Peoples Bank

Prepayment Privileges and Penalty Calculations

Firm Advantage

Terms

Fixed Rate Mortgage (5-year closed terms)

Interest rate is locked in for the applicable term. The borrower may prepay the mortgage in full at any time, subject to a prepayment penalty. (REFER to PENALTIES section of this document)

Pre-payment privileges

The borrower shall have the following privileges for payment of extra principal amounts:

Once each mortgage year on a regular payment date, a borrower may, without penalty:

- Make a lump-sum prepayment up to ten percent (10%) of the original principal amount of the mortgage. The minimum amount is $500.

AND/OR

- Increase your original regular payment amount to an increased payment amount (the "Increased Payment Amount") no more than ten percent (10%) of the original principal amount. The difference between the Increased Payment Amount and the original regular payment amount is referred to as the "Increase Difference".

The sum of the prepayment privileges exercised in the same Mortgage Year cannot be greater than 10% of the original principal amount.

Notes:

- A mortgage year is defined by the annual anniversary of the Interest Adjustment Date of the mortgage as indicated in the loan agreement.
- Borrower mortgage must be paid as agreed in order to exercise prepayment privileges outlined above. A mortgage in default of any terms, covenants, conditions, or provisions is not eligible for prepayment privileges.
- Each prepayment privilege is not cumulative from Mortgage Year to Mortgage Year. For clarity, if you have not used a prepayment privilege in one Mortgage Year, the prepayment privilege cannot be carried forward and used in a later Mortgage Year. Subject to the prepayment privileges, if you pay the full outstanding amount of your mortgage before maturity, then a Prepayment Charge, as described below, will apply. Notwithstanding anything to the contrary, prepayment privileges without penalty cannot be made on the date of payout/discharge or within 30 days of a full repayment.
- PI Increase: increased PI payment will carry over from mortgage year to mortgage year. The Increase Difference amount in the regular payment is considered when determining the available prepayment privilege amount in subsequent years.

Penalties

Prepayment in Full:

You can pay the full outstanding amount of your mortgage before maturity, subject to a prepayment penalty in the amount equal to the greatest of the following 3 options:

1) Three (3) Months Interest Amount: This means an amount equal to three (3) months of interest calculated on the full amount of outstanding principal balance owing of the mortgage that you prepay using the annual interest rate.

2) Interest Rate Differential ("IRD") Amount: This means an amount based on using the interest rate differential, which is the difference between the annual interest rate and the current GOC bond yield rate** plus 25 bps, on the full amount of outstanding principal balance owing.

3) Interest Amount: This means an amount calculated using a rate of 1% per annum for the remaining term of the mortgage calculated on the full amount of outstanding principal balance owing.

Notes:

* Subject to the prepayment privileges, if you pay the full amount of outstanding principal balance owing less than three (3) months prior to the date of maturity, you must pay us a prepayment charge in the amount of the interest on the full amount of outstanding principal balance owing.

** GOC bond yield rate to be used based on the Number of Months Remaining in the Mortgage (including Current Month)	GOC Bond Yield Rate to be Used
Less than 12 months	Bank of Canada Overnight Lending Rate
From 12 months to up to 23 months	1 year
From 24 months to up to 35 months	2 year
From 36 months to up to 47 months	3 year
From 48 months to up to 60 months	4 year

The following are examples of the prepayment penalty calculations:

Original Mortgage Amount: $400,000
Remaining Mortgage Balance $350,000
Prepayment Privilege Amount with No Penalty: 10% of Original Mortgage Amount = $40,000
Original Term: 5 years
Remaining Term Today: 3 Year, 5 months (41 months remaining)
Mortgage Contract Rate: 5.25%
GOC Yield 3 Year term: 4.50%

Calculation of Three Months Interest Prepayment Penalty on a Full Payout Scenario:

1. Remaining Mortgage Balance * Mortgage Contract Rate (in decimal) = Annual Interest Cost
2. Annual Interest Cost / 4 = Three Months Interest Penalty Amount

Using the data for this example:

1. $350,000 * 0.0525 = $18,375
2. $18,375 / 4 = $4593.75

Calculation of 1% Per Annum Prepayment Penalty on a Full Payout Scenario:

1. Remaining Mortgage Balance * 1% /12 = Monthly Interest Cost
2. Monthly Interest Cost * Remaining Term (in months) = Penalty Amount

Using the data for this example:

1. $350,000 * 0.01/12 = $291.67
2. $291.67 * 41 = $11,958.33

Calculation of IRD Prepayment Penalty on a Full Payout Scenario:

1. (Mortgage Contract Rate – (GOC Yield + 25 bps))/100 = rate difference expressed in decimal.
2. (Prepayment Amount * # of Months Remaining in the Term * Rate Difference) / 12 = IRD Amount.

Using the data for this example:

1. (5.25 – (4.50+0.25))/100 = 0.005
2. (350000 * 41 * 0.005) / 12 = $5979.17

Portability

Borrowers have the option of transferring or 'porting' their remaining mortgage balance, interest rate existing maturity date to another property provided the following conditions are satisfied:

- The borrower completes a new mortgage application for the replacement property.
- The new property is approved by Peoples Group under guidelines.
- Approval by the mortgage insurer is also required.
- The term of the new mortgage shall expire on the maturity date of the existing mortgage and all terms remain the same.

With prior notice, a mortgage port can occur up to 60 days before or after the discharge of the original mortgage.

The borrower is also responsible to pay all costs, charges, and expenses of and incidental to the approval, taking, preparation, execution, and registration of the new mortgage, or if applicable, an amending agreement.

Assumptions

Mortgages may be assumed subject to the following conditions:

- The new borrower/prospective buyer must qualify in accordance with current Peoples and mortgage insurer lending guidelines.
- The purchase agreement must include an agreement for new borrower/prospective buyer to assume the existing mortgage.
- Peoples Group will issue a release of covenant to any previous burrower(s). A copy will be forwarded to the solicitor handling the transaction upon satisfactory completion of all conditions.

A Peoples Group assumption fee will apply. The new borrower is also responsible to pay all costs, charges, and expenses of and incidental to the approval, taking, preparation, execution, and registration of the new mortgage, or if applicable, an amending agreement.