



Understanding your collateral mortgage

When you borrow money to purchase or refinance your home, you agree to use your home as security for the mortgage loan. This means that if you do not follow the terms of the loan agreement, Manulife Bank has the right to take possession of your property. The security is recorded in the appropriate provincial or territorial registry office. Some provinces refer to this as the registration of an encumbrance or a “charge” (“hypothec” in Quebec).

There are two types of charges that may be registered: collateral or conventional (also known as “standard”). Your mortgage will be registered as a collateral charge. Below you will find information related to your collateral charge mortgage.

Registration

A collateral charge may be registered for the actual amount of the mortgage loan or any amount up to the full value of your property.

Registering the charge for an amount that is higher than the amount you borrow under the mortgage loan provides you with flexibility to borrow additional money in the future. Collateral charges are used when some or all of the debt has a “revolving” feature (e.g., line of credit).

For example, if you borrow \$240,000 to purchase a home valued at \$325,000, Manulife Bank can register the charge for the full value of your property, \$325,000. This allows you to obtain additional loans in the future up to your registered amount without having to re-register your mortgage charge for a higher amount, provided you apply and qualify for the additional credit.

While a registered collateral charge document may set out an amount, interest rate and other terms that are different than your loan agreement (which includes your Operating Agreement and the General Terms at Manulife Bank), the amount you actually owe to Manulife Bank and the terms of your mortgage loan are those set out in your Operating Agreement and the General Terms.

Borrowing more money

With a collateral charge mortgage you can borrow additional money up to your registered amount without needing to register a new charge, provided that you apply and qualify for the increased amount. The total amount borrowed (mortgage plus any loans or lines of credit secured by the collateral charge mortgage) cannot exceed the registered amount. Collateral charges could save you legal, registration and administration costs and provide flexibility for borrowing money when needed.

Switching lenders

If you wish to transfer or switch your collateral charge mortgage to a different lender, you will likely have to pay the fees associated with discharging your existing mortgage and registering it with the new lender. The new lender may cover part or all of the costs. If switching mid-term, a prepayment penalty may apply.

If you have borrowed additional funds secured by your collateral mortgage, we will likely require that you repay the full amount owing upon discharge.

Some lenders may accept your request to transfer your existing collateral charge mortgage to them.

Discharging your mortgage

Collateral mortgages are discharged at your request once the mortgage is paid in full and any other loan agreements that are secured by the collateral charge have been repaid. By not automatically discharging the registration when the mortgage is paid off, you can continue to use your property to secure other loans now and in the future, saving you legal, registration and administrative costs. If you decide to discharge, you will need to pay the cost to register the discharge and, where permitted by law, a discharge fee to Manulife Bank may apply.

For more information on collateral and conventional mortgage charges, please visit manulifebank.ca or the Canadian Bankers' Association website (www.cba.ca).



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