Schedule B. Terms for your Residential Mortgage or Hypothec

In this document **you** means each borrower and **we** means Bank of Montreal**.**

1. Definitions.

1.1 Amortization period. The amortization period is the time it would take to pay the loan in full, with interest at a given interest rate, by instalments of a given frequency and amount. There are four basic factors for the loan: the amount , interest rate, instalment and amortization period. With any three of them, we can work out the fourth. The contract uses the following amortization periods:

1.1.1 ***Remaining contractual amortization period for the term.*** At any time, this is the amortization period that was agreed to for the current term of the loan, less the period since that term began.

1.1.2 ***Remaining contractual amortization period for the contract.*** At any time, this is the amortization period that was agreed to for the contract, less the period since the interest adjustment date.

1.1.3 ***Remaining actual amortization period.*** At any time, we work out the remaining actual amortization period by using what is owed at that time, the interest rate at that time, and the instalment at that time.

1.2 Balance due date. This is the day on which you must repay the balance of the loan and the interest on the loan in full, unless the loan is renewed for another term. The balance due date is sometimes called the "maturity date".

1.3 Blended interest rate. This is an interest rate that we work out when we make a new loan after you have exercised your portability rights under an existing loan. We use two interest rates:

- The first rate is the interest rate on your existing loan before we make the new loan. We apply this rate to what is owed just before we make the new loan.
- The second rate is our posted interest rate, when you and we enter into the agreement for us to make the new loan, for a fixed rate closed term that is closest in length to the time remaining in the existing term of the loan. We apply this rate only to the additional amount that we're to lend under the new loan.

We then pro-rate these rates, and the result is the blended interest rate.

1.4 BMO Eco Smart Mortgage™ is a fixed rate closed mortgage product to which the BMO Eco Smart Mortgage discount has been applied. To qualify for a BMO Eco Smart Mortgage: (1) your property must have been certified by a third party that we choose, to meet the criteria for a BMO Eco Smart Mortgage that are set out on BMO's website in the BMO Eco Smart Mortgage checklist; and (2) we must have provided confirmation to you that your property has been certified.

1.5 BMO Eco Smart Mortgage discount. The BMO Eco Smart Mortgage discount is a discount from the posted rate for your term that is in effect at the beginning of your term. If you have a BMO Eco Smart Mortgage, this is shown in your Confirmation of Renewal and Disclosure.

1.6 BMO Smart Fixed Closed Mortgage. This is an option for a fixed closed mortgage product that we offer with limited features as described in section 5. This mortgage product was previously called the Low Rate Fixed Closed Mortgage. If your contract refers to a Low Rate Fixed Closed Mortgage, this is the same mortgage product as the BMO Smart Fixed Closed Mortgage.

1.7 Compound interest. This is interest on unpaid interest.

1.8 Contract. This is the mortgage or deed of hypothec that secures the loan, as changed by our agreement. If the terms of the mortgage or deed of hypothec have been or are changed, it means the mortgage or deed of hypothec as changed.

1.9 Instalment. This is your regular payment for the loan and interest. It doesn't include a property tax or insurance payment.

1.10 Interest adjustment date. The first term of the loan under the contract begins on a day called the interest adjustment date. The interest adjustment date has that name because we begin the term of the loan on the first day of the month, but we often make the loan or an advance before that day.

1.11 Loan. This is the principal amount that we have advanced and that the contract secures, including the amount that you re-borrow under our agreement. It includes any advance we make under a mortgage re-borrowing.

1.12 Loan-to-value ratio. This is the amount of the loan or of what is owed at a time, as a percentage of the estimated value of the property. If you have an insured contract, the maximum loan to value ratio reflects requirements of the insurer.

1.13 Mortgage Product. Any of the kinds of loans we offer with a fixed or variable interest rate, and an open term or a closed term, and which are secured by a mortgage on real estate.

1.14 Our agreement. This is an agreement to convert your loan, either in the form of a signed agreement or an informal agreement that isn't on paper or signed. The terms of our agreement are confirmed in a Confirmation of Renewal and Disclosure and schedules that we provide you.

1.15 Payout statement. This is a statement we issue that shows the amount that we project will be required to prepay all of what is owed on a given date.

1.16 Posted interest rate. This is the yearly interest rate that we fix from time to time for loans for residential properties in Canada secured by mortgages or guaranteed by hypothecs for each mortgage product that we offer and that we designate as our "posted rate" for each mortgage product.

1.17 Prepayment. This is a payment you make above the scheduled payment amount under the contract. If you transfer your loan to another financial institution before the end of the term of the loan, you are prepaying your entire loan with us.

