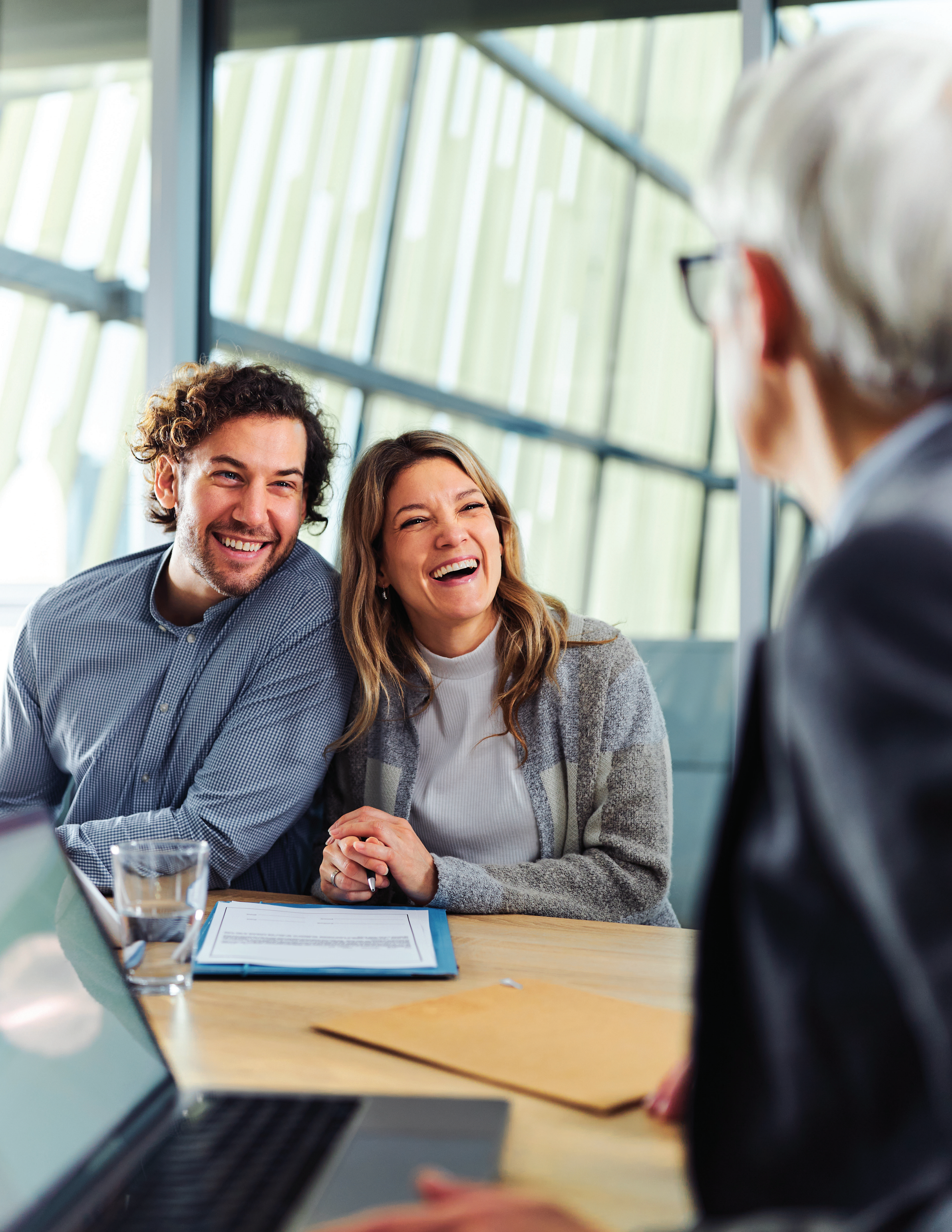
YOUR GUIDE TO MORTGAGE LOANS

Terms, options and legal details



KNOWLEDGE REALLY IS POWER WHEN IT COMES TO MORTGAGES.

Whether this is your first mortgage or your 50th, there's no bad time to reinforce your understanding of common mortgage terms and the options available to you.

