Manulife Bank

Conventional and collateral mortgages

Understanding your 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, the lender 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: conventional (also known as "standard") or collateral.

	Conventional (standard) mortgage charge	Collateral mortgage charge
Registration	**A conventional mortgage is registered for the actual amount of the mortgage loan—the amount you borrow.** For example, if you borrow $250,000 through a conventional mortgage to purchase a home valued at $325,000, the lender will register the mortgage for the actual amount of the loan, $250,000. A conventional mortgage charge includes the specific mortgage loan terms (such as the mortgage loan amount, interest rate, term, and payment amount) as well as other terms related to the security (your obligations and the rights of the lender).	**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 mortgage loan provides you with flexibility to borrow additional money in the future. Collateral mortgages are used when some or all of the debt has a "revolving" feature (e.g., line of credit). For example, if you borrow $250,000 through a collateral mortgage to purchase a home valued at $325,000, the lender can register the mortgage for the full value of your property, $325,000. This allows you to obtain additional loans in the future using the remaining $75,000 available, without having to re-register your mortgage for a higher amount, provided you apply and qualify for the additional credit. A collateral mortgage charge may set out an amount, interest rate, and other terms that are different from the mortgage loan agreement. The amount you actually owe and the terms of your mortgage are those set out in a separate mortgage loan agreement.
Borrowing more money	If you wish to borrow more money in the future as part of your mortgage loan, you will need to apply and qualify for the new mortgage loan amount. You will also likely have to pay the fees associated with discharging your existing charge and registering a new charge for the new mortgage loan amount. Legal and administration fees may also apply.	With a collateral mortgage you can borrow additional money up to your registered amount, without needing to register a new mortgage, provided that you apply and qualify for the loan. The total amount borrowed (mortgage plus any loans or lines of credit secured by the collateral mortgage) cannot exceed the registered amount. Collateral charges could save you legal, registration and administration fees and provide flexibility for borrowing money when needed.
Switching lenders	If you wish to transfer or switch your conventional mortgage to a different lender, you will likely have to pay the fees associated with closing your mortgage at your current lender. This can be called a discharge fee, assignment fee or transfer fee. The new lender may cover part or all of these costs. If switching mid-term, a prepayment penalty may apply. The new lender may agree to accept the transfer if it is familiar with the other lender's mortgage terms, if you meet the lender's credit granting criteria, and if the key elements of the mortgage loan remain unchanged (e.g., amount owing, ownership of home, etc.). If you are switching from a conventional charge mortgage at one lender to a collateral charge mortgage at a new lender, then legal fees may also apply. Some lenders may have programs to offset these costs.	If you wish to transfer or switch your collateral 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, the lender will likely require that you repay the full amount owing upon discharge (e.g., car loan secured by the property). Some lenders may accept your request to transfer your existing collateral mortgage to them.
Discharging your mortgage	Once the mortgage loan is paid in full, the lender will register the discharge of your mortgage and release its interest in your property. Typically, you will need to pay the cost to register the discharge and, where permitted by law, a discharge fee to your lender may apply.	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 fees. 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 your lender may apply.

Manulife Bank mortgage product offerings

Manulife Bank offers two mortgage products—Manulife One and Manulife Bank Select, which are both collateral mortgages.

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

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