

Residential Mortgage or Hypothec

Schedule to Our Commitment to Lend and Disclosure Statement

1. Definitions.

This part explains the meaning of some words in the contract.

1.1 Advance. Where the contract says we make an advance to you, it includes our making an advance to anyone you direct.

1.2 Amortization period.

1.2.1 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:

1.2.2 *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.

1.2.3 *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.

1.3 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."

1.4 Blended interest rate. This is an interest rate that we apply when you re-borrow or when we make a new loan after you have exercised your portability rights under an existing loan. We use a combination of two interest rates:

- The first rate is the interest rate before you re-borrow or we make the new loan. We apply this rate to what is owed just before you re-borrow or we make the new loan.
- The second rate is our posted interest rate, when you and we enter into the agreement for you to re-borrow or 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 re-borrowing or new loan.

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

1.5 BMO Eco Smart Mortgage™. 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.

1.6 BMO Eco Smart Mortgage discount. 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 discount is shown in Section 3 of "Our Commitment to Lend and Disclosure Statement".

1.7 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 4.

1.8 Closed term. See section 1.18, **Open or closed term.**

1.9 Compound interest. This is interest on unpaid interest.

1.10 Contract. This is the mortgage or deed of hypothec that secures the loan. 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.

1.11 Default Insured contract. This is a contract that's insured against the risk of the loan not being paid. The law requires a contract to be insured where the loan is higher than 80% of the estimated value of the property at the time of the contract. Even if the law doesn't require the contract to be insured, we may require it.

1.12 Fixed rate term. This is a mortgage product where, at all times during the term of the loan, the interest rate can't change.

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

1.14 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. For example, if we make the loan to you on April 16 and May 1 is the interest adjustment date, you must pay interest from April 16 to April 30 (15 days), and the term of the loan begins on May 1. If your loan has multiple advances, the interest adjustment date will be the first day of the month after the final advance.

1.15 Interest rate for the loan. For a fixed rate term, this is the interest rate calculated for the calculation period as shown in the mortgage. For a variable rate term, the mortgage shows what kind of variable rate term you have, and the interest rate for the loan is the variable interest rate for that type of mortgage product described in part 3.

1.16 Loan. This is the principal amount that we advance and that the contract secures. It includes any advance we make under a re-borrowing.

1.17 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.

1.18 Open or closed term. If the contract gives you, at all times during the term of the loan, the right to prepay all of what is owed without a prepayment charge, the mortgage product is open. Otherwise, the mortgage product is closed. A Convertible term is closed. We sometimes use the words "limited prepayment" for "closed."

1.19 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.

1.20 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 we offer and designated as our "posted rate" for each mortgage product.

1.21 Prepayment. This is a payment that 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.

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

1.23 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."

1.24 Property. This is the property shown in the commitment letter, over which the loan must be secured by a mortgage or hypothec.

1.25 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 (if you obtain that insurance). Such payments are in addition to the instalment.

1.26 Section or part. Where this schedule refers to a section or part, it means a section or part of this schedule, unless it shows otherwise.

1.27 Term of the loan. This is the period for which we make the loan to you. The term of the loan is usually shorter than the amortization period. For example, a loan may begin with a 25-year amortization period and a 5-year term. The first term of the loan under the contract begins on the interest adjustment date, and ends on the balance due date.

1.28 Variable rate term. This is a mortgage product where the interest rate can change automatically based on changes in our prime rate.

1.29 What is owed. This is the total of the amounts owed to us as described in the contract.

2. What is owed and secured.

2.1 The loan. You must repay the loan, and pay interest on it at the interest rate for the loan, in accordance with this section 2.1.

2.1.1 *Interest to interest adjustment date.*

You must pay the interest accrued from the day we make the advance or first advance to the day before the interest adjustment date. You must pay this interest on the interest adjustment date, or we can choose to collect this interest:

- By charging it to your mortgage funding account at any time during the month following the month in which we make the advance.
- By charging it monthly to your mortgage funding account if we advance the loan or part of it more than a month before the interest adjustment date.
- By using part of the loan.
- By asking you to pay it when you pay the first instalment.

2.1.2 *Instalment.* You must pay the amount of each instalment on every instalment date beginning on the first instalment date and ending on the last instalment date, all as shown in the commitment letter. 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. If we don't advance the full amount approved for the loan, you must still pay the full amount of each instalment, unless we agree otherwise.