1.18 Prepayment charge. This is a charge that you may have to pay if you're prepaying all or part of what is owed.

1.19 Prime rate. This is the yearly interest rate that we fix from time to time as our prime interest rate payable on Canadian dollar loans made in Canada and designated as our "prime rate".

1.20 Property. This is the property that is covered by the contract and that is shown in the Confirmation of Renewal and Disclosure.

1.21 Property Tax or Creditor Insurance payment. This is a regular payment to us for property taxes, or a regular payment to the insurer for creditor insurance premiums for life, disability and/or critical illness insurance for the contract (if you obtain that insurance). Such payments are included in the total regular payment except for premiums for mortgage disability insurance purchased prior to March 4, 2013 which are billed separately.

1.22 Property claim. This is a right of anyone other than you in the property, and can include:

- A mortgage, hypothec or other security.
- A lease, a right of way or other easement or servitude, or a restrictive covenant.
- A lien or hypothec created by law (for example, for property taxes, utilities or condominium common expenses, or for a judgment).
- An exception, reservation, condition, limitation or provision.
- Any other encumbrance.
- A trust.
- A claim based on possession or use.
- A permission to occupy or use the property that can't be revoked.
- A claim under a marriage or family law.

1.23 Term of the loan. This is the period for which you are to have the loan. The term of the loan under our agreement ends on the balance due date.

1.24 This document. This document consists of the Confirmation of Renewal and Disclosure and schedules A and B.

2. What is owed.

2.1 The loan. You must repay the loan, and pay interest on it at the interest rate for the loan on the days on which the contract requires them to be paid.

2.1.1 ***Instalment.*** We'll apply each instalment as follows:

- First, to pay or reduce any compound interest on the loan up to the instalment date.
- Second, to pay other interest on the loan up to that date.
- Third, to reduce the loan.

If the contract goes into default, we don't have to apply an instalment as shown above.

2.1.2 ***Balance.*** You must repay the balance of the loan and the interest on the loan in full on the balance due date, unless the loan is renewed for another term.

2.2 Prepayment. You can prepay all or part of what is owed only where the contract specifically gives you a right to prepay. After you prepay part of what is owed, you must continue to pay the instalments.

2.3 Compound interest. If interest isn't paid when it's due, compound interest must be paid on this unpaid interest. Compound interest must be paid at the same rate as the unpaid interest, is calculated in the same way, and must be paid on the same days. If compound interest isn't paid when it's due, compound interest must be paid on that interest. Compound interest must be paid even if interest isn't in arrears, for example, where you have a variable rate term and the instalment doesn't cover all the interest.

2.4 Payments. You must keep a deposit account with us or a financial institution that we approve, and you must authorize us to debit that account with the instalment. If we ask, you must authorize us to debit the account with property tax or insurance payments.

2.5 No right to set-off. Instalments, property tax or insurance payments and other payments must be paid without any set-off. (Having to pay without set-off means that you don't have a right to reduce your debt by any amount we owe you.

3. Variable rate terms.

3.1 General. The interest rate during a variable rate term is based on our prime rate. The interest rate is calculated monthly not in advance. The interest rate varies because our prime rate varies and changes automatically when our prime rate changes. Our prime rate can change at any time. We don't have to send you a notice showing this change.

3.2 Interest rates.

3.2.1 ***Variable rate open and Variable rate closed terms.*** The interest rate for a variable rate open and variable rate closed term is equal to our prime rate plus the premium or minus the discount, if any, shown on page 1 of the Confirmation of Renewal and Disclosure.

3.3 Payments.

3.3.1 ***Instalment.*** Although the interest rate for a variable rate term varies, the instalment doesn't change (except under section 3.3.2). Thus, when the interest rate goes down, more of the instalment goes to repay the loan and the remaining actual amortization period decreases. When the interest rate goes up, less of the instalment goes to repay the loan and the remaining actual amortization period increases.

3.3.2 ***Effect if interest is more than the instalment.*** For any variable rate mortgage product, when the interest rate goes up, the instalment may not be enough to pay all of the interest and the remaining actual amortization period increases. When this occurs what is owed increases and you must pay compound interest. If this happens and if we ask, you may be required to do one or more of the following so the loan will be repaid over the remaining contractual amortization period:

- Immediately pay us the excess.
- Pay us a higher instalment, beginning on the next instalment date, and going on until the balance due date. We fix the amount of the higher instalment to cover any expected rate increase, or to stop what is owed from increasing.
- Convert the loan to a fixed rate term if the contract gives you an option to do so.

