Residential Mortgage
Ontario

Filing No. 201009

Set of Standard Charge Terms
Land Registration Reform Act

Filed by Bank of Montreal

The following set of standard charge terms shall be deemed to be included in every charge in which the set is referred to by its filing number, as provided in section 9 of the Act.

General Terms

By entering into the mortgage with us, you promise to repay a loan and you give us security over property. The security gives us a right to have the property used to pay what is owed.

The mortgage includes these **General Terms**.

The General Terms show:

- How you must pay the loan and what costs and taxes you must pay.
- What features apply.
- Your other responsibilities, especially for the property. For example, you must insure, repair and pay taxes on the property and comply with laws.
- Our rights if you don't comply with the mortgage.
- If you're guaranteeing the mortgage, what this means.

In the mortgage, **you** means each person giving security under the mortgage (except in part 13 of the General Terms). **We** means Bank of Montreal.

Contents

1. Definitions.

This part explains the meaning of some words in the mortgage.

1.1 **Added charge**. This is a charge that you may have to pay if you're prepaying all or part of what is owed.

1.2 **Advance**. Where the mortgage says we make an advance to you, it includes our making an advance to anyone you direct.

1.3 **Amortization period**.

1.3.1 The amortization period is the time it would take to pay the loan in full, with interest at a given interest rate, by instalments of a given frequency and amount. There are four basic factors for the loan: the amount, interest rate, instalment and amortization period. With any three of them, we can work out the fourth. The mortgage uses the following amortization periods:

1.3.1.1 ***Remaining contractual amortization period for the term***. At any time, this is the amortization period that was agreed to for the current term of the loan, less the period since that term began.

1.3.1.2 ***Remaining contractual amortization period for the mortgage***. At any time, this is the amortization period that was agreed to for the mortgage, less the period since the interest adjustment date.

1.3.1.3 ***Remaining actual amortization period***. At any time, we work out the remaining actual amortization period by using what is owed at that time, the interest rate at that time, and the instalment at that time.

1.4 **Balance due date**. This is the day on which you must repay the balance of the loan and the interest on the loan in full, unless the loan is renewed for another term. The balance due date is sometimes called the "maturity date."

1.5 **Blended interest rate**. This is an interest rate that we work out when you re-borrow under section 5.3, or when we make a new loan under section 5.11.1.2 or 5.12. We use two interest rates:

- The first rate is the interest rate before you re-borrow or we make the new loan. We apply this rate to what is owed just before you re-borrow or we make the new loan.
- The second rate is our posted interest rate, when you and we enter into the agreement for you to re-borrow or for us to make the new loan, for a fixed rate closed term that is closest in length to the time remaining in the existing term of the loan. We apply this rate only to the additional amount that we're to lend under the re-borrowing or new loan.

We then pro-rate these rates, and the result is the blended interest rate.

1.6 **Closed term**. See section 1.18, **Open or closed term**.

1.7 **Compound interest**. This is interest on unpaid interest.

1.8 **Fixed rate term**. This is a kind of term where, at all times during the term of the loan, the interest rate can't change.

1.9 **Instalment**. This is your regular payment for the loan and interest. It doesn't include a tax or insurance payment.

1.10 **Insured mortgage**. This is a mortgage that's insured against the risk of the loan not being paid. The law requires a mortgage to be insured where the loan is higher than 80% of the estimated value of the property at the time of the mortgage. Even if the law doesn't require the mortgage to be insured, we may require it.

1.11 **Interest adjustment date**. The first term of the loan under the mortgage begins on a day called the interest adjustment date. The interest adjustment date has that name because we begin the term of the loan on the first day of the month, but we often make the loan or an advance before that day. For example, if we make the loan to you on April 16 and May 1 is the interest adjustment date, you must pay interest from April 16 to April 30 (15 days), and the term of the loan begins on May 1.

1.12 **Interest rate for the loan**. For a fixed rate term, this is the interest rate calculated for the calculation period as shown in the mortgage. For a variable rate term, the mortgage shows what kind of variable rate term you have, and the interest rate for the loan is the variable interest rate for that kind of term described in part 3.

1.13 **Leasehold interest**. When a person doesn't own the property but is a tenant under a lease, that person has a leasehold interest. The leasehold interest doesn't include other rights of the tenant, for example, an option to renew or purchase.

1.14 **Loan**. This is the principal amount that we advance and that the mortgage secures. It includes any advance we make under a re-borrowing.

1.15 **Loan-to-value ratio**. This is the amount of the loan or of what is owed at a time, as a percentage of the estimated value of the property. If you have an insured mortgage, the maximum loan-to-value ratio reflects requirements of the insurer.

1.16 **Low Rate Fixed Closed Mortgage.** This is an option for a fixed closed kind of term that we offer with limited features as described in section 5.

1.17 **Mortgage**. The mortgage is the document that you're agreeing to that includes these General Terms. If the terms of the mortgage are changed, it means the mortgage as changed.

1.18 **Open or closed term**. If the mortgage gives you, at all times during the term of the loan, the right to prepay all of what is owed without an added charge, the kind of term is open. Otherwise, the kind of term is closed. A Convertible term is closed. We sometimes use the words "limited prepayment" for "closed."

1.19 **Payout statement**. This is a statement we issue that shows the amount that we project will be required to prepay all of what is owed on a given date.

1.20 **Posted interest rate**. This is the yearly interest rate that we fix from time to time for loans for residential properties in Canada secured by mortgages or guaranteed by hypothecs for each kind of term we offer and designated as our "posted rate" for each kind of term. The posted rate for the Low Rate Fixed Closed Mortgage is equal to the posted rate for the fixed rate closed term of the same length.

1.21 **Prime rate**. This is the yearly interest rate that we fix from time to time as our prime interest rate payable on Canadian dollar loans made in Canada and designated as our "prime rate."

1.22 **Property**.

1.22.1 The mortgage gives us security over some real property or land. We refer to this real property or land as the property. It includes all interests in the property, and all rights that go along with the property. It includes buildings and the other things that are referred to in section 7.2.

1.22.2 For a condominium, it's the unit and it includes the rights in the complex over which the mortgage gives us security. For a leasehold interest, it's the leased real property or land and it includes the tenant's interests in that real property or land.

1.23 **Property claim**. This is a right of anyone other than you in the property, and can include:

- A mortgage or other security.
- A lease, a right of way or other easement or servitude, or a restrictive covenant.
- A lien created by law (for example, for property taxes, utilities or condominium common expenses, or for a judgment).
- An exception, reservation, condition, limitation or provision.
- Any other encumbrance.
- A trust.
- A claim based on possession or use.
- A permission to occupy or use the property that can't be revoked.
- A claim under a marriage or family law.

1.24 **Property tax**. This is every kind of present or future federal, provincial, municipal or other tax, assessment or rate on or in respect of the property or any part of it. It includes a charge imposed by a municipality for an improvement, and a fee for information about property taxes.

1.25 **Section or part**. Where the General Terms refer to a section or part, they mean a section or part of the General Terms, unless they show otherwise.

1.26 **Tax or insurance payment**. This is a regular payment to us for property taxes, or a regular payment to the insurer for premiums for life or accident and illness insurance for the mortgage (if you obtain that insurance). It's in addition to the instalment.

1.27 **Term of the loan**. This is the period for which we make the loan to you. The term of the loan is usually shorter than the amortization period. For example, a loan may begin with a 25-year amortization period and a 5-year term. The first term of the loan under the mortgage begins on the interest adjustment date, and ends on the balance due date.

1.28 **Variable rate term**. This is a kind of term where the interest rate can change automatically based on changes in our prime rate.

1.29 **What is owed**. This is the total of the amounts owed to us as described in section 2.1.

1.30 **Work**. This is constructing anything that becomes part of the property, demolishing a part of the property, or altering, adding to, repairing or renovating the property.

2. What is owed and secured.

2.1 **General**. Under the mortgage, the following amounts are owed to us:

- Every amount that must be paid to us under the mortgage, including:
  - the loan,
  - interest,
  - compound interest and
  - costs.
- The amounts described in section 2.3.
- Amounts that, as a result of the mortgage, the law requires to be paid to us.
- Any amount needed to compensate us for a breach of your obligations under the mortgage.

Our security secures the amounts listed above and the other obligations to us under the mortgage. If we advance parts of the loan at different times, our security secures every advance. The amounts secured are subject to the limit shown in section 2.3.3.

2.2 **The loan**. You must repay the loan, and pay interest on it at the interest rate for the loan, in accordance with this section 2.2.