2.1.3 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 Currency. All amounts are expressed in Canadian dollars and are payable in Canadian dollars.

2.5 Costs. Whether we make an advance or not, you must pay us our costs for arranging the contract and taking our security. The terms of the contract apply to these costs. The costs include, for example, costs for:

- Inspecting the property, valuing it and surveying it.
- Preparing or registering the security.
- Searching title to the property or obtaining title insurance.
- Paying the insurance premium for an insured contract, any tax on the premium and any application fee.

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 term. The interest rate for a variable rate open and a variable rate closed term is equal to our prime rate plus the premium or minus the discount, if any, shown on the commitment letter.

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 resulting in negative amortization. When this occurs the loan balance increases and you must pay compound interest on the interest being added to your outstanding loan balance. 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 the loan balance 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 4.8.2 or 4.10.2.

4. Options to prepay.

4.1 What options apply. The heading for each section of this part 4 shows what mortgage product an option to prepay applies to. Except where an option applies to any mortgage product, the option applies only while you have the mortgage product shown in the heading.

4.1.1 Effect of default on options to prepay. If the contract is in default, you can't prepay under part 4.

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

4.2.1 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. To work out the new instalment, we start with the monthly instalment when the term of the loan began. However, if you chose to pay instalments more often than monthly, we start with what would have been the monthly instalment when the term of the loan began. And, if you and we have agreed to increase the instalment, we start with the monthly instalment as increased. For instalments more often than monthly, we then multiply that monthly instalment by 12 and divide the result by 52 (for every week), 26 (for every two weeks) or 24 (for twice a month).

4.2.2 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 4.2.1. 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.

4.2.3 How we make the change. When we change the way you pay the instalments under section 4.2.1 or 4.2.2, the terms of 4.12 apply.

4.2.4 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 monthly instalment. We can fix the date on which you must start paying this new monthly instalment. If we've chosen to have you pay the instalments monthly under this section 4.2.4, you can't change the way you pay the instalments under section 4.2.1 or 4.2.2. Nothing in this section 4.2.4, and nothing we do under this section 4.2.4, impairs any other right of ours under the contract. For example, all of what is owed must still, if we choose, be paid immediately.

4.2.5 Property 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 property tax or insurance payments.

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

At any time after you've skipped an instalment under the Family Care and Take a Break options, you can pay all or part of that instalment. This is in addition to your option to prepay 20% under section 4.7.1 or 4.10.1. If you pay all 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.

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

4.4.1 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.

4.4.2 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.

4.4.3 How we make the change. When we increase or lower the instalment under this section 4.4, the terms of section 4.12 apply.

4.5 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.

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

4.6.1 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.

4.6.2 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.

4.6.3 How we make the change. When we increase or lower the instalment under this section 4.6, the terms of section 4.12 apply.

4.7 Fixed rate closed term: *Prepaying.*

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

- The total of what you prepay under this section 4.7.1 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 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 don't have to tell us in advance that you want to prepay.
- You can't prepay under this section 4.7.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

4.7.2 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 4.7.1, you can prepay all or part of what is owed as follows:

4.7.2.1 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 4.14.1, or
- the interest rate differential charge, as described in section 4.13.

You can estimate your prepayment charge using section 4.14.

4.7.2.2 Despite section 4.7.2.1:

- If the term of the loan is longer than five years and you prepay all or part of what is owed after the fifth anniversary of the date of the mortgage, the prepayment charge is three months' interest on the amount that you're prepaying. You can estimate three months' interest using section 4.14.1.
- 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.

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

4.7.3 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 4.7.2.1 or 4.7.2.2, 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 anniversary of the date of the mortgage without selling your property if you pay us the prepayment charge described in section 4.7.2.2.

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

4.8.1 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.

4.8.2 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.

4.8.3 How we make the change. When we increase or lower the instalment under this section 4.8, the terms of section 4.12 apply.

4.9 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.

4.10 Variable rate closed term: *Increasing the instalment.*

4.10.1 Your option to increase by up to 20%. Once in each calendar year, you can prepay by asking us to increase the instalment by up to 20% 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.

4.10.2 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 mortgage when you and we enter into the agreement to make the change.

