

Prepayment options

for collateral mortgages other than a Homeowner ReadiLine®.

BMO currently offers the following additional collateral mortgage products:

- **Homeowner's Line of Credit (HOLC)** consisting of a revolving and potentially an instalment component
- **Collateral First Mortgage Option Loan**
- **Home Equity Loan Plan (HELP)**
- **Vacation Home Loan Plan (VHL)**

If you'd like to explore your options for paying down your mortgage faster, call us toll free at 1-855-284-1766, drop by your nearest branch or visit bmo.com

BMO offers you ways to pay off your collateral mortgage sooner and avoid prepayment charges.

With a **fixed rate collateral mortgage**, you get the security of knowing that the interest rate on your fixed rate closed collateral mortgage won't rise during the term, even if interest rates increase. Because the principal and interest are predictable, you'll know exactly how much you will owe at the end of the term.

With a **variable rate collateral mortgage**, the interest rate changes with BMO's prime rate while your scheduled payments remain the same throughout the term. If interest rates fall, more of your payment will be applied to the principal. If interest rates increase, more of your payment will go toward interest.

Interest rate fluctuations may also affect the length of your amortization period (number of years to repay the mortgage) and if a rate increase results in a higher amortization period, your payments may have to increase.

A **closed collateral mortgage** limits your prepayment options, but usually offers a lower interest rate than an open mortgage. If you wish to make prepayments over and above what your prepayment options allow, a prepayment charge may apply.

An **open collateral mortgage** lets you repay all or part of your collateral mortgage at any time without a prepayment charge. Interest rates are typically higher than those of a closed collateral mortgage.

How can I pay off my collateral mortgage faster without a prepayment charge?

For revolving portions of HOLCs, variable rate HOLC instalments, HELP loans with a term of two years or less, and VHL loans with a term of two years or less:

You can prepay all or part of what is owed at any time without paying a prepayment charge.

For fixed rate HOLC instalments, collateral first mortgage option loans:

BMO has flexible prepayment options that let you put extra cash toward your principal under these collateral mortgage products without incurring prepayment charges. This can save you thousands of dollars in interest over the life of your mortgage.

Increase your mortgage payments.

You can increase the amount of your fixed rate HOLC instalment or collateral first mortgage option loan payment once each calendar year by up to 20% without incurring a prepayment charge if you enter into an amending agreement reflecting your new payment.

Make a lump sum prepayment.

You can make lump sum prepayments (minimum of \$100) on your fixed rate HOLC instalment or

collateral first mortgage option loan each year without a prepayment charge. The maximum of all prepayments per calendar year is up to 20% of the original amount of your fixed rate HOLC instalment or collateral first mortgage option loan.

Increase your payment frequency.

You can save on interest costs by switching from monthly collateral mortgage payments to an accelerated weekly or accelerated biweekly payment and become mortgage free sooner.

When does a prepayment charge apply?

A prepayment charge will apply on a fixed rate HOLC instalment, a collateral first mortgage option loan, or a HELP or VHL loan with a term greater than two years when you:

- prepay more than your applicable prepayment options allow
- prepay your entire fixed rate HOLC instalment, collateral first mortgage option loan, or HELP or VHL loan with a term greater than two years (including if you prepay to transfer to another financial institution) and/or sell your property prior to the end of your mortgage term
- refinance or renew your fixed rate HOLC instalment, collateral first mortgage option loan, or HELP or VHL loan with a term greater than two years prior to the end of your mortgage term

How do we calculate prepayment charges?

For a fixed rate HOLC instalment, collateral first mortgage option loan, and a HELP or VHL loan with a term greater than two years, the prepayment charge is three months' interest. If you repay the loan within three months of the end of the term, the prepayment charge will be the interest payable until the end of the term.

Try our **Mortgage Prepayment Calculator** at bmo.com/prepayments to calculate your estimated prepayment charge or use the example to manually calculate your estimated prepayment charge.

Example:

Mary and Jim are planning to prepay their entire **collateral first mortgage option loan** in full more than three months before the end of the term. The remaining balance of their collateral first mortgage option loan is \$155,000 and the interest rate on their collateral mortgage is a fixed rate of 5.50%.

Three months' interest =

(your current interest rate) x (the amount you want to prepay) divided by four.

Step 1 Convert the current interest rate from a percent to a decimal.

For example, 5.50% = 0.0550

Step 2 Multiply this decimal by the amount you want to prepay.

0.0550 x 155,000 = 8,525

Step 3 Divide by four.

(8,525/4) = 2,131.25

Any prepayment charges calculated using this formula or our online prepayment calculator are estimates only.

Please call **1-855-284-1766** or visit your branch to find out your actual prepayment charge.

How can I reduce or avoid prepayment charges?

Use your prepayment options before paying your fixed rate HOLC instalment or your collateral first mortgage option loan off in full.

If you intend to pay off your fixed rate HOLC instalment or your collateral first mortgage option loan prior to the end of the mortgage term, take advantage of your allowable mortgage prepayment options to reduce your prepayment charges prior to requesting a payoff statement.

Consider an open term mortgage.

If you intend to sell the property or refinance within a short period of time, choose a mortgage product with an open term instead of a closed term if this makes financial sense given applicable interest rates. This will help you avoid prepayment charges.

Pay down your fixed rate HOLC instalment, collateral first mortgage option loan, or HELP or VHL loan with a term greater than two years at renewal time.

You can make any lump sum prepayment at the end of your mortgage term and renew without a prepayment charge.

Additional charges that may apply.

When you repay your entire collateral mortgage you may be required to pay a discharge fee, which may consist of the government fee payable to register a discharge of your collateral mortgage and our administration costs related to processing your collateral mortgage discharge. The amount of the fees varies by province and may change at any time.