

Calculating Your Prepayment Charge

Below are the two methods for calculating the cost of paying all or some of the principal amount of your mortgage before the maturity date. The results of both methods are estimates. **For your exact costs, please contact your branch.** We use a precise formula for method 2 that credits you for the amount of principal you would have paid off each month.

Method 1: Three Months' Interest Costs

Follow these steps to calculate three months' interest costs:

- Step 1

A

The amount you want to pay off.

Step 2

B

Your mortgage interest rate expressed as a decimal; for example, 6%= 0.06.

C

Equals A x B.

D

Equals C ÷ 4 (estimated three months' interest costs).
- ### Method 2: Interest Rate Differential
- Follow these steps to estimate the interest rate differential amount:
- Step 1

A

The annual interest rate on your mortgage.

B

The current annual interest rate for a new mortgage with a term that is the next closest to the remaining term of your existing mortgage, less the discount of 1.3500% you received on your existing mortgage.

C

Equals A – B, which is the difference between your existing interest rate and the discounted current rate. Write C as a decimal; for example, 6% = 0.06.

D

The amount you want to pay off.

Step 2

E

The number of months left until your mortgage maturity date (rounded up).

F

Equals (C x D x E) ÷ 12 (estimated interest rate differential amount).

The larger amount will be closest to the actual amount. We may also add an administration fee of \$200.

Example

Here is an example to illustrate the cost of paying off a mortgage before the maturity date:

Assume a 5-year closed term mortgage at an interest rate of 9%. The original amortization period was 20 years, and there are 18 years remaining. The balance owing is \$100,000. There are 36 months (3 years) left before the mortgage maturity date. The posted rate for a 5 year term at the time, was 9.5%, a discount of .5% was received. At this time, the bank is offering a new 3-year closed term mortgage at an interest rate of 6.5%. Here is the estimated cost to pay off the mortgage today.

Method 1: Three Months' Interest Costs

Follow these steps to calculate three months interest costs:

Step 1

\$100,000

A

The amount to pay off.

9% = 0.09

B

Your mortgage interest rate expressed as a decimal.

\$9,000

C

Equals A x B (100,000 x 0.09 = 9,000).

Step 2

\$2,250

D

Equals C ÷ 4 (9,000 ÷ 4 = 2,250) (estimated three months' interest costs).

Method 2: Interest Rate Differential

Follow these steps to estimate the interest rate differential amount:

Step 1

9% = 0.09

A

The annual interest rate on the mortgage.

6% = 0.06

B

The current annual interest rate for a new mortgage with a term that is closest to the remaining term in the existing mortgage, less the rate discount received on the existing mortgage (6.5% - .5% = 6%).

3% = 0.03

C

Equals A – B, which is the difference between the existing interest rate and the discounted current rate. Use the decimal form for calculation; thus, 3% = 0.03.

\$100,000

D

The amount to be paid off.

Step 2

36 months

E

The number of months left until the mortgage maturity date.

\$9,000

F

Equals (C x D x E) ÷ 12 (0.03 x 100,000 x 36) ÷ 12 = 9,000 (estimated interest rate differential).

In this example, the estimated cost to pay off the mortgage before the maturity date is \$9,000, because this amount is higher than the three months' interest costs. Please call us for the exact cost of paying off a mortgage before the maturity date. In this example, the exact interest differential cost would be lower than the cost as estimated above.

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PAGE 5 OF 5