4.10.3 How we make the change. When we increase or lower the instalment under this section 4.10, the terms of section 4.12 apply,

4.11 Variable rate closed term: *Prepaying*

4.11.1 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 4.11.1 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 don't have to tell us in advance that you want to prepay.
- You can't prepay under this section 4.11 if you've obtained a payout statement and it hasn't expired or been cancelled.

4.11.2 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 4.11.1, 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 at the interest rate when you prepay. 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. You don't have to tell us in advance that you want to prepay. You can estimate three months' interest using section 4.14.1.

4.12 Changes generally.

4.12.1 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.

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

4.12.3 How often you pay a new instalment. Except for a change under section 4.2.1 or 4.2.2, a new instalment after a change will be paid as often as just before a change.

4.12.4 Payment of instalments after you prepay. After you prepay part of what is owed under section 4.5, 4.7, 4.9 or 4.11, the amount of the instalment doesn't change.

4.13 Interest rate differential charge.

4.13.1 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 the 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.

4.13.2 Comparison rate. We work out the comparison rate used in the calculation of the interest rate differential charge in section 4.13.1 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 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 1.4), the discount is a blend of any discount you received on the prior loan amount 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.

4.14 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 www.bmo.com/mortgages.

4.14.1 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 if you have a variable rate closed term or a fixed rate closed term that is longer than five years and you are prepaying after the fifth anniversary of the date of the mortgage. If you have a fixed rate closed term and you are prepaying before the fifth anniversary of the date of the mortgage, proceed to section 4.14.2. If you have less than three months left in your term, see section 4.7.2.2.

4.14.2 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 4.14.1.

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? _____%. Please see our Confirmation of Mortgage Advance or contact us at 1-855-284-1766 to determine your discount. It is important that you include your rate discount in this calculation otherwise your estimate may be incorrect.

E. How many months are left in the term of the loan? _____ months. If this is less than three months, see section 4.7.2.2.

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 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 4.14.1. 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 4.13.1. 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 4.7.2.1 will be the higher of the amount in section 4.14.1 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.

5. Multi-unit and non-residential property.

5.1 **When this part applies.** This part 5 applies to a contract where, when the contract is entered into, any one or more of the following conditions is met:

- The property contains, or is to contain, five or more dwelling units.
- A dwelling unit hasn't been built on the property. However, this paragraph doesn't apply where we intend advances under the contract to be used for building a dwelling unit or dwelling units on the property and the person who has the right to receive the advances is to live in it or at least one of them.
- A material part of the property is being used, or is intended for use, for a commercial or industrial purpose.

If we make a record showing whether any of the above applies, our record will be taken as true.

5.2 **Options to prepay generally.** Except as shown in section 5.4, part 4 doesn't apply to the contract if this part 5 applies to the contract.

5.3 Prepaying under a fixed rate closed term. If this part 5 applies to the contract, you have a fixed rate closed term, the term of the loan is longer than five years, and the mortgage or hypothec wasn't given by a corporation, you can prepay all or part of what is owed at any time after the fifth year of the term of the loan, as follows:

- 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.

If this section 5.3 applies to the contract and, within three months before the end of the term of the loan, you prepay all of what is owed, the prepayment charge is the interest on the amount that you're prepaying from when you prepay to the end of the term of the loan.

5.4 Prepaying under a fixed rate open or variable rate term. If this part 5 applies to the contract and you have a fixed rate open term, section 4.5 applies. If this part 5 applies to the contract and you have a variable rate open term, section 4.9 applies.

5.5 Default. If the contract is in default, you can't prepay under section 5.3 or 5.4.

6. More terms of the commitment.

6.1 Our rights. We don't have to lend in any of the cases shown below. We can also, in any of these cases, at any time cancel the commitment. Where we cancel the commitment (under this or another section), that ends our obligations under the commitment, but it doesn't affect a right of ours. The cases referred to above are:

- A requirement of the commitment isn't met.
- Any information given to us for the loan isn't materially correct (even if you didn't know it was incorrect), or changes materially.
- There's a material change that lowers your or a guarantor's financial status, or there's a material change to the property that lowers its value.
- You don't comply with an obligation of yours under the commitment.
- The contract is in default (or would have been in default if it had been entered into).

6.2 Cashback. If we've paid you cashback 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 6.2 doesn't change other terms of your existing agreement for the cash back.

6.3 Employer or other benefit. The commitment 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. For example, if you prepay, we work out any prepayment charge using the interest rate that would apply if your employer didn't pay part of the interest. And, if you have a fixed rate term and the subsidy ends, on the day after the subsidy ends, you must start paying the interest rate that applies for the mortgage product you chose as if your employer had never paid the subsidy.