NEED HELP OR HAVE QUESTIONS?

Give us a call at 1-800-332-8383, email mortgagerenewal@atb.com, or drop by any ATB branch. A short conversation may be all you need to make a confident decision.

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In this guide, you can learn about:

AN IMPORTANT LEGAL NOTE:

This guide forms part of (and is deemed to be incorporated into) the Mortgage Loan Renewal Agreement. This guide includes additional details describing how your mortgage loan works, including all of your promises to ATB regarding your loan. Keep this guide in a safe place. If you would like to better understand your commitments to ATB, this is your guide.

CONSIDER THE NEXT THREE TO FIVE YEARS.

If your family grows or grown-up kids move out, will your current home still work for you? If you need to move for a new job or aging parents, do you want to be able to get up and go?

You can't predict the future but you can make a pretty good guess. Considering the next three to five years will get you in the right frame of mind for planning your mortgage.

SOMETHING TO CONSIDER: FINDING A GOOD RATE IS IMPORTANT, BUT IT'S NOT THE ONLY FACTOR.

A mortgage with flexibility can be a huge money saver if the unexpected happens or if your plans change. See your available options starting on page 4.

THE BASICS

AMORTIZATION

This is the number of years that it'll take to pay off your whole mortgage. Most mortgages have amortization periods of 15, 20, 25 or 30 years.

TERM

Term means the length of your current mortgage loan agreement. The most common mortgage term is five years, but mortgage terms can be as short as six months or as long as 7 years. Shorter terms usually offer higher rates and may be a good choice if you think interest rates may go down or you anticipate a move in the next few years.

When your term "matures" (that is, reaches its **"maturity date"** and expires), you can either pay off your balance or renew for another term. So you could have a mortgage with a 25-year amortization and have five separate five-year terms in that time.

There are two types of mortgages:

1. A **closed term** mortgage is one that has a specified, set term. Closed term mortgages usually offer a lower interest rate, but it's difficult (and expensive) to pay off your mortgage early or switch lenders before your term is up. Closed term mortgages offer greater certainty and security, but less flexibility.
2. An **open term** mortgage is one that allows additional payments of any amount—including paying off your mortgage in full—whenever you want. These mortgages offer more flexibility, but usually have higher interest rates.

Something to consider: Deciding between a closed and open term mortgage: If you're anticipating big life changes or a big bonus that you want to put towards your mortgage, you'll likely benefit from the extra flexibility offered by an open term mortgage. If you think life (and your financial situation) won't change much over your mortgage term, closed mortgages can be a smart choice.

RATE

Rate means the interest rate you pay on your mortgage. You have two options:

1. **Fixed rate:** Both the interest rate and payment amount stay exactly the same to the end of the term. The rate is guaranteed not to change, and it's usually higher than a variable rate mortgage over the same term.
2. **Variable rate:** The interest rate fluctuates with ATB's Prime Lending Rate (we call that **"Prime"**) throughout the term, but, in most cases, your payment amount stays the same. This means that if Prime goes down during your term, a larger portion of the payment is applied to the outstanding principal amount of your mortgage loan—that's the amount you borrowed to buy your home or property, which we refer to as the **"Principal Sum"** in this guide. That would mean, in turn, that you could pay down your mortgage faster and save on interest. *Learn more about Prime on page 12.*

Something to consider: Deciding between a fixed and variable rate: If rates are expected to go up soon, or if you have a strict budget, you may want to choose a fixed rate and lock in at current rates. But if you think rates are likely to stay the same or drop, and you're comfortable with the possibility of some fluctuation in your payments, a variable rate could save you money.

PAYMENTS AND YOUR BUDGET

Payment schedule means how often you make your mortgage payments. Your options are monthly, semi-monthly (twice a month), bi-weekly (every two weeks) or weekly.

THE DIFFERENCE BETWEEN SEMI-MONTHLY AND BI-WEEKLY.

