

# MORTGAGE PREPAYMENT MADE EASY

A GUIDE TO PAYING OFF  
YOUR HOME SOONER

*Welcome to easy, more personal banking.*

## MANAGEABLE MORTGAGES: AS UNIQUE AS YOUR NEW HOME

Since no two homes are identical, and no one's finances are the same as yours, we give you personalized choices. Come in and talk to an Alterna Advisor who will help you choose from a wide range of money-saving mortgage features:

| MORTGAGE PRODUCT        | FEATURES  |
|-------------------------|---|
| Fixed Rate Mortgages    | <ul style="list-style-type: none"> <li>• Mortgage rate and minimum payments do not change throughout the term of your mortgage</li> <li>• You get the advantage of a predictable payment for terms of 6 months to 10 years</li> </ul>   |
| Variable Rate Mortgages | <ul style="list-style-type: none"> <li>• Mortgage rate will fluctuate with the Prime lending rate</li> <li>• Minimum payment amount may change during the term of your mortgage</li> <li>• Convert to a Fixed Rate Mortgage without a prepayment penalty as long as the new Fixed Rate Mortgage term is of equal length or greater than the remaining Closed Variable Rate Mortgage term</li> </ul> |
| Open Mortgages          | <ul style="list-style-type: none"> <li>• Can be partially prepaid or paid out in full at any time without being subject to a prepayment penalty</li> </ul>  |
| Closed Mortgages        | <ul style="list-style-type: none"> <li>• Prepayment privileges available</li> <li>• If partially prepaid beyond prepayment privileges or paid out in full prior to the maturity date of your term, a prepayment penalty will apply</li> </ul>   |
| Long-Term Mortgages     | <ul style="list-style-type: none"> <li>• Provide peace of mind knowing your mortgage rate and payment will remain consistent for a longer period of time</li> <li>• A great option when interest rates are low</li> </ul>   |
| Short-Term Mortgages    | <ul style="list-style-type: none"> <li>• Provide flexibility given you will not be committed to a mortgage term for long</li> <li>• A great option if you believe mortgage interest rates will drop further in the near future or that a prepayment may occur shortly</li> </ul>  |

## BECOMING MORTGAGE-FREE SOONER: 4 EASY STEPS

You might be surprised by how much you can save over time just by paying a little bit extra now. Here are four easy steps to help you reduce your mortgage debt:

1. Instead of monthly payments, consider semi-monthly, bi-weekly or weekly. It's easy and because you're making payments a bit sooner each month, it adds up to big savings over the years.
2. Shorten your amortization period: the number of years needed to pay off your mortgage. The less time it takes, the less you pay in interest.
3. If it turns out you can afford to, you can increase your regular payments by as much as double the current amount. All that extra gets you mortgage-free faster.
4. Each calendar year you can make an additional payment of up to 20% of your original principal, which is a fast route to mortgage freedom.

*These options are not available on all mortgages, so speak to your Alterna Advisor for help. Each calendar year the sum of options 3 and 4 cannot exceed 20% of the original mortgage principal.*

To learn more about paying off your mortgage faster, visit the Financial Consumer Agency of Canada's website at: [www.fcac-acfc.gc.ca](http://www.fcac-acfc.gc.ca)

# HOW PREPAYMENT CHARGES ARE CALCULATED

The Alterna Closed Term Mortgage allows borrowers to refinance, renew early, pay down, or payout their mortgage above and beyond their allowable prepayment limit. However, if you choose this route you will need to pay a prepayment penalty. The penalty will be an Interest Rate Differential or three months interest – whichever is greater.

For Variable Rate Mortgages the prepayment penalty will be three months interest.

## VARIABLE RATE MORTGAGE

3 Months Interest

Calculation Formula

3 months interest on the outstanding principal amount prepaid calculated at the Interest Rate for your Agreement.

$$\text{Current Mortgage Balance} \times \frac{(\text{Current Mortgage Rate} / 100)}{4}$$

## FIXED RATE MORTGAGE

Interest Rate Differential (IRD)

The greater of A) or B) below:

- A) 3 Months interest on the outstanding principal amount prepaid calculated at the Interest Rate for your Agreement
- B) The interest for the period from the prepayment date to the Balance Due Date on the amount prepaid, calculated at the difference between the:
  - i. Interest Rate in your Agreement
  - ii. Rate of interest determined to be the Posted Interest Rate that would be in effect for a similar mortgage term. The similar mortgage rate is the interest rate for a similar mortgage minus any rate discount you received on your mortgage.

Also, for either A) or B), the Unamortized Portion of all Incentives you may have received with your mortgage.

Calculation Formula

$$\text{Current Mortgage Balance} \times \frac{Z\%}{100} \div 12 \times \text{Number of Months Remaining in Current Term}$$

$$Z\% = \text{Current Rate} - (\text{Remaining Term Posted Rate} - \text{Rate Discount})$$

## PREPAYMENT PENALTY CALCULATION EXAMPLE

|  |            |
|--|------------|
| Current Mortgage Balance                   | \$ 200,000 |
| Current Mortgage Rate                      | 2.24%      |
| Number of Months Remaining in Current Term | 28         |
| Posted Interest Rate                       | 2.49%      |
| Rate Discount                              | 2.35%      |

### Interest Rate Differential

$$\begin{aligned} Z\% &= 2.24 - (2.49 - 2.35) = 2.10\% \\ &= \$ 200,000 \times [(2.10) \div 100 \div 12] \times 28 \\ &= \mathbf{\$9,800.00} \end{aligned}$$

### 3 Months Interest

$$\begin{aligned} &= \$ 200,000 \times [2.24 \div 100] \div 4 \\ &= \mathbf{\$1,120.00} \end{aligned}$$

In this example, the borrower will be subject to the Interest Rate Differential penalty because it is the greater amount.