2.2.1 ***Interest to interest adjustment date***. You must pay the interest accrued from the day we make the advance or first advance to the day before the interest adjustment date. You must pay this interest on the interest adjustment date, or we can choose to collect this interest:

- By asking you to pay it on the 1st of each month (if we advance the loan or part of it more than a month before the interest adjustment date).
- By using part of the loan.
- By asking you to pay it when you pay the first instalment.

2.2.2 ***Instalment***. You must pay the amount of each instalment on every instalment date, beginning on the first instalment date and ending on the last instalment date, all as shown in the mortgage. We'll apply each instalment as follows:

- First, to pay or reduce any compound interest on the loan up to the instalment date.
- Second, to pay other interest on the loan up to that date.
- Third, to reduce the loan.

If the mortgage goes into default, we don't have to apply an instalment as shown above. If we don't advance the full amount approved for the loan, you must still pay the full amount of each instalment, unless we agree otherwise.

2.2.3 ***Balance***. You must repay the balance of the loan and the interest on the loan in full on the balance due date, unless the loan is renewed for another term.

2.3 **Other amounts that the mortgage secures**. This section 2.3 describes additional amounts that the mortgage secures. In this section 2.3, you means a person then shown by our records to be an owner of the property. Where you have a leasehold interest in the property, this is the holder of that interest. The terms in sections 12.12 and 12.13 apply to an agreement under this section 2.3.

2.3.1 ***A future change***. In the future, if we agree with you to change any of the terms for what is owed, the mortgage secures what is owed as changed. This is so, for example, if we renew the loan or extend the time for payment.

2.3.2 ***Additional amounts***. Whenever we lend an amount to you and you agree that the mortgage secures that amount or that the amount is lent under the mortgage, the mortgage also secures that amount and the interest on it. You'll be deemed to agree that the mortgage secures an amount:

- if it's a re-borrowing under section 5.3; or
- if, in your agreement for it, you refer to the mortgage.

2.3.3 ***Limit on amount secured***. There's a limit on how much the mortgage secures. The limit is the principal amount of the mortgage. The limit applies only to the following parts of what is owed at any time:

- The loan that is owing under section 2.2.
- The amount that is owing of what we lent under section 2.3.2.

There's no limit on how much the mortgage secures for other parts of what is owed, such as interest, costs and any amount needed to compensate us for a breach of your obligations under the mortgage.

2.4 **Prepayment**. You can prepay all or part of what is owed only where the mortgage specifically gives you a right to prepay. After you prepay part of what is owed, you must continue to pay the instalments.

2.5 **Interest generally**. All interest rates for what is owed (including compound interest) apply both before and after demand, the balance due date, default or judgment.

2.6 **Compound interest**. If interest isn't paid when it's due, compound interest must be paid on this unpaid interest. Compound interest must be paid at the same rate as the unpaid interest, is calculated in the same way, and must be paid on the same days. If compound interest isn't paid when it's due, compound interest must be paid on that interest. Compound interest must be paid even if interest isn't in arrears, for example, where you have a variable rate term and the instalment doesn't cover all the interest.

2.7 **Other terms about payments**.

2.7.1 All amounts are expressed in Canadian dollars and are payable in Canadian dollars.

2.7.2 You must keep a deposit account with us or a financial institution that we approve, and you must authorize us to debit that account with the instalment. If we ask, you must authorize us to debit the account with tax or insurance payments. You must ensure that there are sufficient funds in the account for every instalment or tax or insurance payment when it's due. If we ask, you must make any other reasonable arrangement for paying the instalment or making the tax or insurance payment.

2.7.3 Instalments, tax or insurance payments and other payments must be paid without any set-off. (Having to pay without set-off means that you don't have a right to reduce your debt by any amount we owe you.)

2.8 **Costs**.

2.8.1 ***Costs for the mortgage and security***. Once you've agreed to enter into the mortgage with us, whether we make an advance or not, you must pay us our costs for arranging the mortgage and taking our security. These include, for example, costs for:

- Inspecting the property, valuing it and surveying it.
- Preparing or registering the security.
- Searching title to the property or obtaining title insurance.

- Paying the insurance premium for an insured mortgage, any tax on the premium and any application fee.

2.8.2 ***Other costs***. You must pay us our costs for:

- Doing or paying anything that the mortgage says we can do or pay. Examples are arranging insurance; inspecting the property; paying property taxes; paying a property claim such as a prior mortgage; repairing, managing and operating the property; doing work; getting an environmental assessment; and complying with an obligation that you've failed to comply with.
- Giving an approval or consent under the mortgage and checking that conditions are met.
- Protecting ourselves from claims relating to our security, for example, from liens of those who do work.
- Collecting what is owed, if the mortgage goes into default, and exercising our powers under the mortgage.
- Doing anything relating to the mortgage that the mortgage doesn't require us to do but that you ask us to do, for example, entering into another agreement.

You must also pay us our costs under other terms of the mortgage, for example, sections 7.8, 8.11, 10.10, 11.12, 12.12.1.3 and 12.15.

2.8.3 ***Other cost terms***. Wherever the mortgage requires you to pay a cost, the following terms will apply:

- The cost includes an expense, such as an insurance premium, a property tax or the amount of a prior mortgage.
- The cost includes lawyers' or notaries' fees and disbursements, charged on the basis that applies between a lawyer or notary and his or her own client, even though we may not have taken court proceedings.
- The cost includes costs for other professionals or agents, for example, an appraiser, surveyor or engineer.
- The cost may be the usual administration fee that we charge at the time.
- You must pay the cost to us as soon after it has been incurred as we ask for it. You must pay interest on the cost (including any compound interest) from when it's incurred at the interest rate for the loan.
- Our security secures the cost and the interest on it. We can choose to use part of the loan to pay the cost and interest.
- We have the rights under this section 2.8 only as far as permitted by a law that applies despite what you and we have agreed to.

3. Variable rate terms.

3.1 **General**. The interest rate during a variable rate term is based on our prime rate. The interest rate is calculated monthly not in advance. The interest rate varies (except as shown in section 3.2.2), because our prime rate varies and changes automatically when our prime rate changes. Our prime rate can change at any time. We don't have to send you a notice showing this change.

3.2 **Interest rates**.

3.2.1 ***Variable rate open and Variable rate closed term***. The interest rate for a variable rate open and a variable rate closed term is equal to our prime rate plus the premium or minus the discount, if any, shown on the commitment letter.

3.2.2 ***Variable rate Protected term***. The interest rate for a variable rate Protected term is equal to our prime rate plus the premium or minus the discount, if any, shown on the commitment letter, until that interest rate first goes over the maximum interest rate shown in the mortgage. At all times after that, the interest rate is the maximum interest rate.

3.2.3 ***Variable rate Flexible Below Prime term***. The interest rate for a variable rate Flexible Below Prime term is 2.25% per year below our prime rate until the end of the first three months of the term of the loan. After the first three months of the term of the loan, the interest rate is 0.375% per year below our prime rate.

3.3 **Payments**.

3.3.1 ***Instalment***. Although the interest rate for a variable rate term varies, the instalment doesn't change (except under section 3.3.2). Thus, when the interest rate goes down, more of the instalment goes to repay the loan and the remaining actual amortization period decreases. When the interest rate goes up, less of the instalment goes to repay the loan and the remaining actual amortization period increases.

3.3.2 ***Effect if interest is more than the instalment***. For a variable rate open term, a variable rate closed term or a variable rate Flexible Below Prime term, when the interest rate goes up, the instalment may not be enough to pay all of the interest and the remaining actual amortization period increases. When this occurs what is owed increases and you must pay compound interest. If this happens and if we ask, you may be required to do one or more of the following so the loan will be repaid over the remaining contractual amortization period:

- Immediately pay us the excess.
- Pay us a higher instalment, beginning on the next instalment date, and going on until the balance due date. We fix the amount of the higher instalment to cover any expected rate

increase, or to stop what is owed from increasing.

- Convert the loan to a fixed rate term if the contract gives you an option to do so.

If you choose to pay us a higher instalment so that the loan will be repaid over the remaining contractual amortization, you can't lower it under sections 5.14.2. 5.19.4 or 5.22.2.

4. Renewal.

4.1 **Renewal offer**. Shortly before the balance due date, unless you're in default, we'll send you our offer to renew the loan, which will allow you to choose a kind of term from several options. The offer will contain each kind of term available to you, the interest rate applicable to each kind of term and any new or amended terms that would also apply to the mortgage. If by the balance due date you've neither paid all of what is owed at that time nor agreed with us to renew, you'll be deemed to have accepted our offer for a new kind of term beginning on the day after the balance due date as follows:

4.1.1 If you have a fixed rate term for six months, one year or two years, the new kind of term is the same kind of term again. If you have a closed term, the new kind of term is closed. If you have an open term, the new kind of term is open.