If you choose to pay us a higher instalment so that the loan will be repaid over the remaining contractual amortization, you can't lower it under sections 5.12.2 or 5.15.2

4. Renewal.

4.1 Renewal offer. Renewal of the loan for another term is at our discretion. We may request additional information before extending a renewal offer. If we decide to renew the loan and if you're not in default, shortly before the balance due date we'll send you our offer to renew the loan. The offer will contain each mortgage product available to you, the interest rate applicable to each mortgage product and any new or amended terms that would also apply to the contract. If by the balance due date you've neither paid all of what is owed at that time nor agreed with us to renew, you'll be deemed to have accepted our offer for a new mortgage product beginning on the day after the balance due date as follows:

4.1.1 If you have a fixed rate term for six months, one year or two years, the new mortgage product is the same mortgage product again. If you have a closed term, the new mortgage product is closed. If you have an open term, the new mortgage product is open.

4.1.2 If you don't have a mortgage product described in section 4.1.1, the new mortgage product is a fixed rate open term of six months.

5. Features.

5.1 What features apply.

5.1.1 The heading for each section of this part 5 shows what mortgage product a feature applies to. Except where a feature applies to any mortgage product, the feature applies only while you have the mortgage product shown in the heading.

5.1.2 If the contract is in default, you can't use any of the features in this part 5.

5.1.3 If you have chosen a BMO Smart Fixed Closed Mortgage, you cannot use features shown in section 5.3 and 5.4.

5.2 Any type of mortgage product: *Paying the instalment monthly or more often, or accelerated instalments.*

5.2.1 **Your option.** You can ask to pay the instalments in any of four ways:

- every week on Friday,
- every two weeks on Friday,
- twice a month on the 1st and 15th, or
- monthly on the 1st.

You can ask to change the way you pay the instalments at any time.

5.2.2 **Accelerated instalments**. You can prepay by paying what we call "accelerated instalments". To work out the accelerated instalment, we use the same monthly instalment that we'd start with under section 5.2.1. An accelerated instalment paid every week is that monthly instalment divided by 4. An accelerated instalment paid every two weeks is that monthly instalment divided by 2. An accelerated instalment paid twice a month is that monthly instalment times 13 and divided by 24.

5.2.3 **How we make the change.** When we change the way you pay the instalments under section 5.2.1 or 5.2.2, the terms of section 5.17 apply.

5.2.4 **Instalments after default.** If the contract has gone into default, you must pay any arrears. In addition, if you pay the instalment more often than monthly, if we choose, you must pay the instalment made back into a this new monthly instalment. If we've chosen to have you pay the instalments monthly under this section 5.2.4, you can't change the way you pay the instalments under section 5.2.1 or 5.2.2. Nothing in this section 5.2.4, and nothing we do under this section 5.2.4, impairs any other right of ours under the contract. For example, all of what is owed must still, if we choose, be paid immediately.

5.2.5 **Propery Tax or insurance payments.** If you pay property tax or insurance payments, when the way you pay the instalments is changed, we can decide how often you must pay these tax or insurance payments.

5.3 Any type of mortgage product except a BMO Smart Fixed Closed Mortgage: *Re-borrowing.*

5.3.1 **How much you can re-borrow.** Subject to section 5.3.6, if you've previously prepaid, you may be able to re-borrow on the terms in section 5.3.7.

5.3.2 To work out what you can re-borrow:

- First we determine your start date and your initial loan balance, and section 5.3.5 gives examples of how we do this.
- Then we work out what would have been owed if, since your start date, you had only paid instalments without prepaying.
- If what is owed is less than what would have been owed at the time, the difference is what you may re-borrow.

5.3.3 What is owed after you re-borrow must not cause the loan-to-value ratio after you re-borrow to go over the maximum loan-to-value ratio we set when you ask to re-borrow. We base the loan-to-value ratio on what we estimate is the value of the property when you ask to re-borrow (and we may request a new appraisal or make an inspection but we have no obligation to do either).

5.3.4 Some transactions reduce what you can re-borrow. For example, if you've skipped an instalment under section 5.4, that will lower what you can re-borrow.

5.3.5 **Your start date and your initial loan balance.** The following are examples of how we determine your start date and your initial loan balance:

- If you entered into the contract with us, your start date is the interest adjustment date, and your initial loan balance is the principal amount shown in the contract.
- If you assumed the contract by taking a transfer of the property subject to the contract, your start date is the date of transfer, and your initial loan balance is the loan balance on your start date.
- If the contract wasn't entered into with us, your start date is our interest adjustment date when we became the holder of the contract, and your initial loan balance is the loan balance on your start date.
- If the contract wasn't entered into with us, and you assumed the contract by taking a transfer of the property subject to the contract after we became the holder of the contract, your start date is the date of transfer, and your initial loan balance is the loan balance on your start date.

