reset Date throughout the life of your reverse mortgage loan.

Interest Rate Term: The period for which the Annual Interest Rate is valid.

Mortgage Loan: A Reverse Mortgage loan secured by real property.

Outstanding Balance: The Outstanding Balance is the amount owing under a Reverse Mortgage and includes all completed advances, accrued interest and fees, charges or costs incurred with respect to a Reverse Mortgage less any payments.

Porting: If permitted, this allows you to move to another property and keep your existing Mortgage Loan balance, Interest Rate Term and Annual Interest Rate. If you port and decrease your outstanding Mortgage Loan balance, a Prepayment Charge may 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 Current Principal Amount or the Outstanding Balance of the Mortgage Loan before the Due 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 your Reverse Mortgage within the first ten (10) years.

Prepayment Privilege: The terms applicable to your Mortgage Loan which allow you to pay an amount without triggering a Prepayment Charge. For example, a lump sum payment up to a certain amount.

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.

Reverse Mortgage: A reverse mortgage (also called an equity release) is a non-amortizing loan that allows you to convert the equity in your property into cash while remaining in your home. You may take the amount you are eligible for upfront as a one-time advance or as planned advances (single advances and/or recurring advances). There is no maturity date associated with a reverse mortgage and no instalment payments are required until the Mortgage Loan becomes due. The equity you hold in your home may decrease as the Interest on your Reverse Mortgage accrues throughout the life of your mortgage. In this document, a Reverse Mortgage means an Equitable Bank Reverse Mortgage loan.

Understanding Reverse Mortgage Types And Interest Rate Terms

Fixed Interest Rate

If a Reverse Mortgage has a fixed Annual Interest Rate, the interest rate is guaranteed and will remain the same for the entire Interest Rate Term.

If you request a single advance, you may be subject to a blended Annual Interest Rate if there is the difference between your Annual Interest Rate and our then current posted Equitable Bank Reverse Mortgage loan rate for the same Interest Rate Term at the time of the single advance. If applicable, we will reset your fixed Annual Interest Rate. Your blended Annual Interest Rate is a weighted average based on (i) the Outstanding Balance at your current Annual Interest Rate and (ii) the single advance at the Reference Rate as defined and explained in your mortgage documents.

Adjustable Interest Rate

If a Reverse Mortgage has an adjustable Annual Interest Rate, the interest rate will fluctuate when Equitable Bank Reverse Mortgage Prime Rate changes at anytime during the Interest Rate Term.

Closed Interest Rate Term

A closed Interest Rate Term means that you may not prepay an amount greater than your Prepayment Privilege without also paying a Prepayment Charge. An open Interest Rate Term is not offered under a Reverse Mortgage.

When Is A Reverse Mortgage Due?

The Outstanding Balance is due on the earliest of the following events (each a “**Due Date**”):

- the date the property, or your interest in the property, is sold, transferred or otherwise conveyed, whether in whole or in part;
- 180 days after the death of the last of the borrowers;
- the first year anniversary of the date the last of the borrowers has moved into a long-term care facility or retirement residence; or
- the date on which an event of default occurs.

How To Avoid Prepayment Charges On Your Reverse Mortgage

Take Advantage of Your Prepayment Privileges:

- **Interest Payments:**
Prepay any of the Interest outstanding once per calendar month.
You can reduce Interest accumulation by limiting the amount or frequency of planned advances and by requesting additional funds only as needed.
- **Lump sum Prepayments of Current Principal Amount:**
Make a lump sum Prepayment of up to 10% of the Current Principal Amount, once in each 12-month period starting on the Date of Initial Advance or the anniversary of that date, provided that the Current Principal Amount remains at least \$25,000 and all outstanding Interest has been paid. To avoid any Prepayment Charges, your prepayment must not exceed your allowable Prepayment Privilege.
- **Prepay on the Interest Rate Reset Date:**

After five (5) years, make a partial Prepayment of the Current Principal Amount or pay the Outstanding Balance in full without a Prepayment Charge within thirty (30) days prior to the Interest Rate Reset Date, provided that, in the case of a partial Prepayment, the Current Principal Amount remains at least \$25,000 and all outstanding Interest has been paid.