4.1.2 If you don't have a kind of term described in section 4.1.1, the new kind of term is a fixed rate open term of six months.

5. Features.

5.1 What features apply.

5.1.1 The heading for each section of this part 5 shows what kind of term a feature applies to. Except where a feature applies to any kind of term, the feature applies only while you have the kind of term shown in the heading.

5.1.2 This part 5 does the following:

- shows the features that apply to all kinds of terms; then
- shows the features that apply to each kind of term; and then
- shows how a change under the features is made, and explains our added charge.

5.1.3 If the mortgage is in default, you can't use any of the features in this part 5.

5.2 Any kind of term: *Paying the instalment monthly or more often, or accelerated instalments*.

5.2.1 **Your option**. You can ask to pay the instalments in any of four ways:

- every week on Friday,
- every two weeks on Friday,
- twice a month on the 1st and 15th, or
- monthly on the 1st.

You can ask to change the way you pay the instalments at any time. To work out the new instalment, we start with the monthly instalment when the term of the loan began. However, if you chose to pay instalments more often than monthly, we start with what would have been the monthly instalment when the term of the loan began. And, if you and we have agreed to increase the instalment, we start with the monthly instalment as increased. For instalments more often than monthly, we then multiply that monthly instalment by 12 and divide the result by 52 (for every week), 26 (for every two weeks) or 24 (for twice a month).

5.2.2 **Accelerated instalments**. You can prepay by paying what we call "accelerated instalments." To work out the accelerated instalment, we use the same monthly instalment that we'd start with under section 5.2.1. An accelerated instalment paid every week is that monthly instalment divided by 4. An accelerated instalment paid every two weeks is that monthly instalment divided by 2. An accelerated instalment paid twice a month is that monthly instalment times 13 and divided by 24.

5.2.3 **How we make the change**. When we change the way you pay the instalments under section 5.2.1 or 5.2.2, the terms of section 5.25 apply.

5.2.4 **Instalments after default**. If the mortgage has gone into default, you must pay any arrears. In addition, if you pay the instalment more often than monthly, if we choose, you must pay the instalment made back into a monthly instalment. We can fix the date on which you must start paying this new monthly instalment. If we've chosen to have you pay the instalments monthly under this section 5.2.4, you can't change the way you pay the instalments under section 5.2.1 or 5.2.2. Nothing in this section 5.2.4, and nothing we do under this section 5.2.4, impairs any other right of ours under the mortgage. For example, all of what is owed must still, if we choose, be paid immediately.

5.2.5 **Tax or insurance payments**. If you pay tax or insurance payments, when the way you pay the instalments is changed, we can decide how often you must pay these tax or insurance payments.

5.3 Any kind of term except a Low Rate Fixed Closed Mortgage: *Re-borrowing*.

5.3.1 **How much you can re-borrow**. Subject to section 5.3.3, if you've previously prepaid, you may be able to re-borrow on the terms in section 5.3.4.

5.3.1.1 To work out what you can re-borrow:

- First we determine your start date and your initial loan balance, and section 5.3.2 gives examples of how we do this.

- Then we work out what would have been owed if, since your start date, you had only paid instalments without prepaying.
- If what is owed at the time is less than what would have been owed at the time, the difference is what you may re-borrow.

5.3.1.2 What is owed after you re-borrow must not cause the loan-to-value ratio after you re-borrow to go over the maximum loan-to-value ratio we set when you ask to re-borrow. We base the loan-to-value ratio on what we estimate is the value of the property when you ask to re-borrow (and we don't have to get a new appraisal or make an inspection).

5.3.1.3 Some transactions reduce what you can re-borrow. For example, if you've skipped an instalment under section 5.4, that will lower what you can re-borrow.

5.3.2 **Your start date and your initial loan balance**. The following are examples of how we determine your start date and your initial loan balance:

- If you entered into the mortgage with us, your start date is the interest adjustment date, and your initial loan balance is the principal amount shown in the mortgage.
- If you assumed the mortgage by taking a transfer of the property subject to the mortgage, your start date is the date of transfer, and your initial loan balance is the loan balance on your start date.

5.3.3 **When you can't re-borrow**. We may not allow a re-borrowing in some cases. For example, we don't allow it where:

- Your employer is subsidizing the loan.
- The loan is under a self-directed registered retirement savings plan.
- The property was transferred to you in the same month in which you want to re-borrow.
- We're letting you skip an instalment.
- You've obtained a payout statement and it hasn't expired or been cancelled.
- You're asking to change the kind of term.
- There's another property claim on the property that arose after the mortgage.
- You're re-borrowing to avoid having the mortgage go into default.
- We haven't advanced the full amount approved for the loan.
- The term of the loan has ended.
- The loan has been reduced to zero.
- The mortgage is in default, or has gone into default during the last 90 days.

5.3.4 **Terms for re-borrowing**. When you re-borrow:

- You can't re-borrow less than $2,500 at a time.
- The kind of term you have stays the same.
- The balance due date doesn't change.
- If you have a fixed rate term, the interest rate is the blended interest rate (see section 1.5).
- If you have a variable rate term, your interest rate continues to be calculated in the same way.
- The instalment is based on what is owed just before the re-borrowing takes effect plus the amount you re-borrow, the remaining contractual amortization period for the term and your interest rate when the re-borrowing takes effect but, if you choose a variable rate Protected term, it's the maximum interest rate.
- You don't have to pay us an added charge.
- The terms of section 5.25 apply to this change.

5.4 Any kind of term except a Low Rate Fixed Closed Mortgage: *Family Care®* *and Take a Break®*.

5.4.1 **What the Family Care and Take a Break options are**. These options may allow you to skip instalments. If you've re-borrowed under section 5.3, that may lower how many instalments you can skip.

5.4.2 **How many instalments you can skip**.

5.4.2.1 The Family Care option allows you to skip the following instalments in any calendar year:

- If you pay the instalment monthly, the most is 4 instalments.
- If you pay twice a month or every two weeks, the most is 8 instalments.
- If you pay every week, the most is 16 instalments.

5.4.2.2 The Take a Break option allows you to skip the following instalments in any calendar year:

- If you pay the instalment monthly, the most is 1 instalment.
- If you pay twice a month or every two weeks, the most is 2 instalments.
- If you pay every week, the most is 4 instalments.

5.4.3 **Terms for skipping instalments**.

5.4.3.1 If the mortgage isn't an insured mortgage:

- The instalments you may skip must not cause what is owed after you skip instalments to go over your initial loan balance as determined under section 5.3.2.
- What is owed after you skip instalments must not cause the loan-to-value ratio to go over the maximum loan-to-value ratio we set when you ask to skip an instalment. We base the loan-to-value ratio on what we estimate is the value of the property when you ask to skip an

instalment (and we don't have to get a new appraisal or make an inspection).

5.4.3.2 If the mortgage is an insured mortgage, the instalments you can skip can't be more than what you can re-borrow under section 5.3.1.

5.4.3.3 If you don't skip an instalment in one year, you can't save it for another year.

5.4.3.4 We may not allow you to skip an instalment in some cases. For example, we don't allow either option if your employer is subsidizing the loan.

5.4.3.5 The property must be either a one-family home that you occupy (including a one-family condominium) or a two-family home of which you occupy one unit.

5.4.3.6 A right to skip an instalment ends when there is a transfer of the property. You don't have a right to skip an instalment after you've obtained a payout statement, until it expires or is cancelled.

5.4.3.7 For the Family Care option, we must be satisfied as to all of the following:

- You or your partner needs to care for a new baby, a newly adopted child or a sick relative.
- Whichever of you or your partner will provide the care is employed (not self-employed) and the employer has given leave to provide the care.
- You'll be able to pay the instalments when you can no longer skip instalments.

5.4.3.8 You must not be collecting mortgage accident and illness insurance benefits. Your right to skip an instalment ends when you become entitled to collect those benefits.

5.4.3.9 When you skip an instalment, we don't waive any interest. Interest (including compound interest) continues to accrue during the period covered by the instalment, and increases what is owed.

5.4.3.10 Skipped instalments don't have to follow each other.

5.4.3.11 You can't skip a tax or insurance payment.

5.4.3.12 The terms of section 5.25 apply to this change.

5.4.4 **Your rights to cancel or pay a skipped instalment**. At any time, you can cancel an agreement allowing you to skip an instalment. At any time after you've skipped an instalment, you can pay all or part of that instalment. This is in addition to your option to prepay 20% under section 5.10.1, 5.18.1, 5.20.1 or 5.23.1 (where you have that option). If you pay all or part of a skipped instalment, you don't have to pay us an added charge and you don't have to tell us in advance that you want to pay.