Their names are similar, but these two options are not identical. With semi-monthly payments, you make 24 payments a year (two per month). With biweekly payments, you make 26 payments a year (half of the year's 52 weeks).

WHAT ABOUT ACCELERATED PAYMENTS?

With accelerated bi-weekly payments, we multiply your monthly payment by 13 and divide by 26 (or by 52 for accelerated weekly). This means you pay the equivalent of one extra month's worth of your mortgage each year.

Something to consider: If your monthly budget can handle the extra payments with the accelerated options, go for it. You can save thousands of dollars over the life of your mortgage.

BENEFITS AND OPTIONS

We're now finished with the must-know information. The rest of this guide walks you through options that can help you deal with whatever life throws your way, good or bad.

SKIP YOUR PAYMENT

With ATB's Skip Your Payment option, you can skip up to two months of mortgage payments (principal and interest) in a calendar year. This option is available for customers who have a conventional mortgage—that is, mortgages that are not insured by Canada Mortgage and Housing Corporation (CMHC), Sagen or any other recognized licensed mortgage insurer. This option is not available on the Rate First Mortgage.

How it works:

- Your payment won't change during the current term of your mortgage loan. Instead, the skipped interest is added to your outstanding Principal Sum.
- You can choose to pay back your skipped payments at any time, without penalty and without affecting your existing mortgage prepayment privileges.
- Skipping a payment means you will pay more interest over the term of your mortgage. Look at your future goals when considering this option. And, if needed, reach out to ATB and we can tell you how much that extra interest will be.

TAKE YOUR MORTGAGE WITH YOU (PORTABLE MORTGAGE)

More details for your mortgage type: Page 12

If you've fallen in love with a new home but want to keep your current interest rate, this option may be for you. Assuming you qualify for the mortgage on your new home, this option lets you transfer your existing mortgage to your new home with the exact terms that remained at the time of the transfer.

Some advantages of this option are:

- If your existing mortgage rate is lower than current mortgage rates, you can keep your existing rate.
- Should a prepayment charge apply, it will be reimbursed upon successfully meeting all portability requirements for your new property.

BLEND AND EXTEND

More details for your mortgage type: Page 11

Blending and extending is only an option for fixed rate mortgages. It lets you renew early, buy another home or refinance before your maturity date without paying a prepayment penalty (other fees may be applied). *Learn more about prepayment penalities on page 6.*

By blending and extending, you combine interest rates (your existing rate and a new rate) and extend the length of your current fixed rate mortgage. The new term you choose must be longer than your existing term. With this option, you can also borrow additional funds at your new blended rate.

Note that blending and extending is not available on the Rate First Mortgage.

For example:

- Your existing mortgage of $250,000 has a 4.5% fixed interest rate with a remaining term of 24 months.
- You want to renew early for a five-year term, which currently carries a 4% fixed interest rate.
- Say you want to add $25,000 to your outstanding Principal Sum. You can blend existing and new rates, in this example to a 4.18% fixed interest rate by extending for a new term of five years.

RENEW EARLY

If you're not at the end of your mortgage term but want to take advantage of current rates, you can renew your mortgage early and save some money.

How it works:

- "Early" means within the 120 days before your mortgage maturity date.
- If you renew more than 120 days before your current mortgage maturity date, a prepayment penalty may be applied. In this case, a better option may be to "port" or "blend and extend" your mortgage, reducing the impact of any prepayment penalty.
- If you have an open mortgage, you can renew early at any time, without penalty.

THE VERY LAST RESORT: BREAKING YOUR CLOSED MORTGAGE

Sometimes, no matter how much you plan, you just can't avoid breaking a mortgage mid-term. Unfortunately, that means you'll probably have to pay a **"prepayment penalty."**

Learn more about prepayment penalties and how they're calculated in the next section.

PREPAYMENT PENALTIES

WHY YOU'RE CHARGED A PREPAYMENT PENALTY

When you sign up for a closed mortgage, you're committing to a rate and term over the contract period. Prepayment penalties occur when you break that agreement. These can be avoided by planning ahead and getting advice at the point of renewal.

