This prepayment charge information only applies to our most recent CHIP Home Income Plan (Contracts 25 to 30). Refer to your mortgage documents to see which contract you have.

PREPAYMENT CHARGES AND YOUR CHIP HOME INCOME PLAN

You can choose to pay your CHIP Home Income Plan early. If you make an early payment, a prepayment charge may apply.

IMPORTANT INFORMATION

1. If you prepay your CHIP Home Income Plan within the first five years of funding, you must pay the total amount owing.
2. Any amount you prepay will be applied to the following items first, in this order; interest on default expenses; default expenses; accumulated interest. Prepayment charges do not apply to these items.
3. No prepayment charge applies if you received your CHIP Home Income Plan funds more than ten years ago

OUR TERMS AND DEFINITIONS

Fixed Interest Rate Mortgage has an interest rate that does not change until your next interest rate reset date.

Variable Interest Rate Mortgage has an interest rate that can change at any time.

Funds refers to the money that we advance to you under your CHIP Home Income Plan. It does not include interest.

Interest Rate Term is the time period that your current interest rate will be in effect.

Interest Reset Date is the date on which your interest rate is reset. There is no interest reset date on a variable mortgage, as a variable interest rate can change at any time.

PREPAYMENT EXAMPLES AND WORKSHEETS

The following three examples will help you understand how prepayment charges are calculated. Use them as guides to help you fill in the worksheet that is most applicable to your situation.

Before getting started, you should know the following:

- It is helpful to have your CHIP Home Income Plan documents on hand to refer to
- Prepayment charges apply only on payment of funds. They do not apply to payment of default expenses or accumulated interest.

FREQUENTLY ASKED QUESTIONS

CAN I PAY EARLY WITHOUT INCURRING A PREPAYMENT CHARGE?

Yes, in the following circumstances:

1. a) Your payment is made between three but less than ten years since the date you first recieved any funds,
   and;
   b) You have a fixed interest rate,
   and;
   c) Payment is made within thirty days before your interest reset date.
2. Your payment is made any time after ten years of first receiving any funds.
3. Your CHIP Home Income Plan becomes due because of the death of the borrower(s).

CAN I REDUCE MY PREPAYMENT CHARGE?

Yes, the prepayment charge is reduced by 50% when you (or the last of the borrowers, if there is more than one borrower living in the home) move into a long-term care facility or retirement residence.

MORE INFORMATION

For more information about prepayment charges, you can visit **the Financial Consumer Agency of Canada's website**.

Prepayment within the first three years of receiving your initial funds

In this example, Sue and Bill have a five year interest rate term. At the time they prepay, their interest rate is 5.49%.[1] They got their CHIP Home Income Plan more than two years ago, but less than three years ago. Sue and Bill received a total of $150,000.* Their prepayment charge is calculated as follows;

Step 1:	$150,000	(A)	Amount of the funds Sue and Bill are prepaying
Step 2:	0.0549	(B)	Interest rate at the time they plan to prepay entered as a decimal (i.e 5.49% = .0549)[1]
Step 3:	$8,235	(C)	A x B = C
Step 4:	$686.25	(D)	C ÷ 12 = D
Step 5:	4	(E)	Months (M) from the chart to the right
Step 6:	$2,745	(F)	D X E = F **This is Sue and Bill's prepayment charge**

* If you prepay your CHIP Home Income Plan within the first five years of funding, you must pay the total amount owing.

The "M" in this calculation is determined as follows:	
Period since you received your CHIP Home Income Plan funds	**"M" (Number of months)**
1 year or less	11
More than 1 year and less than or equal to 2 years	8
More than 2 years and less than or equal to 3 years	4

Worksheet

Before you begin you need to know what your interest rate will be on the date you pay. Use your current interest rate.
OR
If you have an upcoming interest reset date and plan to prepay after that date, you can use our current posted rates as an estimate of what your new rate will be. Click here to see these rates.

Instructions: Enter your information in the yellow fields and follow the steps to calculate your prepayment charge.

Step 1:		(A)	Amount of the funds you want to prepay
Step 2:		(B)	Interest rate at the time you plan to prepay, entered as a decimal (i.e 5.49% = .0549)
Step 3:		(C)	A x B = C
Step 4:		(D)	C ÷ 12 = D
Step 5:		(E)	Months (M) from the chart to the right
Step 6:		(F)	D X E = F **This is your prepayment charge**

[1] As at November 26, 2012

Prepayment between three but less than ten years of receiving your initial funds Variable Interest Rate

In this example, Kim and Ted have a variable interest rate. At the time they prepay, their interest rate is 4.99%.[1] They got their CHIP Home Income Plan funds between three but less than ten years ago. Kim and Ted received a total of $75,000.* Their prepayment charge is calculated as follows;

Step 1:	$75,000	(A)	Amount of funds Kim and Ted are prepaying
Step 2:	0.0499	(B)	Interest rate at the time they plan to prepay entered as a decimal (i.e 4.99% = .0499) [1]
Step 3:	$3,742.50	(C)	A x B = C
Step 4:	$311.88	(D)	C ÷ 12 = D
Step 5:	$935.63	(E)	D X 3 = E **This is Kim and Ted's prepayment charge**

* If you prepay your CHIP Home Income Plan within the first five years of funding, you must pay the total amount owing.