5.5 Any kind of term: *Transfer*.

5.5.1 **Our right to require the loan to be repaid in full immediately on a transfer**. If we choose, you must pay all of what is owed immediately (including amounts that haven't become due) whenever there's a transfer of your interest in the property. Where more than one person holds the interest, there's a transfer of the interest when there's a transfer by any person.

5.5.2 **Our approval**. We won't choose to have all of what is owed paid immediately if, before the transfer, we agree in writing to allow the person who receives the transfer to assume the mortgage. We won't withhold this agreement unreasonably. The person must meet our usual credit requirements at the time and, if we ask, agree with us to comply with the mortgage.

5.5.3 **Agreement not to take legal action against you after you transfer**. When you sell the property, you can ask us to agree that, if the person who assumed the mortgage under section 5.5.2 defaults after you've transferred the property to that person, we won't take legal action to collect what is owed from you (meaning the person who transferred) or a person who was a guarantor before the transfer. We don't have to agree unless, acting reasonably, we're satisfied with every person to whom you transfer. Our approval of an assumption under section 5.5.2 doesn't mean that we're satisfied with that person. The agreement has no effect unless it's in writing. The agreement doesn't impair our security on the property, our rights against the person who assumed the mortgage under section 5.5.2, or any of our other rights under the mortgage (other than to take legal action to collect what is owed from you). You don't have to pay us an administration fee for the agreement.

5.5.4 **Portability**. If you consent to our dealing with a person who wants to assume the mortgage under section 5.5.2, you give up your option in section 5.11.

5.6 Fixed rate open term: *Increasing the instalment*.

5.6.1 **Your option to increase**. At any time during the term of the loan, you can prepay by asking us to increase the instalment by any amount. You don't have to pay us an added charge.

5.6.2 **Your option, after an increase, to lower the instalment**. After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the mortgage when you and we enter into the agreement to make the change.

5.6.3 **How we make the change**. When we increase or lower the instalment under this section 5.6, the terms of section 5.25 apply.

5.7 Fixed rate open term: *Prepaying*.

At any time during the term of the loan, you can prepay all or part of what is owed. You can't prepay less than $100 at a time. You don't have to pay us an added charge. You don't have to tell us in advance that you want to prepay.

5.8 Fixed rate open term: *Conversion*.

Your option. At any time during the term of the loan, you can ask us to convert the loan to any new kind of term that you choose as follows:

- The new term of the loan begins when the change takes effect.
- If you choose a fixed rate term, the interest rate is our posted interest rate for the new kind of term when you and we enter into the agreement to make the change.
- If you choose a variable rate term, the interest rate is our variable interest rate for the new kind of term.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
  - The new interest rate is the interest rate described above but, if you choose a variable rate Protected term, it's the maximum interest rate when you and we enter into the agreement to make the change.
  - The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.

You don't have to pay us an added charge. The terms of section 5.25 apply to this change.

5.9 Fixed rate closed term: *Increasing the instalment*.

5.9.1 **Your option to increase the instalment**. Once in each calendar year, you can prepay by asking us to increase the instalment by up to 20%, or 10% for a Low Rate Fixed Closed Mortgage, of the instalment just before the increase. If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year. You don't have to pay us an added charge.

5.9.2 **Your option, after an increase, to lower the instalment**. After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the mortgage when you and we enter into the agreement to make the change.

5.9.3 **How we make the change**. When we increase or lower the instalment under this section 5.9, the terms of section 5.25 apply.

5.10 Fixed rate closed term: *Prepaying*.

5.10.1 **Your option to prepay**. You can prepay part of what is owed as follows:

- The total of what you prepay under this section 5.10.1 in any calendar year cannot be more than:
  - 10% of the original amount of the loan, if you have a Low Rate Fixed Closed Mortgage; or
  - 20% of the original amount of the loan, if you have any other kind of term.
- You can't prepay less than $100 at a time.
- You can prepay in this way at any time during the year.
- If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year.
- You don't have to pay us an added charge.
- You don't have to tell us in advance that you want to prepay.
- You can't prepay under this section 5.10.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

5.10.2 **Your option to prepay with an added charge**. Except for a Low Rate Fixed Closed Mortgage, at any time during the term of the loan, in addition to your option to prepay under section 5.10.1 (where you have that option), you can prepay all or part of what is owed as follows:

5.10.2.1 Except as shown in section 5.10.2.2, you must at the same time also pay us an added charge of the higher of:

- three months' interest on the amount that you're prepaying, or
- the added charge based on different interest rates under section 5.26.1.

5.10.2.2 If the term of the loan is longer than five years and you prepay all or part of what is owed after the fifth year of the term of the loan, the added charge is three months' interest on the amount that you're prepaying.

5.10.2.3 You don't have to tell us in advance that you want to prepay. See also section 5.26.2.

5.10.3 For a Low Rate Fixed Closed Mortgage, you cannot prepay unless:

- you sell the property to an unrelated purchaser for fair market value; and
- at the same time, you also pay us an added charge as described in section 5.10.2.1 or 5.10.2.2.

5.11 **Fixed rate closed term: *Portability, carrying the terms of the loan to a new property*.**

5.11.1 **Your option**. If you sell the property and buy another property in Canada, you can ask us to make a new loan to you at that time secured by the property you buy.

5.11.1.1 If the amount of the new loan is the same as what is owed under the old loan when we make the new loan, the new loan is as follows:

- It's a fixed rate closed term.
- It has the same balance due date as the old loan.
- The interest rate is the same as for the old loan.

5.11.1.2 If the amount of the new loan is more than what is owed under the old loan when we make the new loan, the new loan is as follows:

- It's a fixed rate closed term.
- It has the same balance due date as the old loan.
- The interest rate is the blended interest rate (see section 1.5).

You don't have to pay us an added charge. We don't have to make the new loan unless our usual credit requirements are met.

5.11.2 **Repaying the old loan**. When we make a new loan under this section 5.11, you must repay all of what is owed at that time on the old loan (including amounts that haven't become due). If you want to repay all or part of what is owed on the old loan before we make the new loan, you can only do so under an option to prepay in the mortgage.

5.12 **Fixed rate closed term: *Portability, carrying the terms of the loan to a higher loan on the property*.**

5.12.1 **Your option**. At any time during the term of the loan, you can ask us to make a new loan to you secured by the property, where the amount of the new loan is more than what is owed under the old loan when we make the new loan. The new loan is as follows:

- It's a fixed rate closed term.
- It has the same balance due date as the old loan.
- The interest rate is the blended interest rate (see section 1.5).

You don't have to pay us an added charge. We don't have to make the new loan unless our usual credit requirements are met.

5.12.2 **Repaying the old loan**. When we make a new loan under this section 5.12, you must repay all of what is owed at that time on the old loan (including amounts that haven't become due).

5.13 **Fixed rate Convertible term: *Conversion*.**

Your option. At any time during the term of the loan, you can ask us to convert the loan as follows:

- The new kind of term is a fixed rate closed term of one year or more, beginning when the change takes effect.
- The interest rate is our posted interest rate for the new kind of term when you and we enter into the agreement to make the change.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
  - The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.

You don't have to pay us an added charge. The terms of section 5.25 apply to this change.

5.14 **Variable rate open term: *Increasing the instalment*.**

5.14.1 **Your option to increase**. At any time during the term of the loan, you can prepay by asking us to increase the instalment by any amount. You don't have to pay us an added charge.

5.14.2 **Your option, after an increase, to lower the instalment**. After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the mortgage when you and we enter into the agreement to make the change.

5.14.3 **How we make the change**. When we increase or lower the instalment under this section 5.14, the terms of section 5.25 apply.

5.15 **Variable rate open term: *Prepaying*.**

Your option. At any time during the term of the loan, you can prepay all or part of what is owed. You can't prepay less than $100 at a time. You don't have to pay us an added charge. You don't have to tell us in advance that you want to prepay.

5.16 **Variable rate open term: *Conversion*.**

Your option. At any time during the term of the loan, you can ask us to convert the loan to any new kind of term that you choose as follows:

- The new term of the loan begins when the change takes effect.
- If you choose a fixed rate term, the interest rate is our posted interest rate for the new kind of term when you and we enter into the agreement to make the change.
- If you choose a variable rate term, the interest rate is our variable interest rate for the new kind of term.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
  - The new interest rate is the interest rate described above but, if you choose a variable rate Protected term, it's the maximum interest rate when you and we enter into the agreement to make the change.
  - The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.