What if you have an open mortgage?

You're never charged a prepayment penalty.

HOW PREPAYMENT PENALTIES ARE CALCULATED

For a closed variable rate mortgage, the prepayment penalty is three months' interest.

For a closed fixed rate mortgage, the penalty is whichever of the following calculations is higher on the day you make your prepayment:

1. Three months' interest, or
2. The Interest Rate Differential (IRD)

It's pretty easy to estimate three months' interest. You can see the calculation on page 7.
But estimating—and understanding—IRD is a little more complicated.

THE INTEREST RATE DIFFERENTIAL (IRD)

Technically speaking, the IRD is the difference between your existing interest rate and the comparison rate.

The comparison rate is the current **Posted Interest Rate** (that is, the standard, non-discounted annual interest rates applicable to residential mortgage loans that are announced or published by ATB) for a fixed rate mortgage with a term closest to the term remaining on your mortgage, reduced by any rate discount you may have received off of ATB's posted interest rate when you entered into the mortgage.

The difference between the rates is adjusted in the calculation of the IRD to accurately compare what you would have been charged in interest over the remaining time in the mortgage term to ATB's current posted interest rates.

A prepayment charge based on the IRD is more likely to apply if the fixed interest rates posted by ATB at the time of prepayment are lower than when you first entered into your mortgage.

See the table below for an example calculation.

HOW TO ESTIMATE A PREPAYMENT PENALTY

(OR AMENDMENT/CONVERSION CHARGE)

We hope you find the information in this section useful, but please keep in mind this is only an example. If you're thinking of prepaying, amending or converting your mortgage, call us at 1-800-332-8383 or drop by any ATB branch to get the exact amount.

STEP 1:

Estimate the three months' interest penalty

	Example:
(A) is annual interest rate (as a decimal)	(A) 0.05 (5% as a decimal)
(B) is **amount to be prepaid** (that is, lump-sum payment amount or outstanding Principal Sum)	(B) **$150,000**
Calculation: (A) x (B) divided by 4 = (estimated three months' interest)	**Calculation: (0.05 × 150,000) / 4 = $1,875** (estimated three months' interest)

STEP 2:

Estimate the IRD penalty

	Example:
(A) is **annual interest rate** (as a decimal)	(A) **0.05** (that is, 5% as a decimal)
(B) is **current annual rate** (as a decimal) for a new mortgage with a term closest to the term of the remainder of the term of your mortgage at the time being repaid	(B) **0.03** (that is, 3% as a decimal)
(C) is **any rate discount** (as a decimal) received on the posted interest rate at the time you entered into your mortgage	(C) **0.01** (that is, 1% discount as a decimal)
(D) is the **comparison rate** adjusted for any rate discount (B minus C)	(D) 0.03 – 0.01 = **0.02**
(E) is the **difference between the rates** (A minus D)	(E) 0.05 – 0.02 = **0.03**
(F) is **amount to be prepaid** (that is, lump-sum payment amount or outstanding Principal Sum)	(F) **$150,000.00**
(G) is **number of months remaining in the loan term**	(G) **24**
Calculation: (E x F x G) divided by 12 = estimated IRD	**Calculation: (0.03 × 150,000 × 24)/12 = $9,000** (estimated IRD)

STEP 3:

See which of the above calculations is higher

That's your prepayment penalty. (In this example, it's the IRD at $9,000.)

To get the exact amount of any prepayment penalty, call us at 1-800-332-8383 or drop by any ATB branch.

MORTGAGE OPTIONS SCHEDULE

This is the legal part of the document. Remember that you can call 1-800-332-8383 or drop by any ATB branch if you need help reviewing the fine print.

Before we begin

We should all be on the same page. When you sign your Mortgage Loan Renewal Agreement, you agree with ATB that:

- You can access only the options that are applicable to your mortgage type (that is, closed or open, fixed or variable rate);
- If you are in default of the terms and conditions of your mortgage, you can't access any of these options;
- You will complete any documents required by ATB and pay any associated fees and costs (including any applicable legal costs) if you take advantage of any option;
- A written certificate from ATB indicating its Posted Interest Rates for any time is conclusive proof of such rates for that time; and
- This Mortgage Options Schedule replaces the Options Schedule you received when you first got your mortgage. Keep this Mortgage Options Schedule in a safe place as it forms part of the loan agreement for the mortgage you select.