The information you need to calculate your mortgage prepayment penalty can be found by referring to:

- Your **online banking profile** (mortgage balance, rate)
- Your most recent **mortgage statement** (mortgage balance, rate, months remaining in term)
- Your **original mortgage documentation** (original mortgage amount, original payment, rate, term, fixed rate or variable rate, open or closed)
- Your local branch (all the information you need and more)
- Alterna's Contact Centre: 1.877.560.0100 (Alterna Savings)  
1.866.560.0120 (Alterna Bank)
- Alterna's websites at [www.alterna.ca](http://www.alterna.ca) (Alterna Savings), [www.alternabank.ca](http://www.alternabank.ca) (Alterna Bank)

# HOW TO AVOID A PREPAYMENT CHARGE:

(only applicable to Closed Term Mortgages)

If you are planning on paying down or paying your mortgage in full, a prepayment penalty could apply. This penalty can be applied if you've sold your home, if you have refinanced, or if you've renewed your existing Closed Term mortgage. Here are a few options to help you avoid paying a prepayment charge, and potentially save you thousands of dollars:

|                         |  |
|-------------------------|--|
| Pre Pay Your Mortgage   | <ul style="list-style-type: none"> <li>• Take advantage of your maximum allowable annual lump sum payment</li> </ul>   |
| Port Your Mortgage      | <ul style="list-style-type: none"> <li>• If you are moving and require a mortgage, take your existing mortgage interest rate and term with you</li> </ul>  |
| Blend and Extend        | <ul style="list-style-type: none"> <li>• Blend your current mortgage rate with today's rate and avoid having to pay a prepayment charge</li> </ul>   |
| Mortgage Assumption     | <ul style="list-style-type: none"> <li>• If you are selling and do not require a mortgage on your new property, consider the option of the purchaser assuming the terms and conditions of your existing mortgage</li> </ul>  |
| Open Mortgage           | <ul style="list-style-type: none"> <li>• Open Mortgages can be partially prepaid or fully paid out at any point during your term without being subject to a prepayment penalty</li> </ul>  |
| Variable Rate Mortgages | <ul style="list-style-type: none"> <li>• If you are converting from a Closed Variable Rate Mortgage to a Closed Fixed Rate Mortgage, you can avoid paying a prepayment penalty if the term on the new mortgage is the same or greater than your existing mortgage</li> </ul> |

# WHEN WILL A PREPAYMENT PENALTY BE APPLICABLE?

| SCENARIO  | CLOSED FIXED RATE MORTGAGE  | CLOSED VARIABLE RATE MORTGAGE                                    |
|---|---|--|
| Payout Closed Term Mortgage in excess of allowable prepayment limit   | The greater of an Interest Rate Differential or 3 months outstanding mortgage balance | 3 months interest calculated on the outstanding mortgage balance |
| Refinancing (increasing your mortgage balance) mortgage term prior to the maturity date   |   |  |
| Early renewing (no new funds advanced) your mortgage term prior to the maturity date when new term is shorter than remainder of existing term |   |  |
| Transferring mortgage to another financial institution prior to the maturity date   |   |  |

## Other information you need to know:

- All mortgage penalty calculations are only valid on the date the calculation was performed
- All mortgage penalty calculations will be validated by Alterna
- A change in the Posted Mortgage Rates can impact the calculation of your mortgage penalty
- In addition to the above mortgage penalty, a discharge, transfer out or assignment fee may apply
- If your current mortgage is a CashBack mortgage you will need to payback all or the unamortized (pro-rated) portion of the original amount of CashBack you received at the time your CashBack mortgage was originally advanced
- If you are converting from a Closed Variable Rate Mortgage to a Closed Fixed Rate Mortgage, you can avoid paying a prepayment penalty if the term on the new mortgage is the same or greater than your existing mortgage

## WE'RE HERE TO HELP!

### PROUD TO OFFER CO-OPERATIVE BANKING

At Alterna, co-operative banking means offering everything you need to manage and achieve your financial goals. It means profits have a higher purpose because they're returned to you in the form of great rates, better service, and giving back to the communities where you live and work.

### CARING FOR OUR COMMUNITY

At Alterna, approximately 85 cents of every dollar is reinvested back into our local communities through loans, partnerships with non-profit organizations, sponsorship of community events and grants. We're investing in the economic development of our communities through our micro-finance program, and our unique community account offering. As an Imagine Canada Caring Company, Alterna Savings proudly makes a 1% contribution of our pre-tax profits to the communities we serve.

### YOU COME FIRST

We believe that profits should benefit the people we're here to serve. In other words, co-operative banking at Alterna puts you first!

### WHY? BECAUSE LIKE YOU, WE LIVE AND WORK RIGHT HERE

We're your neighbours. And whether you have a little money or a lot, we can always help you find a smarter way to make your money work for you.

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### APPLY TODAY FOR YOUR EVERYDAY BANKING SOLUTION

1. Call Alterna Savings at 1.877.560.0100 or Alterna Bank at 1.866.560.0120
2. Apply online at [alterna.ca](http://alterna.ca) or [alternabank.ca](http://alternabank.ca)
3. Visit any Alterna branch. See our website for a complete list of our locations.

To contact us:

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| <b>ALTERNA SAVINGS</b> | <b><a href="mailto:getintouch@alterna.ca">getintouch@alterna.ca</a></b> |
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| <b>ALTERNA BANK</b> | <b><a href="mailto:contactus@alterna.ca">contactus@alterna.ca</a></b> |
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