You don't have to pay us an added charge. The terms of section 5.25 apply to this change.

5.17 Variable rate Protected term: *Increasing the instalment*.

5.17.1 **Your option to increase by up to 20%**. Once in each calendar year, you can prepay by asking us to increase the instalment by up to 20% of the instalment just before the increase. If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year. You don't have to pay us an added charge.

5.17.2 **Your option, after an increase, to lower the instalment**. After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the mortgage when you and we enter into the agreement to make the change.

5.17.3 **How we make the change**. When we increase or lower the instalment under this section 5.17, the terms of section 5.25 apply.

5.18 Variable rate Protected term: *Prepaying*.

5.18.1 **Your option to prepay up to 20% a year**. You can prepay part of what is owed as follows:

- The total of what you prepay under this section 5.18.1 in any calendar year cannot be more than 20% of the original amount of the loan.
- You can't prepay less than $100 at a time.
- You can prepay in this way at any time during the year.
- If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year.
- You don't have to pay us an added charge.
- You don't have to tell us in advance that you want to prepay.
- You can't prepay under this section 5.18.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

5.18.2 **Your option to prepay, with an added charge**. At any time during the term of the loan, in addition to your option to prepay 20% under section 5.18.1 (where you have that option), you can prepay all or part of what is owed, but you must at the same time also pay us an added charge of three months' interest on the amount that you're prepaying, at the interest rate when you prepay. See also section 5.26.2. You don't have to tell us in advance that you want to prepay.

5.19 Variable rate Flexible Below Prime term: *Increasing the instalment*.

5.19.1 **First three years: your option to increase by up to 20%**. During the first three years of the term of the loan, once in each calendar year, you can prepay by asking us to increase the instalment by up to 20% of the instalment just before the increase. If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year. You don't have to pay us an added charge.

5.19.2 **First three years: your further option to increase**. During the first three years of the term of the loan, after each increase in the interest rate, you can prepay by asking us to increase the instalment, so that the remaining actual amortization period after the change must not be shorter than the remaining actual amortization period just before that increase in the interest rate. You don't have to pay us an added charge.

5.19.3 A**fter three years: your option to increase**. At any time after the first three years of the term of the loan, you can prepay by asking us to increase the instalment by any amount. You don't have to pay us an added charge.

5.19.4 **Your option, after an increase, to lower the instalment**. After an increase under any of your options to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the mortgage when you and we enter into the agreement to make the change.

5.19.5 **How we make the change**. When we increase or lower the instalment under this section 5.19, the terms of section 5.25 apply.

5.20 Variable rate Flexible Below Prime term: *Prepaying*.

5.20.1 **First three years: your option to prepay up to 20% a year**. During the first three years of the term of the loan, you can prepay part of what is owed as follows:

- The total of what you prepay under this section 5.20.1 in any calendar year cannot be more than 20% of the original amount of the loan.
- You can't prepay less than $100 at a time.
- You can prepay in this way at any time during the year.
- If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year.
- You don't have to pay us an added charge.
- You don't have to tell us in advance that you want to prepay.
- You can't prepay under this section 5.20.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

5.20.2 **First three years: your option to prepay with an added charge**. At any time during the first three years of the term of the loan, in addition to your option to prepay 20% under section 5.20.1 (where you have that option), you can prepay all or part of what is owed, but you must at the same time also pay us an added charge of two months' interest on the amount that you're prepaying, at the interest rate when you prepay. You don't have to tell us in advance that you want to prepay.

5.20.3 **After three years: your option to prepay**. At any time after the first three years of the term of the loan, you can prepay all or part of what is owed. You can't prepay less than $100 at a time. You don't have to pay us an added charge. You don't have to tell us in advance that you want to prepay.

5.21 Variable rate Flexible Below Prime term: *Conversion*.

5.21.1 **First three years**. At any time during the first three years of the term of the loan, you can ask us to convert the loan to a fixed rate closed term as follows:

- The new term of the loan begins when the change takes effect.
- The new term of the loan ends no sooner than the end of the first three years of the old term.
- The interest rate is our posted interest rate for the new kind of term when you and we enter into the agreement to make the change.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
  - The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.

You don't have to pay us an added charge. The terms of section 5.25 apply to this change.

5.21.2 **After three years**. At any time after the first three years of the term of the loan, you can ask us to convert the loan to any new kind of term that you choose as follows:

- The new term of the loan begins when the change takes effect.
- If you choose a fixed rate term, the interest rate is our posted interest rate for the new kind of term when you and we enter into the agreement to make the change.
- If you choose a variable rate term, the interest rate is our variable interest rate for the new kind of term.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
  - The new interest rate is the interest rate described above but, if you choose a variable rate Protected term, it's the maximum interest rate when you and we enter into the agreement to make the change.
  - The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.
  - You don't have to pay us an added charge. The terms of section 5.25 apply to this change.

5.22 Variable rate closed term: *Increasing the instalment*.

5.22.1 **Your option to increase by up to 20%**. Once in each calendar year, you can prepay by asking us to increase the instalment by up to 20% of the instalment just before the increase. If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year. You don't have to pay us an added charge.

5.22.2 **Your option, after an increase, to lower the instalment**. After an increase under your option to increase the instalment, at any time during the term of the loan, you can ask us to lower the instalment. We don't have to lower the instalment if that would make the remaining actual amortization period after the change longer than the remaining contractual amortization period for the mortgage when you and we enter into the agreement to make the change.

5.22.3 How we make the change. When we increase or lower the instalment under this section 5.22, the terms of section 5.25 apply.

5.23 Variable rate closed term: *Prepaying*

5.23.1 **Your option to prepay up to 20% a year**. You can prepay part of what is owed as follows:

- The total of what you prepay under this section 5.23.1 in any calendar year cannot be more than 20% of the original amount of the loan.
- You can't prepay less than $100 at a time.
- You can prepay in this way at any time during the year.
- If you don't use this option in one year (or you don't use all of it), you can't save it (or the rest of it) for another year.
- You don't have to pay us an added charge.
- You don't have to tell us in advance that you want to prepay.
- You can't prepay under this section 5.23.1 if you've obtained a payout statement and it hasn't expired or been cancelled.

5.23.2 Your option to prepay, with an added charge. At any time during the term of the loan, in addition to your option to prepay 20% under section 5.23.1 (where you have that option), you can prepay all or part of what is owed, but you must at the same time also pay us an added charge of three months' interest on the amount that you're prepaying, at the interest rate when you prepay. See also section 5.26.2. You don't have to tell us in advance that you want to prepay.

5.24 Variable rate closed term: *Conversion*.

5.24.1 Your option. At any time , you can ask us to convert the loan to a fixed rate closed term as follows:

- The new term of the loan begins when the change takes effect.
- The new term of the loan ends no sooner than the end of the old term.
- The interest rate is our posted interest rate for the new kind of term when you and we enter into the agreement to make the change.
- The instalment is based on what is owed when the change takes effect, the new interest rate and the amortization period described as follows:
  - The amortization period is the remaining actual amortization period just before the change takes effect. However, if that period is more than the remaining contractual amortization period for the term when the change takes effect, it's the latter.
- You don't have to pay us an added charge. The terms of section 5.25 apply to this change.

5.25 Changes generally.

5.25.1 **When a change takes effect**. A change to the mortgage doesn't take effect until you and we enter into an agreement to make the change and the change takes effect under that agreement.

5.25.2 Credit requirements. We'll only make the change if, when the change is to take effect, our usual credit requirements are met. These include requirements for security and documents.

5.25.3 Requirements of others. Sometimes the loan may involve another person, for example, the insurer of an insured mortgage. We don't have to agree to the change if, when the change is to take effect, that person's requirements aren't met. If we agree, the change is subject to that person's requirements (including charges).

5.25.4 Conversion. We don't have to convert the loan to a kind of term that we're not offering when the change is to take effect.

5.25.5 Interest and loan. If we convert the loan to another kind of term and what is owed at the beginning of the new term of the loan includes any interest, the interest will be treated as part of the loan for the new term.

5.25.6 Effective date. We'll decide on what date the change is to take effect.

5.25.7 How often you pay a new instalment. Except for a change under section 5.2.1 or 5.2.2, a new instalment after a change will be paid as often as just before a change.

5.25.8 Payment of instalments after you prepay. After you prepay part of what is owed under section 5.7, 5.10, 5.15, 5.18, 5.20 or 5.23, the amount of the instalment doesn't change.

5.25.9 General terms. Sections 12.12 and 12.13 apply to an agreement under this section 5.25.

5.26 Added charge.

5.26.1 **How we work out an added charge based on different interest rates**.