5.3.6 **When you can't re-borrow.** We may not allow a re-borrowing in some cases. For example, we don't allow it where:

- Your employer is subsidizing the loan.
- The loan is under a self-directed registered retirement savings plan.
- The property was transferred to you in the same month in which you want to re-borrow.
- We're letting you skip an instalment.
- You've obtained a payout statement and it hasn't expired or been cancelled.
- You're asking to change the type of mortgage product.
- There's another property claim on the property that arose after we established the contract with you.
- You're re-borrowing to avoid having the contract go into default.
- We haven't advanced the full amount approved for the loan.
- The term of the loan has ended.
- The loan has been reduced to zero.
- If the original commitment for the contract was issued before December 1, 1999, you can't re-borrow more than $20,000. We reduce the $20,000 by what you've already re-borrowed.
- The contract is in default, or has gone into default during the last 90 days.
- You have a multi-unit residential mortgage with more than 4 units.
- You have a default insured contract, unless the re-borrowing is permitted by the default insurer.

5.3.7 **Terms for re-borrowing.** When you re-borrow:

- You can't re-borrow less than $2,500 at a time.
- The type of mortgage product you have stays the same.
- The balance due date doesn't change.
- If you have a fixed or variable rate term, your interest rate continues to be calculated in the same way.
- The instalment is based on what is owed just before the re-borrowing takes effect plus the amount you re-borrow, the remaining contractual amortization period for the current term of the loan and your interest rate when the re-borrowing takes effect.
- You don't have to pay us a prepayment charge.
- The terms of section 5.17 apply to this change.

5.4 Any type of mortgage product except a BMO Smart Fixed Closed Mortgage: *Family Care® and Take a Break®.*

5.4.1 **What the Family Care and Take a Break options are.** These options may allow you to skip instalments. If you've re-borrowed, that may lower how many instalments you can skip.

5.4.2 If the contract is a default insured contract, the instalments you can skip can't be more than what you can re-borrow under section 5.3.1. This means that if you have not made accelerated instalments or prepayments, you may not be eligible to use Family Care and Take a Break features.

5.4.3 **Your rights to cancel or pay a skipped instalment.** At any time, you can cancel an agreement allowing you to skip an instalment. At any time after you've skipped an instalment, you can pay all or part of that instalment. This is in addition to your option to prepay 20% under section 5.10.1 or 5.15.1. If you payall or part of a skipped instalment, you don't have to pay us a prepayment charge and you don't have to tell us in advance that you want to pay.

5.5 Any type of mortgage product: *Transfer.*

5.5.1 **Our right to require the loan to be repaid in full immediately on a transfer.** If we choose, you must pay all of what is owed immediately (including amounts that haven't become due) whenever there's a transfer of the property or your interest in the property. Where more than one person owns the property or holds the interest, there's a transfer of the property or interest when there's a transfer by any person.

5.5.2 **Our approval.** We won't choose to have all of what is owed paid immediately if, before the transfer, we agree in writing to allow the person who receives the transfer to assume the contract. We won't withhold this agreement unreasonably. The person must meet our usual credit requirements at the time and, if we ask, agree with us to comply with the contract.

5.5.3 **Agreement not to take legal action against you after you transfer.** When you sell the property, you can ask us to agree that, if the person who assumed the contract under section 5.5.2 defaults after you've transferred the property to that person, we won't take legal action to collect what is owed from you (meaning the person who transferred) or a person who was a guarantor before the transfer. We don't have to agree unless, acting reasonably, we're satisfied with every person to whom you transfer. Our approval of an assumption under section 5.5.2 doesn't mean that we're satisfied with that person. The agreement has no effect unless it's in writing. The agreement doesn't impair our security on the property, our rights against the person who assumed the contract under section 5.5.2, or any of our other rights under the contract (other than to take legal action to collect what is owed from you). You don't have to pay us an administration fee for the agreement.

5.5.4 **Portability.** If you consent to our dealing with a person who wants to assume the contract under section 5.5.2, you give up any option that you may have under the contract to carry the terms of the loan to a new property.

5.6 Fixed rate open term: *Increasing the instalment.*

5.6.1 **Your option to increase.** At any time during the term of the loan, you can prepay by asking us to increase the instalment by any amount. You don't have to pay us a prepayment charge.

5.6.2 **Your option, after an increase, to lower the instalment.** After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the contract when you and we enter into the agreement to make the change.

5.6.3 **How we make the change.** When we increase or lower the instalment under this section 5.6, the terms of section 5.17 apply.

5.7 Fixed rate open term: *Prepaying.*

At any time during the term of the loan, you can prepay all or part of what is owed. You can't prepay less than $100 at a time. You don't have to pay us a prepayment charge. You don't have to tell us in advance that you want to prepay.

5.8 Fixed rate open term: *Conversion.*

Your option. At any time during the term of the loan, you can ask us to convert the loan to any new mortgage product that you choose.

