WealthONE Mortgage Prepayment Information – Calculator & FAQ

IMPORTANT: This calculator provides an estimate only and is for informational purposes only. Your actual prepayment charge may differ based on your mortgage circumstances. Your mortgage agreement governs the calculation of any prepayment charge. In the event of any inconsistency between this FAQ, the calculator, and your mortgage agreement, the mortgage agreement will prevail. Please contact WealthONE for an exact prepayment charge based on your mortgage agreement and current mortgage details.

How Prepayment Charges Are Calculated

Mortgage Type	Calculation Method
Fixed-Rate	Greater of 3 months' interest OR Interest Rate Differential (IRD)
Variable-Rate	3 months' interest

How the IRD Is Calculated (Simplified)

IRD compares your contract interest rate to WealthONE's Comparable rate ("posted rate") for a similar remaining term, based on your balance and remaining term. This estimates the interest the Bank will not receive if the mortgage is repaid early. The example below is for illustration purposes only and does not reflect the exact methodology used by WealthONE to calculate an actual IRD prepayment charge.

Note: Comparable rates are based on WealthONE's posted rates as of the date the estimate is generated. Estimates are based on rates available at the time the calculation is performed.

Simplified Example:
Balance: $300,000
Contract rate: 5.50%
Comparable ("posted") rate: 4.00%
Remaining Term: 2 years
Contract Rate (Original) Discount or Premium: -X% or X% (if applicable under the mortgage terms)

Step 1: Calculate 3 Months' Interest: $\mathbf{300,000 \times 5.50\% \div 12 = 1,375}$

→ 3 months' interest = $\mathbf{1,375 \times 3 = 4,125}$

Step 2: Calculate Interest Rate Differential (IRD)

(Simplified for illustration purposes):

Step 2A: Determine rate difference: $\mathbf{5.50\% - 4.00\% = 1.50\%}$
Step 2B: Apply rate difference to balance: $\mathbf{300,000 \times 1.50\% = 4,500}$

Step 2C: Apply to remaining term: $\mathbf{4,500 \times 2 = 9,000}$

→ **Estimated IRD = $9,000**

Step 3: Select the Greater Amount:

- **3 months' interest: ~$4,125**
- IRD: ~**$9,000**

→ **Prepayment charge = ~$9,000**

Factors That Affect Your Prepayment Charge

Your prepayment charge may increase or decrease over time depending on:

Interest rate changes

- If market rates decrease → IRD charges typically increase
- If market rates increase → IRD charges may decrease

Remaining term

- Longer remaining terms may result in higher charges

Outstanding balance

- Higher balances generally result in higher charges

Mortgage type

- Fixed-rate mortgages may result in higher charges due to IRD
- Variable-rate mortgages are typically based on 3 months' interest

Prepayment time

- Charges vary depending on when you repay your mortgage before maturity

Your Prepayment Privilege

You may prepay up to 20% of your original mortgage balance each year without penalty. If you exceed this limit, a prepayment charge will apply.

When Prepayment Charges Apply

• When you exceed your 20% annual prepayment privilege
• When you pay off your mortgage before maturity
• When you refinance or renew early
• When you transfer your mortgage to another lender

Ways to Avoid or Reduce Charges

You may reduce or avoid prepayment charges by:

- Staying within your annual prepayment privilege (e.g., 20%)
- Waiting until your mortgage maturity date
- Breaking your mortgage when interest rate differences are smaller
- Considering porting your mortgage when purchasing a new property (if applicable)
- Reviewing your mortgage terms before:
  - Refinancing
  - Transferring lenders

Mortgage Types and Impact on Prepayment Charges

Mortgage Type	Prepayment Implications
Fixed-rate	May result in higher charges due to IRD calculation
Variable-rate	Typically, lower charges (3 months' interest)

Mortgage Type	Prepayment Implications
Open mortgage	No prepayment penalties
Closed mortgage	Charges apply if exceeding limits or breaking term
Long versus Short Term	Long-term fixed-rate mortgages may result in higher prepayment charges when the IRD method applies. Longer remaining terms increase the potential difference between your contract rate and current market rates, which can lead to a higher IRD if the mortgage is repaid early.

Mortgage Prepayment Calculator – Important Information

Inputs Used

The estimate is based on:

- Remaining mortgage balance
- Contract interest rate
- Remaining term
- Mortgage type (fixed or variable)
- Current Comparable ("posted") rate (for IRD)
- Contract Rate (Original) Discount or Premium (if applicable under the mortgage terms)

Calculation Method

- Fixed-rate: Greater of 3 months' interest or IRD
- Variable-rate: 3 months' interest

Assumptions

- Current rates are used as a proxy for comparison
- Mortgage details are based on the information entered

- No future rate changes are assumed
- Standard calculation conventions apply

Limitations

The estimate:

- Is **not a final or binding prepayment charge**
- May differ due to:
    - Changes in market conditions
    - Calculation methodologies
    - Your specific mortgage terms
    - Timing of the request

In the event of any inconsistency between this FAQ, the calculator, and your mortgage agreement, the mortgage agreement will prevail.

What This Means for You

- Your actual charge may be higher or lower
- Charges typically increase when interest rates decrease
- Charges typically decrease when interest rates increase

Examples of Using the Calculator

Fixed Term

If you enter:

- Balance: $300,000
- Rate: 5.50%
- Remaining term: 2 years

The calculator may estimate a charge (e.g., ~$9,000), based on IRD assumptions. (see How the IRD Is Calculated (Simplified) section above for step-by-step illustration of the calculation performed). Please note, the actual IRD calculation may use additional information contained in your mortgage agreement and may differ from the simplified example shown in this FAQ.

What This Means for You

- For fixed-rate mortgages, the lender charges the higher of:
    - 3 months' interest, or
    - IRD

- IRD charges are typically higher when interest rates have decreased since you signed your mortgage
- Your actual charge may vary depending on:
  - The lender’s specific calculation method
  - The exact comparable rate used
  - The timing of your request

Variable Term

If you enter:

- Balance: $300,000
- Rate: 5.50%
- Remaining term: 2 years

The calculator may estimate a charge (e.g., ~$4,125).

How it is calculated:

For variable-rate mortgages, the prepayment charge is typically:

→ **3 months’ interest on your outstanding balance**

Step-by-Step Calculation (Simplified)

Step 1: Calculate monthly interest: $300{,}000 \times 5.50\% \div 12 = 1{,}375$
Step 2: Calculate 3 months’ interest: $1{,}375 \times 3 = 4{,}125$

What This Means for You

- The prepayment charge for variable-rate mortgages is generally simpler and more predictable
- It does not depend on changes in market rates (unlike fixed-rate IRD calculations)
- Your actual charge may vary slightly depending on:
  - The exact calculation method in your mortgage agreement
  - The timing of your request

Get Your Exact Prepayment Charge

Contact WealthONE for a customized calculation based on your mortgage:

- Your mortgage agreement
- Current rates
- Exact remaining balance and term

Contact and Access to Support

Our representatives can provide detailed explanations and personalized estimates.

- Phone: 1-866-392-1088
- Website: wealthonebankofcanada.com
- Email: operations@wealthonebank.ca

Additional Resources

Financial Consumer Agency of Canada (FCAC): https://www.canada.ca/en/financial-consumer-agency/services/mortgages.html