5.26.1.1 General. When we base the added charge on different interest rates under section 5.10.2, we work out the added charge using the two interest rates described below. (For this reason, this added charge is also known as the "interest rate differential.") If the first interest rate is more than the second, this added charge is the interest, at a rate equal to the difference between the two interest rates, on the amount that you're prepaying, from when you prepay to the end of the term of the loan. If the second interest rate is more than the first, there's no added charge based on different interest rates, but there will be an added charge of three months' interest (unless it's reduced under section 5.26.2).

5.26.1.2 ***First interest rate***. This is your existing interest rate when you prepay.

5.26.1.3 Second interest rate. We work out the second interest rate as follows:

A We start with our posted interest rate, when you prepay, for a fixed rate closed term that is closest in length to the time remaining in the existing term of the loan.

B Your existing interest rate may reflect a discount. To check this, we start with our posted interest rate for your existing kind of term when we made the advance or first advance. We compare it with your existing interest rate. If the first is more than the second, the difference is the discount.

C If there's a discount under B, the second interest rate is the interest rate under A less the discount under B.

Sometimes we work out the second interest rate to take into account any discount you received on either an old loan or the existing loan, or any increase to the interest rate of an old loan that you agreed to instead of paying us an added charge. This is so where you've carried terms of a fixed rate closed term loan to the existing loan without having to pay an added charge. It's so even if:

- you re-borrowed or we made a higher loan, for example, under section 5.3 or 5.12;
- the new loan is secured by a property you bought, for example, under section 5.11; or
- you carried the terms more than once.

5.26.2 **Prepayment near the balance due date**. If, within three months before the end of the term of the loan, you prepay all of what is owed, the added charge is the interest on the amount that you're prepaying from when you prepay to the end of the term of the loan.

6. Multi-unit and non-residential property.

6.1 **When this part applies**. This part 6 applies to a mortgage where, when the mortgage is entered into, any one or more of the following conditions is met:

- The property contains, or is to contain, seven or more dwelling units.
- A dwelling unit hasn't been built on the property. However, this paragraph doesn't apply where we intend advances under the mortgage to be used for building a dwelling unit or dwelling units on the property and the person who has the right to receive the advances is to live in it or at least one of them.
- A material part of the property is being used, or is intended for use, for a commercial or industrial purpose.

If we make a record showing whether any of the above applies, our record will be taken as true.

6.2 **Renewal**. Part 4 doesn't apply to the mortgage if this part 6 applies to the mortgage.

6.3 **Features generally**. Except as shown in sections 6.4 and 6.6, part 5 doesn't apply to the mortgage if this part 6 applies to the mortgage.

6.4 **Transfer**. If this part 6 applies to the mortgage, sections 5.5.1 and 5.5.2 apply.

6.5 **Prepaying under a fixed rate closed term**. If this part 6 applies to the mortgage, you have a fixed rate closed term, the term of the loan is longer than five years, and the mortgage wasn't given by a corporation, you can prepay all or part of what is owed at any time after the fifth year of the term of the loan, as follows:

- You must at the same time also pay us an added charge of three months' interest on the amount that you're prepaying.
- You don't have to tell us in advance that you want to prepay.

If this section 6.5 applies to the mortgage and, within three months before the end of the term of the loan, you prepay all of what is owed, the added charge is the interest on the amount that you're prepaying from when you prepay to the end of the term of the loan.

6.6 **Prepaying under a fixed rate open or variable rate term**. If this part 6 applies to the mortgage and you have a fixed rate open term, section 5.7 applies. If this part 6 applies to the mortgage and you have a variable rate open term, section 5.15 applies. If this part 6 applies to the mortgage and you have a variable rate Flexible Below Prime term, section 5.20.3 applies.

6.7 **Default**. If the mortgage is in default, you can't prepay under section 6.5 or 6.6.

7. Our security.

7.1 **You give us security**. Except where you have a leasehold interest in the property, you transfer the property to and to the use of us and our successors; you mortgage and charge the property to us; and you release all your claims on the property to us. We return the property to you when we discharge the security under section 7.8.

7.2 **What's included in the property**. The property includes fixtures on it when or after the mortgage is entered into. Without limiting this, you give us security over the things on the property that are listed below, and you agree that they are fixtures:

- Buildings, equipment, other structures, decks, fences or other improvements.

- A structure that's being used like a building, even if the structure is mobile or designed to be made mobile, or was wholly or partly made before being placed on the property.
- Equipment for heating, ventilating or air-conditioning, for example a furnace or air-conditioner.
- Equipment for supplying electricity, gas, hot or cold water or communications.
- Lighting equipment, including bulbs and tubes.
- Window or door screens; storm doors and windows; and window blinds, shutters and awnings.
- Antennas and similar equipment.
- Fire alarm systems and security systems.
- Driveway and sidewalk paving stones.
- Floor coverings, wall-to-wall carpets and fixed mirrors.
- Built-in appliances such as a stove or dishwasher.
- Where you rent out the property, an appliance usually provided by the landlord to a tenant in the property, such as a stove or refrigerator (and you must not, without our prior written consent, remove the appliance).

7.3 **Other rights**. You assign all of the following rights to us, whether they exist when or after the mortgage is entered into:

- The rights under every insurance policy covering loss of or damage to the property.
- The rights under every insurance policy covering loss of present or future income, rents or profits from the property.
- A right under a trust or other agreement relating to an insurance policy that covers loss of or damage to any part of the property, or loss of present or future income, rents or profits from the property.
- Every right of yours as landlord under a lease or tenancy of the property or part of it.
- Every right of yours as landlord to rent and other amounts payable under a lease or tenancy of the property or part of it.
- The related rights for the lease or tenancy, including a guarantee or indemnity, a security and a right to insurance.
- A right under a property claim, except a leasehold interest in the property.
- A right to repayment of a property tax.
- A right to have anyone fix a defect in the property or pay any loss you may suffer because of a defect, for example, a warranty on a new home.
- A right to a supply of services or materials for work or relating to work.
- The proceeds of the above rights.

This section 7.3 doesn't authorize you to enter into a lease or tenancy. Nor does it give the tenant priority over our security or create a relationship of landlord and tenant between a tenant and us.

7.4 **Nature of security**. Our security continues until we discharge it under section 7.8. Our security isn't affected by a payment reducing the balance to zero.

7.5 **Registration**. You irrevocably authorize us, and anyone we authorize, to enter into and register for you an electronic document needed to register the mortgage.

7.6 **Our priority**. Our security has priority for what is owed over every interest in the property created in favour of another person after the mortgage was entered into. It has priority even if we advance the amount after the other person's interest in the property was created. It has priority even if an agreement with us for what is owed is entered into after the mortgage was entered into, and even if that agreement isn't registered. Every person acquiring an interest in the property must be taken to accept the terms of this section.

7.7 **Title obligations**.

7.7.1 ***Your ownership***. You promise that you own the property with a good title to it in fee simple free from any property claim or defect and that the title cannot be defeated. You promise that all property taxes that have become due have been paid.

7.7.2 ***Your power to give security***. You promise that you have the right, power and authority to mortgage the property to us.

7.7.3 ***Other promises***. You promise to protect your title to the property. You promise that you haven't done, omitted or permitted anything by which the property is or may be transferred, affected or made subject to a property claim, except for the mortgage. You promise that, if we're entitled under the mortgage to possess or enjoy the property, we'll have quiet possession or enjoyment of it free from property claims.

7.7.4 ***Description***. You promise that the property conforms to every description or plan given to us, and that it includes all buildings and improvements in every description.

7.7.5 ***Property claims we accept***. We accept that our security is subject to a property claim that exists when the mortgage is entered into, but only if we've signed a written consent to our security being subject to it, or it's described in the mortgage.

7.8 **Discharge**. When all of what is owed has been paid on the dates it was due and in accordance with the terms that apply to it, and if you duly comply with all of your obligations under the mortgage, we'll discharge our security and transfer back to you anything included in our security. Or, if we must transfer the benefit of all or part of what is owed and our security to someone else, we'll do so. The law may also give you another right to have us discharge our security called your equity of redemption. You must give us a reasonable time after payment to verify our records and complete the discharge or transfer. We can register the discharge or transfer; otherwise you're responsible for doing so. You must pay our costs for doing what this section 7.8 requires. These include the usual administration fee that we charge at the time and any registration fee we pay.