You don't have to pay us a prepayment charge. The terms of section 5.17 apply to this change.

5.9 Fixed rate closed term: *Increasing the instalment.*

5.9.1 **Your option to increase the instalment.** Once in each calendar year, you can prepay by asking us to increase the instalment by up to 20%, or 10% for a BMO Smart Fixed Closed Mortgage, of the instalment just before the increase. If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year. You don't have to pay us a prepayment charge.

5.9.2 **Your option, after an increase, to lower the instalment.** After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the contract when you and we enter into the agreement to make the change.

5.9.3 **How we make the change.** When we increase or lower the instalment under this section 5.9, the terms of section 5.17 apply.

5.10 Fixed rate closed term: *Prepaying.*

5.10.1 **Your option to prepay.** You can prepay part of what is owed as follows:

- The total of what you prepay under this section 5.10.1 in any calendar year cannot be more than:
  - 10% of the original amount of the loan, if you have a BMO Smart Fixed Closed Mortgage; or
  - 20% of the original amount of the loan, if you have any other type of mortgage product.
- You can't prepay less than $100 at a time.
- You can prepay in this way at any time during the year.
- If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year.
- You don't have to pay us a prepayment charge.
- You can't prepay under this section 5.10.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

5.10.2 **Your option to prepay with a prepayment charge.** Except for a BMO Smart Fixed Closed Mortgage, at any time during the term of the loan, in addition to your option to prepay under section 5.10.1, you can prepay all or part of what is owed as follows:

5.10.3 You must at the same time also pay us a prepayment charge of the higher of:

- three months' interest on the amount that you're prepaying, as described in section 5.19.1 or
- the interest rate differential charge as described in section 5.18.1.

You can estimate your prepayment charge using section 5.19.

5.10.4 Despite section 5.10.3:

- If the term of the loan is longer than five years and you prepay all or part of what is owned after the fifth year of the term of the loan, the prepayment charge is three months' interest on the amount that you're prepaying. You can estimate three months' interest using section 5.19.1.
- If you prepay all of what is owed within the last three months of the term, the prepayment charge is the interest on the amount that you're prepaying until the end of the term of the loan.

5.10.5 You don't have to tell us in advance that you want to prepay.

5.10.6 **Prepaying a BMO Smart Fixed Closed Mortgage.** For a BMO Smart Fixed Closed Mortgage, you cannot prepay unless:

- you sell the property to an unrelated purchaser for fair market value; and
- at the same time, you also pay us a prepayment charge as described in section 5.10.3 or 5.10.4. as applicable.

However, if the term of your loan is longer than five years, you can prepay all or part of what is owed at any time after the fifth year of the term of the loan without selling your property if you pay us the prepayment charge described in section 5.10.4.

5.11 Fixed rate Convertible term: *Conversion.*

Your option. A convertible term is closed. At any time during the term of the loan, you can ask us to convert the loan to a new mortgage product that is a fixed rate closed term of one year or more.

You don't have to pay us a prepayment charge. The terms of section 5.17 apply to this change.

5.12 Variable rate open term: *Increasing the instalment.*

5.12.1 **Your option to increase.** At any time during the term of the loan, you can prepay by asking us to increase the instalment by any amount. You don't have to pay us a prepayment charge.

5.12.2 **Your option, after an increase, to lower the instalment.** After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the contract when you and we enter into the agreement to make the change.

5.12.3 **How we make the change.** When we increase or lower the instalment under this section 5.12, the terms of section 5.17 apply.

5.13 Variable rate open term: *Prepaying.*

Your option. At any time during the term of the loan, you can prepay all or part of what is owed. You can't prepay less than $100 at a time. You don't have to pay us a prepayment charge. You don't have to tell us in advance that you want to prepay.

5.14 Variable rate open term: *Conversion.*

Your option. At any time during the term of the loan, you can ask us to convert the loan to any new mortgage product that you choose.

You don't have to pay us a prepayment charge. The terms of the section 5.17 apply to this change.

5.15 Variable rate closed term: *Prepaying.*

5.15.1 **Your option to prepay up to 20% a year.** You can prepay part of what is owed as follows:

- The total of what you prepay under this section 5.15.1 in any calendar year cannot be more than 20% of the original amount of the loan.
- You can't prepay less than $100 at a time.
- You can prepay in this way at any time during the year.
- If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year.
- You don't have to pay us a prepayment charge.
- You can't prepay under this section 5.15.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

5.15.2 **Your option to prepay, with a prepayment charge.** At any time during the term of the loan, in addition to your option to prepay 20% under section 5.15.1, you can prepay all or part of what is owed, but you must at the same time also pay us a prepayment charge of three months' interest on the amount that you're prepaying. You don't have to tell us in advance that you want to prepay. You can estimate three months' interest using section 5.19.1.

