

How prepayment charges are calculated

If your mortgage is a closed mortgage and you want to prepay part or the entire amount of your mortgages, you will incur prepayment charges unless the partial prepayment is within the allowed amount (10% of Original mortgage amount in each calendar year).

The prepayment charges are the 3 months' interest costs at your current interest rate(*) on the amount you want to prepay more than the allowed amount.

* Current Interest Rate can be found on the most recent document from the following document list.

- Loan Agreement or
- Cost of Borrowing Disclosure Statement or
- Annual Mortgage Statement

Here is the example of Three Months' Interest Costs Calculation and followings are the steps to calculate three months' interest cost.

Assume your original mortgage amount **(a)** was \$500,000, your current interest rate expressed as a decimal **(b)** is 3.0%, the amount you have pre-paid (lump-sum) in this calendar year **(c)** is none and the amount you want to prepay **(d)** is \$100,000;

- Step 1. **The allowed amount for the partial prepayment without charges ①** equals Original mortgage amount **(a)** × 10% – The amount of pre-paid in this calendar year **(c)**
($\$500,000 \times 0.1 - \$0 = \$50,000$)
- Step 2. **Prepayment amount subject to prepayment charge ②** equals The prepay amount **(d)** – The allowed amount for the partial prepayment without charges **(1)**
($\$100,000 - \$50,000 = \$50,000$)
- Step 3. **Annual interest cost for the prepayment amount subject to prepayment charge ③** equals Prepayment amount subject to prepayment charge **(2)** × Current interest rate **(b)** ($\$50,000 \times 0.03 = \$3,000$)
- Step 4. **3 months interest cost ④** equals Annual interest cost for the prepayment amount subject to prepayment charge **(3)** ÷ 4 ($\$3,000 \div 4 = \750)

Estimated three months' interest costs prepayment charge is \$750

If you have any questions or inquiries about prepayment for your mortgage please contact us at 1-855-659-3919 (toll-free) for assistant.