Worksheet

Before you begin you need to know your current variable interest rate. To find it, click here.

Instructions: Enter your information in the yellow fields and follow the steps to calculate your prepayment charge.

Step 1:		(A)	Amount of the funds you want to prepay
Step 2:		(B)	Interest rate entered as a decimal (i.e 4.99% = .0499)
Step 3:		(C)	A x B = C
Step 4:		(D)	C ÷ 12 = D
Step 5:		(E)	D X 3 = E **This is your prepayment charge**

[1] As at November 26, 2012. Variable interest rates are subject to change.

Prepayment between three but less than ten years of receiving your initial funds Fixed Interest Rate

In this example, Geneviève and Pierre have a fixed interest rate, five year term. At the time they prepay, their interest rate is 8.25%.[1] They got their CHIP Home Income Plan funds between three but less than ten years ago and their next interest reset date is 405 days away. Geneviève and Pierre received a total of $50,000.* Their prepayment charge is calculated as follows;

Part A	**Geneviève and Pierre's three month's interest**		
Step 1:	$50,000	(A)	Amount of the funds Geneviève and Pierre are prepaying
Step 2:	0.0825	(B)	Interest rate at the time they plan to prepay entered as a decimal (i.e 8.25% = .0825)[1]
Step 3:	$4,125	(C)	A x B = C
Step 4:	$343.75	(D)	C ÷ 12 = D
Step 5:	$1,031.25	(E)	D X 3 = E **This is Geneviève and Pierre's three month's interest**

* If you prepay your CHIP Home Income Plan within the first five years of funding, you must pay the total amount owing.

Part B	**Geneviève and Pierre's interest rate differential**		
Step 1:	0.0825	(A)	Interest rate at the time they plan to prepay entered as a decimal (i.e 8.25% = .0825)[1]
Step 2:	0.0549	(B)	Current interest rate on a new CHIP Home Income Plan with the same interest rate term as Geneviève and Pierre's, entered as a decimal.[2]
Step 3:	0.0276	(C)	A - B = C
Step 4:	$50,000	(D)	Amount of the funds they are prepaying
Step 5:	$1,380	(E)	C x D = E
Step 6:	405	(F)	Number of days to their next interest reset date[3]
Step 7:	1.1096	(G)	F ÷ 365 = G
Step 8:	$1,531.23	(H)	E x G = H **This is Geneviève and Pierre's interest rate differential**

Part C	**Geneviève and Pierre's comparison of their three month's interest rate payment to their interest rate differential**		
Step 1:	$1,031.25	(A)	Their three month's interest (Part A, Step 5)
Step 2:	$1,531.23	(B)	Their interest rate differential (Part B, Step 8)
	The higher amount of (A) or (B) is (B), so **Geneviève and Pierre's prepayment charge is $1,531.23**		

[1] As at March 19, 2009
[2] As at November 26, 2012
[3] April 5, 2014

Example is based on the following; CHIP was applied for on February 19, 2009 and funded March 19, 2009 at 8.25%; the next reset date is estimated to be April 5, 2014.
Example calculated on February 25, 2013.

Worksheet

Your prepayment charge is the greater amount of either three month's interest on the funds you are paying or the interest rate differential. *However, if you make your payment within thirty days before your interest reset date you do not pay an early payment charge.*

Before you begin you need to know what your interest rate will be on the date you pay. Use your current interest rate.
OR
If you have an upcoming interest reset date and plan to prepay after that date, you can use our current posted rates as an estimate of what your new rate will be. Click here to see these rates.

You will also need to know the current interest rate on a new CHIP Home Income Plan with the same interest rate term as yours.
To find it, click here.

Instructions: Enter your information in the yellow fields and follow the steps to calculate your prepayment charge.

Part A	**Your three month's interest on the funds you are paying**		
Step 1:		(A)	Amount of the funds you want to prepay
Step 2:		(B)	Interest rate at the time you plan to prepay entered as a decimal (i.e 5.49% = .0549)
Step 3:		(C)	A x B = C
Step 4:		(D)	C ÷ 12 = D
Step 5:		(E)	D x 3 = E **This is your three month's interest on the funds you are paying**

Part B	**Your interest rate differential**		
Step 1:		(A)	Interest rate at the time you plan to prepay, entered as a decimal (i.e 5.49% = .0549)
Step 2:		(B)	Current interest rate on a new CHIP Home Income Plan with the same interest rate term as yours.
Step 3:		(C)	A - B = C
Step 4:		(D)	Amount of the funds you want to prepay
Step 5:		(E)	C x D = E
Step 6:		(F)	Number of days to your next interest reset date
Step 7:		(G)	F ÷ 365 = G
Step 8:		(H)	E x G = H **This is your interest rate differential**

Part C	**Compare your three month's interest rate payment to your interest rate differential**		
Step 1:		(A)	Your three month's interest rate (Part A, Step 5)
Step 2:		(B)	Your interest rate differential (Part B, Step 8)
	The higher amount of (A) or (B) is your prepayment charge		