5.16 Variable rate closed term: *Conversion.*

5.16.1 **Your option.** At any time, you can ask us to convert the loan to a fixed rate closed term as follows:

- The new term of the loan begins when the change takes effect.
- The new term of the loan ends no sooner than the end of the old term.
- The interest rate is our posted interest rate for the new mortgage product when you and we enter into the agreement to make the change.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
- The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.

You don't have to pay us a prepayment charge. The terms of section 5.17 apply to this change.

5.17 Changes generally.

5.17.1 **When a change takes effect.** A change to the contract doesn't take effect until you and we enter into an agreement to make the change and the change takes effect under that agreement. You must also pay us our costs and fees for the change at that time.

5.17.2 **Credit requirements.** We'll only make the change if, when the change is to take effect, our usual credit requirements are met. These include requirements for security and documents.

5.17.3 **Requirements of others.** Sometimes the loan may involve another person, for example, the insurer of an insured contract. We don't have to agree to the change if, when the change is to take effect, that person's requirements aren't met. If we agree, the change is subject to that person's requirements (including charges).

5.17.4 **Conversion.** We don't have to convert the loan to a mortgage product that we're not offering when the change is to take effect.

5.17.5 **Interest and loan.** If we convert the loan to another mortgage product and what is owed at the beginning of the new term of the loan includes any interest, the interest will be treated as part of the loan for the new term.

5.17.6 **Effective date.** We'll decide on what date the change is to take effect.

5.17.7 **How often you pay a new instalment.** Except for a change under section 5.2.1 or 5.2.2, a new instalment after a change will be paid as often as just before a change.

5.17.8 **Payment of instalments after you prepay.** After you prepay part of what is owed under section 5.7, 5.10, 5.13 or 5.15 the amount of the instalment doesn't change.

5.17.9 **General terms.** Section 7.1, including paragraph 7.1.3, applies to an agreement under this section 5.17.

5.18 Interest rate differential charge.

5.18.1 **How we calculate the interest rate differential charge.**

The interest rate differential charge is the present value of:

- The instalments that you would have paid on your loan from the date you prepay to the end of the term of the loan, and
- The principal balance that you would have owed at the end of the term of loan.

minus the present value of:

- the instalments that would be due on a new loan if the principal balance, the term and the amortization period of the new loan were the same as the remaining principal balance, the remaining term and the remaining actual amortization period of your loan but the interest rate on the new loan was the comparison rate, and
- the principal balance that would be due on the new loan at the end of the term of this loan.

To calculate the present value of the amounts described above we use a formula that credits you for the fact that we will receive the interest rate differential charge immediately instead of receiving payments over the term of the loan.

5.18.2 **Comparison rate.** We work out the comparison rate used in the calculation of the interest rate differential charge in section 5.18.1 as follows:

A. We start with our posted interest rate, when you prepay, for a fixed rate closed term that is closest in length to the time remaining in the existing term of the loan.

B. If you received a discount when you began the existing term of your loan, we subtract this discount from A. The result is the comparison rate.

C. To check if you received a discount when you began the existing term of your loan, we compare your existing interest rate to the posted interest rate for your existing mortgage product when you entered into your existing term. If our posted interest rate was more than your interest rate, the difference is your discount. If you have a blended interest rate (as described in section 1.3), the discount is a blend of any discount you received on the prior loan and any discount you received on the additional loan amount. If an amount was paid to us to buy down your interest rate, the rate buy down is not included in the discount.

5.19 How you can estimate the prepayment charge.

If you have questions about prepayment charges or how to estimate your prepayment charge based on the process outlined in this section, contact us at 1-855-284-1766. You can also estimate your prepayment charge by using our prepayment calculator at http://www.bmo.com/mortgages.

5.19.1 **How you can estimate the prepayment charge of three months' interest.**

A. What is your interest rate? ______%

B. How much do you want to prepay? $_________

Three months' interest equals A___% times B$________, divided by 4. This is your estimated prepayment charge unless you have have a fixed rate closed term or have less than three months left in your term. If you have a fixed rate closed term, proceed to section 5.19.2 and if you have less than three months left in your term, see section 5.10.4.

5.19.2 **How you can estimate the interest rate differential charge.**

Step 1 - You will need the following information in addition to A and B in section 5.19.1.

C. What is our posted interest rate when you prepay for a fixed rate closed term that is closest in length to the time remaining in the existing term of the loan? ______%. You can find this information on our website at www.bmo.com/prepaymentstable. If the time remaining in the existing term of the loan is half-way between two terms we offer, use the higher of the two posted rates.

D. What was your rate discount? ____%. The Confirmation of Renewal and Disclosure for this renewal will set out any discount you received. You can also contact us at 1-855-284-1766 to determine your discount.