PREPAYMENT (LUMP-SUM PAYMENT)

To learn more about penalties, see page 6.

Open (Fixed or Variable Rate) Mortgage

You may prepay part or all of this mortgage loan at any time, without penalty.

Closed Fixed Rate Mortgage

- You may prepay up to 20% (up to 10% for Rate First mortgages; see below) of the original Principal Sum specified on your original loan agreement each calendar year at any time without penalty (the "Closed Prepayment Allowance"). This option can't be used together with a request to pay out your mortgage loan in full. If you choose this option, it doesn't mean you can defer future payments on this mortgage loan unless agreed to in writing by ATB.
- You may notify ATB and prepay at any time any amount more than the Closed Prepayment Allowance, but less than the outstanding Principal Sum, as long as you pay an amount equal to the greater of:
    - Three months' interest at your interest rate on the amount prepaid in excess of the Closed Prepayment Allowance, or
    - Interest at the Interest Rate Differential for the remainder of the term on the amount prepaid in excess of the Closed Prepayment Allowance.

- You may notify ATB and prepay at any time the mortgage loan in full as long as you pay an amount equal to the greater of:
    - Three months' interest at your interest rate on the amount prepaid, or
    - Interest at the Interest Rate Differential for the remainder of the term on the amount prepaid.
- If you have a Rate First mortgage, you may prepay up to 10% of the original Principal Sum specified on your original loan agreement each calendar year at any time without penalty (aka the "Closed Prepayment Allowance".) This option cannot be combined with a request to pay out your mortgage loan in full.

Closed Variable Rate Mortgage

- You may notify ATB and prepay any amount more than the Closed Prepayment Allowance, but less than the outstanding Principal Sum, as long as you pay an amount equal to three months' interest at your interest rate on the amount prepaid in excess of the Closed Prepayment Allowance.
- You may notify ATB and prepay the mortgage loan in full as long as you pay an amount equal to three months' interest at your interest rate on the amount prepaid.

Greater than Five Year Term Mortgage (Closed)

- If your term is greater than five years and you want to prepay the full amount of the mortgage loan after the fifth year of the term, you may pay the full amount of the outstanding Principal Sum, all interest accrued to date, plus an amount equal to three months' interest at the Interest Rate on the amount prepaid. The *Interest Act* (Canada) spells out your rights on this option. For the purpose of this statutory right of repayment, you agree that the date of the mortgage will be the maturity date of the mortgage loan.

INCREASED INSTALMENT (PAYMENT AMOUNT)

Open (Fixed or Variable Rate) Mortgage

You can increase your payment amount by any amount at any time, without penalty.

Closed (Fixed or Variable Rate) Mortgage

You can increase the payment amount once each calendar year by any amount up to 20% (up to 10% for Rate First mortgages; see below) of your then-current payment amount. If you have a Rate First mortgage, you can increase the payment amount once each calendar year by any amount up to 10% of your then-current payment amount.

PAYMENT FREQUENCY

All mortgages

You can change the frequency of your mortgage instalment payments to weekly, bi-weekly, semi-monthly or monthly.

EARLY RENEWAL AND EXTENSION, OR CONVERSION

To learn more about penalties, *see page 5*.

Open (Fixed or Variable Rate) Mortgage

You can renew or extend the term of your mortgage loan at any time at ATB's then-available interest rates and terms, provided you are not in default of any loan secured by your mortgage. If you exercise this option more than once in any calendar year, you will be subject to pay ATB's early renewal fees.

If it's an **Insured Mortgage** (that is, a mortgage that is insured by CMHC, Sagen or any recognized licensed mortgage insurer), the insurer's qualification requirements must be satisfied prior to converting from a fixed rate to a variable rate mortgage.