8. Further terms for a condominium.

8.1 **Definitions**. In this part 8:

- **Condominium law** is a condominium, strata, divided co-ownership or similar law, as amended or replaced.
- A **unit** is property that is a unit, lot or private portion governed by condominium law.
- A **complex** is the property that a unit is a part of.
- The **condominium rules** are the body of rules by which the complex or part of it is governed including, for example, a declaration, bylaw, resolution, regulation, rule or agreement, as amended or replaced.
- The **managing body** is a corporation, legal person, partnership, syndicate, trust, association or other body holding or managing the complex. It isn't the directors or a manager of the body.
- The **common expenses** are the share of the expenses, levies, reserves or contingency fund, assessments or other payments that condominium law or the condominium rules require you to pay to the managing body.

8.2 **How this part applies**. This part 8 applies where the property is a unit. All of the other terms of the mortgage apply, except where this part 8 says they don't apply.

8.3 **Our security**. Where section 7.1 or part 9 refers to the **property**, it means the unit. Section 7.1 or part 9 also applies to the rights in the complex that, under condominium law or the condominium rules, go along with the unit.

8.4 **Our added security**. You transfer to us the benefit of all your rights relating to the complex (except a right that is a leasehold interest in the property), whether they exist when or after the mortgage is entered into, and you irrevocably appoint us your attorney to exercise them. In particular, we can exercise your right to vote or consent, or to require or call a meeting. You must, if we ask, follow our instructions about how to exercise such a right.

8.5 **Common expenses**. You must pay all the common expenses when they're due. You must give us a receipt or other proof that you've paid them when we ask for it. When we pay a common expense, we can rely on a statement that appears to be issued by the managing body showing the amount of the common expense and the date it's due.

8.6 **Voting**. If we arrange for you to vote, at any time, we can cancel the arrangement. You must give us notice if you're asked to exercise the following rights and you must not exercise them without our consent:

- To vote on anything that requires more than a simple majority of those present at a meeting.
- To give a consent (as distinct from voting).
- To have any right of yours purchased, dealt with or changed.
- To receive assets or a payment from the managing body.

Without our written consent, you must not vote for any action that might reduce the value of your unit, the complex, or our security. You must comply with this section 8.6 even if we wouldn't have been able to exercise your right to vote. None of our rights under the mortgage is impaired because we voted for or consented to anything, or gave you instructions to do so.

8.7 **Insurance**. We have the rights as to insurance under sections 7.3 and 10.1 and where they refer to the **property**, they mean the unit and parts of the complex other than units. However, you don't have to insure parts of the complex where the managing body's insurance covers them and, where it doesn't, your insurance against loss or damage to parts of the complex other than units need only be for your share of the cost of replacing them.

8.8 **Maintaining and replacing the property**. Where you're responsible under the condominium rules for repairing or replacing your unit or a part of the complex, you must keep it in good repair and working order, and (subject to section 10.1.5) restore or replace it where it can't be repaired.

8.9 **Condominium obligations**. You must comply with all of your obligations under condominium law and the condominium rules. You must give us any proof of compliance that we request. You must not do anything that materially increases your obligations under condominium law and the condominium rules. If we ask, you must exercise your rights to have the managing body, or holders of other units, comply with their obligations under condominium law and the condominium rules.

8.10 **Notices and information**. You must give the managing body and others notice of our security in a way that protects our right to vote, our rights in insurance and our other rights. If we ask, you must forward to us a copy of notices, assessments, bylaws, financial statements and the condominium rules that you receive from the managing body. If we ask, you must give us any information or document that you're entitled to obtain from the managing body. You authorize us to obtain any information or document from the managing body.

8.11 **Our costs**. You must pay us our costs of enforcing a right to have the managing body or another owner comply with condominium law or the condominium rules, or of exercising our rights to vote or consent.

8.12 **Immediate payment**. If we choose, all of what is owed (including amounts that haven't become due) must be paid immediately if any of the following things happens:

- The managing body fails to comply with a material obligation under condominium law or the condominium rules.
- A court makes a judgment or order against the managing body.
- The managing body, in our opinion, materially fails to manage the complex in a prudent manner.
- A court appoints an inspector, administrator or similar officer under condominium law.
- The managing body becomes bankrupt.
- Substantial work is started on the complex, or there is a substantial increase in the common expenses or a substantial decrease in the services that the managing body provides, or a step is taken for any of those things.
- There is a material change to any of the condominium rules, or a step is taken for that.
- There is substantial damage to the complex.
- The complex or part of it ceases to be governed by condominium law or the condominium rules, or is sold or expropriated, or the managing body is amalgamated, or the condominium is terminated, or a step is taken for any of those things.

9. Further terms for leasehold property.

9.1 **Where and how this part applies**.

9.1.1 Where you have a leasehold interest in the property, you give us security in the ways set out in this part 9, and we don't have to comply with your obligations under your lease. **Lease** means your lease as it may have been or be amended or replaced.

9.1.2 All terms of the mortgage apply where you have a leasehold interest in the property, except sections 7.1 and 7.7, and except where they say that they don't apply in sections 7.3 and 8.4.

9.2 **Our security over the leasehold interest**.

9.2.1 You give us security over the leasehold interest in the following ways:

9.2.1.1 You mortgage or charge the leasehold interest to us, except where the effect of doing so would be to assign the leasehold interest to us.

9.2.1.2 Where the effect of your mortgaging or charging the leasehold interest to us would be to assign the leasehold interest to us:

- You sublease the property to us for the rest of the term of the lease, except the last day of the term.
- You must hold the leasehold interest in trust for us, and dispose of or deal with the leasehold interest as we choose. At any time, we can appoint anyone as a trustee in your place, and use every power that the law gives to a person who appoints a trustee in order to transfer the leasehold interest to this trustee.

9.2.2 Where part 11 refers to anything covered by our security, it includes the leasehold interest. For example, if the mortgage goes into default, we can sell, dispose of or become the holder of the leasehold interest or the sublease under section 9.2.1.2. We can do whatever is needed under this part 9 to give effect to this.

9.3 **Our security over other rights**. You transfer to us every right of the tenant under the lease other than the leasehold interest. For example, you transfer to us the benefit of any option to renew the lease or any option to purchase the property.

9.4 **Title obligations**.

9.4.1 ***The leasehold interest***. You give us the following promises:

- You hold the leasehold interest with a good leasehold title free from any property claim or defect and the title cannot be defeated
- You are absolutely entitled to every other right of the tenant under the lease free from any property claim or defect.
- All property taxes that have become due have been paid.
- The lease conforms to every description given to us and hasn't been changed.
- The person that created the lease had a good title to the property, free from property claims and defects.
- The lease is good, valid and in force.
- Your obligations under the lease have been complied with.

9.4.2 ***Your power to give security***. You promise that you have the right, power and authority (including any required approval or consent) to give us security over the leasehold interest, and over every other right of the tenant under the lease, in the ways shown in this part 9.

9.4.3 ***Other promises***. You promise to protect your title to the leasehold interest and every other right of the tenant under the lease. You promise that you haven't done, omitted or permitted anything by which they are or may be transferred, affected or made subject to a property claim, except for the mortgage. You promise that, while we're entitled under the mortgage to possess or enjoy the property, we'll have quiet possession or enjoyment of it free from property claims.

9.4.4 ***Description***. You promise that the property conforms to every description or plan given to us, and that it includes all buildings and improvements in every description.

9.4.5 ***Property claims we accept***. We accept that our security is subject to the lease, and we accept that our security is subject to a property claim, only if we've signed a written consent to our security being subject to it or it's described in the mortgage.

9.5 **Responsibilities for the lease**.

9.5.1 You must pay every amount payable by the tenant under the lease when it's due, and comply with every other obligation of the tenant under the lease. You agree that nothing will be done or omitted under the lease that might impair the leasehold interest or our security. You must do what this section 9.5.1 requires, even where the landlord hasn't enforced a right. For example, you must pay rent on time, even if the landlord has given you extra time to pay.

9.5.2 Without our written consent, you must not do any of the following:

- Terminate or agree to terminate the lease.
- Agree to change a term of the lease.
- Do anything that gives the leasehold interest to the landlord, or frees the property from the lease. For example, you must not surrender the lease to your landlord.

9.6 **Renewal or extension**. Where you have a right to renew or extend the lease, you must exercise the right and do everything needed to obtain the new lease or extension, and you must satisfy us before the right expires that you will do so. If you receive a new lease of the property or part of it (under a right or not), you must give us security over the new lease. If you extend the lease and we have a sublease under section 9.2.1.2, our sublease is extended for the rest of the extended term of the lease, except the last day of that term.

9.7 **Landlord's interest**. Where you become the holder of the landlord's interest under the lease as well as your leasehold interest, your leasehold interest continues to exist.