E. How many months are left in the term of the loan? ____ months. If this is less than three months, see section 5.10.4.

You can use this information to estimate your interest rate differential charge by working through Steps 2 through 5 below or by using our prepayment calculator at http://www.bmo.com/mortgages.

Step 2 - What is the comparison rate?

C____% minus D______% = F______%.

Step 3 - What is the difference between your interest rate and the comparison rate?

A _____% minus F _____% = G _____%.

If the answer is zero or a negative %, your estimated prepayment charge is the amount you calculated in section 5.19.1. If the answer is a positive %, proceed to Step 4 to estimate the interest rate differential charge.

Step 4 - What is the estimated interest rate differential charge?

B$__________, times G_________%, times E______ months, divided by 12 = H$____________

The amount in H is only an estimate of the interest rate differential charge described in section 5.18.1. The actual interest rate differential charge will be lower than the estimate.

Step 5 - What is the estimated prepayment charge for a fixed rate closed term?

Your estimated prepayment charge under section 5.10.3 will be the higher of the amount in section 5.19.1 and the amount in Step 4. The amount of the prepayment charge can change from day to day as a result of changes in our posted interest rates, changes in the principal balance of your loan (for example, when we receive a regular payment) and changes to the comparison rate. Please contact us at 1-855-284-1766 to obtain the exact prepayment charge.

6. Our Security.

6.1 Security.

6.1.1 We have security over the property, including security with respect to any amounts re-borrowed as set out in the contract. If you are making a re-borrowing and if your original contract is dated after December 1, 1999, then our agreement is a re-borrowing as described in your original contract. This security adds to our security and doesn't take away or lessen the security under the existing contract. The security secures the amount even if it is more than any limit on the amount secured. If the amount is less than any limit, our agreement increases the limit.

6.1.2 Where the property is in Québec, the contract secures the amounts described in section 6.1.1. Those amounts are obligations for which every person who granted the hypothec obligated himself, herself or itself again under the contract, in accordance with Article 2797 of the *Civil Code of Québec*.

6.2 Title obligations. You promise that you haven't done, omitted or permitted anything by which the property is or may be transferred, affected or made subject to a property claim, except for the contract.

6.3 You selling or giving a mortgage or hypothec. Before you agree to sell or give a mortgage or hypothec on the property, you must give, to the buyer or lender, a copy of this document. This doesn't impair any other right of ours when you sell or give a mortgage or hypothec.

7. Other Terms.

7.1 Changes to the contract.

7.1.1 ***Effect of our agreement.***

7.1.1.1 Our agreement doesn't pay off the loan or make the loan into a new loan, but merely changes the terms of the contract (and there's no novation). The changes become part of the contract. Except as changed by our agreement as set out in this document, the terms of the contract continue and apply to the loan as changed, and all security secures the loan as changed. Where a term in this document conflicts with a term of the existing contract, the term in this document governs. If interest that's owing is treated as part of the loan under our agreement, that doesn't impair our priority. Our agreement adds to our rights and doesn't take away or lessen a right that we have and we reserve those rights.

7.1.1.2 For the purposes of section 10 of the *Canada Interest Act* or a similar law, our agreement changes the date of the contract to the date on which the new term of the loan begins. This means that, if the section or law gives you a right to prepay with a prepayment charge of three months' interest, you don't have that right until five years after that date. Section 10 of the *Canada Interest Act* and similar laws don't apply to a mortgage or hypothec given by a corporation.

7.1.2 ***Other changes.***

7.1.2.1 If you're to re-borrow, the amount you'll re-borrow becomes part of the loan. If we're to add an amount for a prepayment charge to your loan, it becomes part of the loan.

7.1.2.2 The terms in this document about the following replace the equivalent terms in your existing contract:

- Variable rate terms, as shown in part 3.
- Renewal, as shown in part 4.
- Features and options, including financial terms such as those in part 5.

7.1.3 **Informal agreement or consent and electronic information, documents or disclosure.**

7.1.3.1 In this section 7.1.3, an informal agreement or consent is one that isn't on paper and signed, for example, one that's made or given orally; through pressing phone keys; in an electronic way (for example, by e-mail); or by a person acting on the agreement. In this section 7.1.3, "electronic" includes created, recorded, transmitted or stored in digital form or in other intangible form by electronic, magnetic or optical means, or by any other similar means that can create, record, transmit or store.

7.1.3.2 You agree that we can act on an informal agreement between you, us, a spouse, a guarantor or anyone having rights similar to those of a spouse, or on a consent by you, a guarantor, a spouse or anyone having rights similar to those of a spouse and, if we do, you and we are bound by it. We don't have to enter into an informal agreement or act on an informal consent. If we enter into an informal agreement, we can confirm the identity of a person agreeing and we don't have to act on the agreement until we've done so. You consent to our using, providing or accepting information or a document in an electronic form. We don't have to use, provide or accept information or a document in an electronic form.