Closed (Fixed or Variable Rate) Mortgage

You can amend the term of the mortgage loan, convert to an open mortgage loan, or convert from a fixed rate to a variable rate (or vice versa) as long as you pay ATB an amount equal to the greater of:

- Three months' interest on the outstanding Principal Sum at the time of amendment or conversion, or
- Interest at the Interest Rate Differential for the remainder of the term (immediately prior to amendment or conversion) on the outstanding Principal Sum at the time of amendment or conversion. If it's an Insured Mortgage, the insurer's qualification requirements must be satisfied prior to converting from a fixed rate to a variable rate mortgage.

Note about six-month fixed rate closed mortgages: once during the term, you may convert to a fixed rate closed mortgage with a term not less than one year at ATB's then-available Posted Interest Rates and terms. Some promotional interest rate options and terms may not be applicable to this option.

Note about 60-month variable rate closed mortgages: once during the term, you may convert to a fixed rate closed mortgage with a term not less than 36 months at ATB's then-available Posted Interest Rates and terms. This option is not available on mortgages with a fixed interest rate cap. Some promotional interest rate options and terms may not be applicable to this option.

BLEND AND EXTEND

Fixed Rate (Open or Closed) Mortgage

You may blend the interest rate applicable to the then-existing balance of your mortgage loan with any of ATB's available Posted Interest Rates, as long as the new term is greater than the remaining term on your mortgage loan.Any add-on amount approved by ATB at this time will be based on a formula we'll provide and a fee may be applicable.

Note that this option is not available on Rate First mortgages or any variable rate mortgages. If you have a Cashback mortgage, you can Blend and Extend only if you repay the Cashback on a prorated basis, based on the number of months remaining in the term. You should also know that some promotional interest rate options and terms may not apply.

ADD-ON MORTGAGE LOANS

Open or Closed Mortgage (Fixed Rate)

If you satisfy all of ATB's normal lending requirements, you can increase the amount of the then-existing balance of your mortgage loan even if the increase results in a new mortgage loan balance exceeding the Principal Sum. We'll determine a new interest rate based on either the Early Renewal and Extension option or the Blend and Extend option, depending on your choice. If you are in default of any loan secured by your mortgage, or if you have a Rate First mortgage, this option isn't available.

PORTABILITY

All Mortgages

You may, upon purchasing a single-family residence in Alberta, transfer the then-existing balance of your mortgage loan and any other loan balance secured by the mortgage to the new property. In order to do this, the new property must be approved by ATB and you must satisfy all of ATB's normal lending requirements.

IMPORTANT INFORMATION FOR VARIABLE RATE MORTGAGES

The biggest difference between variable and fixed interest rates is obvious—one can fluctuate, the other won't. But there are also not-so-obvious differences between how they're calculated, which can result in small differences when the rates are compared.

Fixed rates are calculated half-yearly, not in advance, with interest charged after it accumulates every six months.

Variable rates are calculated monthly, not in advance, with interest charged after it accumulates every month.

Since variable rates are calculated and charged more frequently, you end up paying slightly more in interest than if that rate were calculated half-yearly. The difference may not be huge, but we want to make sure you have the information if you want it.

The table on the next page also illustrates this difference. If you still have questions, call us at 1-800-332-8383 or stop by any ATB branch.

A note on Prime

ATB's Prime Lending Rate means the rate of interest established by ATB to determine the rate of interest charged on Canadian dollar loans. This is commonly known as the Prime rate. Variable rates are based on a percentage above or below Prime. To see our current Prime rate, visit **atb.com/rates** or any ATB branch.

INTEREST RATE EQUIVALENTS

In the table on the next page, you can see interest rates calculated monthly, not in advance (Column A) and the equivalent of those rates if they were calculated half-yearly, not in advance (Column B). If you are considering a variable rate mortgage, find the rate in Column A and you can see its fixed rate equivalent in Column B.