- **Prepay after Ten (10) Years:**

After ten (10) years, make a partial Prepayment of the Current Principal Amount or pay the entire Outstanding Balance at any time without a Prepayment Charge, provided that, in the case of a partial Prepayment, the Current Principal Amount remains at least \$25,000 and all outstanding Interest has been paid.

Exceptions To A Prepayment Charge

- A Prepayment Charge is reduced by 50% if the last of the borrowers has moved into a long-term care facility or retirement residence.
- A Prepayment Charge is waived if the Reverse Mortgage becomes due as a result of the death of the last of the borrowers.

Actions That May Result In A Prepayment Charge

- Prepaying an amount greater than your Prepayment Privileges allow.
- Prepaying the full amount of your Mortgage Loan in the first ten (10) years of the Reverse Mortgage.
- Porting your Mortgage Loan to a new home and decreasing the loan amount.

How Prepayment Charges Are Calculated

The Year in which Prepayment is made:	Prepayment Charge is:
Year 1	Five (5) Months' Interest Amount
Year 2	Four (4) Months' Interest Amount
Years 3 to 5	Three (3) Months' Interest Amount
Years 6 to 10	Three (3) Months' Interest Amount, unless you provide three (3) months' prior written notice in which case there is no Prepayment Charge.
After 10 Years	You may prepay the entire Outstanding Balance without a Prepayment Charge at any time.

How Is The Interest Amount Calculated?

The Interest Amount is calculated by multiplying the amount being prepaid in excess of the Prepayment Privilege by the Annual Interest Rate applicable on the prepayment date. The resulting number is then divided by 12 and further multiplied by the number of months noted above depending on the year in which the Prepayment is being made. The year is based on the elapsed time of your Reverse Mortgage. The resulting Prepayment Charge is rounded up or down to the nearest cent.

Example Of Estimating The Prepayment Charge When The Prepayment Charge Is Based On The Interest Amount

Below is an example of how to estimate a Prepayment Charge if you are in **Year Three (3)**, when your Prepayment Charge is **Three (3) Months' Interest Amount**:

Step Number	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, 6.0% = 0.06)	(B) 0.06
3	(C) $A \times B = C$ (for example, $\$100,000 \times 0.06$)	(C) \$6,000
4	(D) $C \div 12 = D$ D is the interest cost for one (1) month	(D) \$500
5	Take the interest cost for one (1) month (for example, \$500) and multiply that by three (3) months. (E) $D \times 3 = E$ E is the Three (3) Months' Interest Amount	(E) \$1,500

To calculate your estimated Prepayment Charge, we invite you to visit our website (equitablebank.ca) and use the **Equitable Bank Reverse Mortgage Loan 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 during your mortgage.

Factors that may cause your Prepayment Charge to decrease:

- the Current Principal Amount decreases;
- the planned advances are not completed; and/or
- the Equitable Bank Reverse Mortgage Prime Rate decreases (only for an adjustable Annual Interest Rate).

Factors that may cause your Prepayment Charge to increase:

- the Current Principal Amount increases; and/or
- the Equitable Bank Reverse Mortgage Prime Rate increases (only for an adjustable Annual Interest Rate).

Generally, the less time that has elapsed since your Date of Initial Advance, the higher your Prepayment Charge will be.

What Additional Charges May Apply When Prepaying A Mortgage?

There are fees associated with paying your Mortgage Loan in full such as a Discharge Registration Fee and, where permitted by law, a Mortgage Statement Fee and 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://www.canada.ca/en/financial-consumer-agency.html>. You can also obtain more information by visiting <https://www.canada.ca/en/services/finance.html>.

The information provided above is for informational purposes only and is subject to change without notice. It is not intended to provide financial, legal, accounting or tax advice and should not be relied upon in that regard. Additionally, some of the items described above only apply to certain Equitable Bank mortgage products. As a result, we would encourage you to review your mortgage documents, or contact us at 1-888-334-3313 to determine applicability.