6.4 Your ownership. Your title to the property must be satisfactory to us.

6.5 Condominium or strata. Where the property is a condominium or strata property, we must have approved the condominium or strata documents, or we must have received a good certificate from the managing body.

6.6 Leasehold property. Where the property is described in the commitment letter as leasehold, we must have approved the lease. This must contain our usual terms and, if the loan is insured against default, the terms required by the insurer.

6.7 Survey. You must give us a building location survey showing the property, or an equivalent certificate. A qualified land surveyor must prepare the survey or certificate. The survey must show the property as it is now. But, if any buildings are to be built, the survey must be done after the foundations are in and the walls are above ground (but we suggest that you have the property staked by a surveyor before you start.) You needn't give us the survey or certificate where an existing contract is being transferred to us. You needn't give us the survey or certificate where you are only increasing an existing loan (but you must do so if the increase is to be used for a building that would normally be shown in a survey).

6.8 Notices or other communications. We can give a notice or communicate under the commitment in any of the ways shown in the contract.

6.9 Documents. You, and any spouse, guarantor or other person whose co-operation is needed, must sign documents in our current standard forms for the purpose, and any other documents that we ask for. We must be satisfied that the documents are valid, that we hold our security and that our security is duly registered.

6.10 Default insurance. If the heading to the commitment letter gives an insurance reference, the insurer referred to must insure the loan against default. (CMHC refers to Canada Mortgage and Housing Corporation, Sagen refers to Sagen Mortgage Insurance Company Canada, and Canada Guaranty refers to Canada Guaranty Mortgage Insurance Company).

6.11 Guarantee. You must have a guarantee of the contract signed by every guarantor named in the commitment letter.

7. More disclosure about the loan.

7.1 How interest is charged. Interest is charged on the date of the advance (or each advance) and on every day after that, and there's no period during which interest doesn't accrue.

7.2 Default charges.

7.2.1 You must pay charges if the contract goes into default. It does so, for example, if a payment of what is owed (including an instalment) isn't made when it's due, or any obligation to us under the contract isn't complied with.

7.2.2 The charges include our costs for doing or paying anything that the contract says we can do or pay, and charges under the contract. They include our costs for collecting what is owed, and exercising our powers under the contract, for example, realizing on our security or protecting it. They include our costs in processing a cheque, or other payment instrument used to make a payment, that is dishonoured.

7.2.3 A cost includes an expense; lawyers' or notaries' fees and disbursements, charged on the basis that applies between a lawyer or notary and his or her own client; and costs for other professionals or agents. You must pay interest on the cost (including any compound interest) from when it's incurred at the interest rate for the loan.

7.2.4 The contract gives us other rights if it goes into default. For example, all of what is owed must, if we choose, be paid immediately.

7.3 Assumptions for commitment letter. We work out the information in the commitment letter in the following ways, among others:

7.3.1 We assume that the entire amount of the loan is advanced on the date funds are to be advanced (or first advanced) as shown in the commitment letter.

7.3.2 We assume that the amount of the loan and interest rate are as set out in the commitment letter. If you have a variable interest rate, we use

your annual interest rate or rates on the date of the commitment letter.

7.3.3 In working out your cost of borrowing as an annual percentage rate (your "APR"), we assume that each instalment is applied first to the accumulated cost of borrowing and then to the outstanding amount of the loan.

7.3.4 If the loan includes a balance under an existing credit agreement, we work out your cost of borrowing as if this agreement was a new agreement.

7.3.5 We assume that you'll renew the loan again and that you'll comply with all your obligations.

7.3.6 We don't include a prepayment charge for prepayment.

7.3.7 We don't include a re-borrowing fee that may apply if we allow you to re-borrow in accordance with the provisions of the contract.

8. Complaints.

If you have a complaint or concern, we encourage you to let us know and give us the opportunity to make it right. BMO's complaint resolution process is outlined in the We're here to help – Resolving Customer Complaints brochure, which is available online at www.bmo.com/main/about-bmo/resolving-a-complaint and at all BMO Bank of Montreal branches.

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 web site 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)
(Français): 1-866-461-ACFC (2232)
Fax: 1 866 814-2224
Website: www.fcac-acfc.gc.ca