Column A Annual Interest Rates Calculated Monthly Not in Advance	**Column B** Equivalent Annual Interest Rates Calculated Half Yearly Not in Advance
1.00%	1.002%
1.25%	1.253%
1.50%	1.505%
1.75%	1.756%
2.00%	2.008%
2.25%	2.261%
2.50%	2.513%
2.75%	2.766%
3.00%	3.019%
3.25%	3.272%
3.50%	3.526%
3.75%	3.779%
4.00%	4.033%
4.25%	4.288%
4.50%	4.542%
4.75%	4.797%
5.00%	5.052%
5.25%	5.308%
5.50%	5.563%
5.75%	5.819%
6.00%	6.076%
6.25%	6.332%
6.50%	6.589%
6.75%	6.846%
7.00%	7.103%
7.25%	7.360%
7.50%	7.618%

Column A Annual Interest Rates Calculated Monthly Not in Advance	**Column B** Equivalent Annual Interest Rates Calculated Half Yearly Not in Advance
7.75%	7.876%
8.00%	8.135%
8.25%	8.393%
8.50%	8.652%
8.75%	8.911%
9.00%	9.170%
9.25%	9.430%
9.50%	9.690%
9.75%	9.950%
10.00%	10.211%
10.25%	10.471%
10.50%	10.732%
10.75%	10.994%
11.00%	11.255%
11.25%	11.517%
11.50%	11.779%
11.75%	12.041%
12.00%	12.304%
12.25%	12.567%
12.50%	12.830%
12.75%	13.094%
13.00%	13.357%
13.25%	13.621%
13.50%	13.885%
13.75%	14.105%
14.00%	14.415%

LEGAL TERMS & CONDITIONS OF MORTGAGE LOAN RENEWAL

These terms and conditions are designed to protect you (and us) and make sure we all understand exactly what we're agreeing to when you renew your mortgage loan.

Effective the day **immediately after** the maturity date, you (if "you" is more than one person, you jointly and severally) agree that:

1. Your mortgage loan will be renewed based on the terms you selected and as otherwise indicated in this document.
2. For the purpose of defining "the date of the mortgage" with respect to any statutory right of repayment, the date of the mortgage will be deemed to be the maturity date.
3. If the interest rate applicable to the new term of your mortgage loan is a:
   - **Fixed interest rate,** then interest is calculated at the applicable interest rate and is compounded at the end of every six months (not in advance) before the mortgage loan is due and after it is due. This is also true if you are in default and we obtain a judgment against you; or
   - **Variable interest rate,** then:
     - Interest is calculated at the applicable interest rate, and is compounded at the end of each month (not in advance) before the mortgage loan is due and after it is due. This is also true if you are in default and we obtain a judgment against you;
     - The amount of your payment ("Payment Amount") will remain the same notwithstanding any change to Prime. This means your weekly, bi-weekly, semimonthly or monthly payments won't change, no matter what happens to Prime. If at any time, the Payment Amount is insufficient to pay all interest accruing between payments, the unpaid accrued interest will be added to the outstanding Principal Sum, and will accrue interest at your interest rate until it is repaid;
     - ATB may notify you if Prime increases to a point when the principal and accrued interest exceeds either: a) 110% of the amount secured by the mortgage security (minus all other monies secured by the mortgage security, other than pursuant to the mortgage loan), or b) 90% of the then-appraised value of the lands charged by the mortgage security. If notified, you agree that you will:
       1. Immediately pay to ATB an amount equal to such excess;
       2. Increase your future payments to ATB in an amount determined by ATB; or
       3. Pay either 1 or 2 above to ATB, at our discretion.
4. The Mortgage Loan Renewal Agreement will not take effect and is conditional upon you having made all payments due on or before the maturity date. You agree to sign any further agreements ATB may require as a result of changes that you have selected.

We're here to help.

We hope this guide helped you better understand your options. If you still have questions, please don't hesitate to call us at 1-800-332-8383, email us at mortgagerenewal@atb.com or drop by any ATB branch. We're always happy to help.

To learn more about mortgages, stop by any ATB branch, call **1-800-332-8383** or visit **atb.com/mortgages**

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