

How are ATB's prepayment penalties calculated?

Prepayment penalties can be calculated in two different ways, depending on the type of mortgage you have, as well as the amount of time left on your mortgage term.

If you don't know what kind of mortgage you have, take a look at your Annual Mortgage Statement (which you should get in the mail every January).

Fixed-rate mortgages

For a fixed-rate mortgage, the prepayment penalty is either **three months' interest** OR the value of the **Interest Rate Differential (IRD)** for the remaining term of your mortgage (whichever is greater).

The IRD is the difference between your **actual mortgage interest rate** and **ATB's current mortgage interest rate for the term closest to the length of time remaining in your mortgage term**. (So, if you have three years left in your term, your actual mortgage rate would be compared to ATB's current rate for a three-year fixed mortgage.)

This difference is then multiplied by the mortgage balance and residual term.

Complete both calculations below to see which one results in a greater penalty:

NOTE: If your fixed-rate mortgage terms is/was **greater than five years** and it has gone past the **60th month** of its term, the maximum prepayment penalty you will be charged is **three month's interest**.

IRD CALCULATION	EXAMPLE
_____ (A) = annual interest rate as a decimal	(A) 0.04 = annual interest rate as a decimal (4%)
_____ (B) = current annual rate for a new mortgage with a term closest to the term of the remainder of the term of the loan at the time being repaid	(B) 0.0299 = current annual rate for a new mortgage with a term closest to the term of the remainder of the term of the loan at the time being repaid (2.99% on a three-year term)
_____ (C) = (A) – (B) the difference between the rates	(C) 0.0101 = (A) – (B)
_____ (D) = amount to be prepaid	(D) \$100,000.00 = amount to be prepaid
_____ (E) = number of months remaining in the loan term	(E) 36 = number of months remaining in the loan term
_____ (F) = (C X D X E) divided by 12 gives the estimated interest rate differential amount.	(F) \$3,030.00 = estimated interest rate differential amount

3 MONTHS' INTEREST CALCULATION	EXAMPLE
_____ (A) = annual interest rate as a decimal	(A) 0.04 = annual interest rate as a decimal (4%)
_____ (B) = amount to be prepaid	(B) \$100,000.00 = amount to be prepaid
_____ (C) = (A) x (B)	(C) \$4,000.00 = (A) x (B)
_____ (D) = (C) divided by 4 gives the estimated 3 months' interest	(D) \$1,000.00 = (C) divided by 4, the estimated 3 months' interest

Variable-rate mortgages

For a variable-rate mortgage, your prepayment penalty is **always** the three month’s interest calculation. The table below can help you calculate it:

3 MONTHS’ INTEREST CALCULATION	EXAMPLE
_____ (A) = annual interest rate as a decimal	(A) 0.04 = annual interest rate as a decimal (4%)
_____ (B) = amount to be prepaid	(B) \$100,000.00 = amount to be prepaid
_____ (C) = (A) x (B)	(C) \$4,000.00 = (A) x (B)
_____ (D) = (C) divided by 4 gives the estimated 3 months’ interest	(D) \$1,000.00 = (C) divided by 4, the estimated 3 months’ interest

If you have any questions about mortgage prepayment penalties, give us a call at 1-888-404-4646 or stop by your local branch.