7.1.3.3 We can make a record of an informal agreement or consent (for example, by recording a phone call) and we can use the record to prove the informal agreement or consent. We can make a record of information or a document that we use, provide or accept in an electronic form (for example, by saving it electronically) and we can use the record to prove the information or document.

7.1.3.4 Where we act on an informal agreement or consent, we can send a written confirming agreement or consent to you, and you must have it promptly signed and returned to us. We can terminate an informal agreement, if we think that it wasn't made with a person who should have been a party, wasn't consented to by a person who should have consented or isn't clear.

7.1.3.5 You consent to any future disclosure being provided by electronic means in an electronic form that you can retrieve and retain, or by fax.

7.2 Cashback or FirstHome Dollars. If we've paid you cashback or FirstHome Dollars for a loan, and you pay out the loan within 5 years after the beginning of the term of the loan for which we made the payment, you must repay part of what we paid. We work this amount out as follows:

- We first subtract a number of months from 60 (5 years). The number is the number of full months from the beginning of that term to when you pay out the loan.
- We then divide this amount by 60.
- We then multiply what we paid by the result of the division.

The amount you must repay is added to any other money that you must pay. This section 7.2 doesn't change other terms of your existing agreement for the cashback or FirstHome Dollars.

7.3 Employer or other benefit. Our agreement doesn't reflect any arrangement under which your employer or anyone else may pay part of the interest in the instalment, nor does it change the arrangement.

7.4 Immediate payment after default. The contract contains a term showing that, if the contract goes into default, all of what is owed must, if we choose, be paid immediately. That term applies to our agreement.

8. Complaints.

If you have a complaint about the disclosure or the way we work out the cost of borrowing for the loan or about any other of our obligations, here are four steps you can take:

- Discuss any problem or question you have with our staff with whom you normally deal or their Area Manager or call BMO Bank of Montreal Customer Contact Centre Direct Banking toll free at 1 877 CALL-BMO, TTY: 1-866-889-0889, or visit Website: www.bmo.com.

- If you're still not satisfied, contact our local Vice-President or write to our President and Chief Executive Officer, Personal & Commercial Banking, BMO Financial Group at:

  President and Chief Executive Officer,
  Personal & Commercial Banking,
  BMO Financial Group
  P.O. Box #1
  First Canadian Place
  Toronto, Ontario M5X 1A1
  1 800 372-5111
  Fax: 416-927-6658

- If your complaint is regarding the privacy of your personal information and remains unresolved following Steps 1 and 2, you may contact the Privacy Office at:

  BMO Financial Group
  Chief Privacy Officer
  1 First Canadian Place,
  P.O. Box 150
  Toronto, ON M5X 1H3

- If you are still not satisfied, you can contact:

  The Office of the Privacy Commissioner of Canada
  112 Kent Street
  Ottawa, ON K1A 1H3
  Call: 1-800-282-1376
  Visit: privcom.gc.ca

- If your complaint is unresolved, you may escalate to the BMO Financial Group Ombudsman to review your complaint.

  BMO Financial Group Ombudsman
  BMO Financial Group
  55 Bloor Street West, 8th Floor
  Toronto, Ontario M4W 3N5
  1 800 371-2541
  Fax: 1 800 766-8029
  Website: www.bmo.com

- If you're still not satisfied, contact the Ombudsman for Banking Services and Investments for a further independent review of your concerns.

  Ombudsman for Banking Services and Investments
  401 Bay Street
  Suite 1505, P.O. Box 5
  Toronto, Ontario M5H 2Y4
  1 888 451-4519
  Fax: 1 888 422-2865
  E-mail: ombudsman@obsi.ca
  Website: www.obsi.ca

9. Financial Consumer Agency of Canada.

The Financial Consumer Agency of Canada (FCAC) supervises federally regulated financial institutions to ensure they comply with federal consumer protection laws.

For example, financial institutions are required to provide consumers with information about complaint handling procedures, proper notice of branch closures, fees and interest rates. For a complete listing of federal consumer protection laws, you may visit the FCAC website at www.fcac-acfc.gc.ca.

If you have a complaint about a potential violation of a consumer protection law by us, you may contact the FCAC in writing at:

Financial Consumer Agency of Canada
6th Floor, Enterprise Building
427 Laurier Avenue West,
Ottawa, Ontario K1R 1B9
Call (English): 1-866-461-FCAC (3222)
(Francais): 1-866-461-ACFC (2232)
Fax: 1 866 814-2224
Website: www.fcac-acfc.gc.ca