9.8 **Power of attorney to us**. You irrevocably appoint us as your attorney to do for you everything that this part 9 requires you to do.

10. Other responsibilities.

10.1 **Insurance**.

10.1.1 ***Main insurance***.

- ***All risks***. You must keep every building and every other improvement on the property, including property in which you have a leasehold interest, insured against loss or damage by the risks usually covered by an "all risks" policy with standard extended coverage, including fire, lightning and tempest. Your policy must at least be for the cost of replacing all of the building or improvement with a similar one. It must also be for enough to prevent the insurer from reducing the proceeds under a "co-insurance" clause. The policy must contain a standard mortgage clause saying that the proceeds of any loss are payable to us.
- ***Usual insurance***. You must also carry the insurance for all of the property that a careful owner would usually carry when insuring a similar property and using it in a similar way and place.

10.1.2 ***Other kinds of insurance***.

- ***Boiler, machinery, builders' risks etc***. Where a risk caused by anything (for example, a boiler, machinery, a sprinkler system or plate glass) or an activity (for example, building work) on the property isn't covered by the "all risks" policy, you must insure the property against losses usually covered by a policy on that risk.
- ***Rents etc***. Where the property is leased to others, your insurance must cover your loss of rents and payments by tenants towards costs for at least a year.
- ***Public liability***. You must also insure against general public liability.
- ***Other***. You must also carry insurance against any risk relating to the property that we ask you to carry.

10.1.3 ***Other requirements***. All insurance under the mortgage must be with a reputable insurer. If we ask, the insurer, amount and terms must be accepted by us. The policy must provide for us to receive at least 15 days' notice before the policy is not renewed, is cancelled or is materially changed.

10.1.4 ***Your other obligations***. You must promptly pay the premiums for all insurance required under the mortgage. You must comply with all of your obligations under each policy. You must comply with all of the terms relating to your right to collect under each policy. You must ensure that we receive a certified copy of each policy and every amendment to it. When a policy nears expiry, you must ensure that we receive proof that it has been renewed or replaced at least 15 days before its expiry. When a policy is to be cancelled, you must ensure that we receive proof that it has been replaced at least 5 days before it's cancelled. If we ask, you must provide us with a receipt for the premium and other proof that you're complying with your obligations under each policy.

10.1.5 ***Claims***. If any of the property that is insured is lost or damaged, you must immediately notify us, make a claim in accordance with the insurance policy, and ensure that the proceeds are paid to us. Despite the loss or damage, you remain liable under your obligations to us. For example, you must pay in accordance with the terms that apply to what is owed. Without our written consent, you must not restore or replace property that has been lost or damaged.

10.1.6 ***Proceeds***. We can choose to have proceeds of insurance against loss of or damage to property (including insurance for loss of income) applied in any of the following ways:

- To reduce or pay what is owed (even, if we choose, amounts that may not then have become due).
- To restore or replace the property.
- To be paid to you (or anyone else who has a right to them).

We can choose to have proceeds applied partly in one of the above ways and partly in another. This section doesn't impair our right to hold proceeds and use them to pay instalments as they become due.

10.1.7 ***Our right to insure***. If you don't comply with any of your obligations under this section 10.1, we can arrange any insurance that we choose in order to protect our security.

10.2 **Property taxes**.

10.2.1 ***Generally***. Except where we pay property taxes under section 10.2.2, you must pay all property taxes when they're due. We can choose not to collect regular payments of property taxes under section 10.2.2. When we choose not to collect regular payments, we can later choose to collect them.

10.2.2 ***Your paying property taxes by regular payments***.

10.2.2.1 ***Taxes due before the interest adjustment date***. When we make the loan, you must pay unpaid property taxes that are then due, or that will become due on or before the interest adjustment date. We can use part of the loan to pay those taxes.

10.2.2.2 ***General rules for regular payments of taxes***. After the interest adjustment date, if we ask, you must pay us regular payments of property taxes. We'll estimate the amount we want to hold to pay the property taxes (but it won't be more than we'll need to pay the taxing authority over its next financial year). You must pay the estimate by equal regular payments on the dates on which the instalments are payable. We can choose to fix the regular payments once a year even if we pay the taxes more often. If the actual property taxes are more than our estimate, you must also pay the difference to us. We can choose to increase the regular payment of property taxes to cover it or add the difference to your loan.

10.2.2.3 ***Property tax account***. We deposit the regular payments of property taxes in a separate property tax account. We'll pay property taxes even if we have to overdraw this account. While this account is overdrawn, you must pay us interest on the overdraft at the interest rate for the loan. At any time, you may pay off the overdraft. Our security secures the overdraft and the interest. We don't hold regular payments of property taxes in trust.

10.2.2.4 ***Our paying the property taxes***. We'll use the regular payments of property taxes to pay the property taxes. If we collect regular payments for one kind of property tax (and not another), we'll use the regular payments only to pay that kind of property tax. If the mortgage goes into default, we can use any amount in the property tax account to reduce whatever part of what is owed we choose. We can do so even where we were to have paid property taxes, but haven't then actually paid them.

10.2.2.5 ***Property tax information***. You must send us all assessments, bills and other notices about the property taxes as soon as you receive them. If we ask, you must have the body to which the taxes are payable send them to us.

10.3 **Property claims**.

10.3.1 Unless we give our written consent, you must not create or attempt to create a property claim that is prior to our security or has the same priority as our security, and you must keep the property free from such a property claim.

10.3.2 You must pay every amount payable by you, when it's due, under a property claim that is prior to our security or has the same priority as our security. You must comply with every other obligation of yours under that claim. Where section 10.3.1 requires it, you must also get our written consent to the claim. You agree that you will not do, omit to do or permit anything that might lower the value of the property or impair our security, and you will not agree to do, omit to do or permit those things.

10.4 **Repairing and replacing the property**. You must put and keep every part of the property in good repair and working order, and (subject to section 10.1.5) you must restore or replace it where it can't be repaired.

10.5 **Alterations or additions**. Without our written consent, you must not do any of the following things (even if they were proposed or in progress when the mortgage was entered into):

- Make or permit a structural alteration to any part of the property.
- Make or permit a material alteration or addition to any part of the property.
- Remove any machinery or equipment that serves a building on the property.
- Demolish a material part of a building on the property.
- Do or permit anyone else to do anything that lowers the value of the property.

10.6 **Work**. Where you do work, you must comply with the following obligations:

- You must choose, design and do the work with materials and in a way that ensures a high quality result, and with proper skill and care.
- You must conform to any plan or other description that we may have approved.
- You must do the work with reasonable speed until it's completed, and you must not abandon it. We can treat you as having abandoned it if no work is done for ten days.

Where section 10.5 requires it, you must also get our written consent to the work.

10.7 **Laws about property claims for work**. You must comply with laws that give property claims to those who do work (for example, a construction, renovation, builder's or mechanic's lien or claim). If a property claim for work is registered against the property, if we ask, you must immediately have it removed, by court order if necessary.

10.8 **Use of the property**. Without our written consent, you must not make a major change in the use of the property, abandon the property or leave the property unoccupied or unused.

10.9 **Legal requirements, including environmental**. You must ensure that the property, the use of the property, and any business or activity that uses the property, comply with every law. Here law includes a governmental action, such as an order, notice or approval. You must do any work and make any change in use needed for this purpose. For example, the property must comply with the building code; your use of it must comply with environmental laws; and if you rent it, the rent must be legal. You must not put or allow anyone else to put anything in or on any part of the property that causes or is likely to cause harm to the life or health of a human being.

10.10 **Our rights to inspect, test and obtain information**. We can, at any time and for any purpose, before or after the mortgage goes into default, do the following:

- Enter the property and inspect it.
- Make an appraisal or valuation of it.
- Take samples from it and conduct environmental testing of it.
- Monitor any activity on it.

We can authorize anyone to do these things for us. Where a person has done any of the things for you, you consent to the person doing them for us or giving us any information. You must give us, and anyone we authorize, any information about the property that you have or can reasonably obtain and that we request. If we ask, you must let us see and copy any records for the property. You must pay us our costs for exercising our powers under this section 10.10. For an insured mortgage, the insurer also has the rights given to us under this section 10.10.

11. Default.

11.1 **When the mortgage goes into default**. If any of the events listed below occurs, the mortgage goes into default. It does so even if the cause of the event is outside anyone's control. If there is more than one of you, it does so even if the event applies only to one of you. The events are:

11.1.1 A payment of what is owed or any part of what is owed (including an instalment) isn't made when it's due. This applies whether the payment is due on a fixed date or on demand.

11.1.2 Any obligation to us under the mortgage isn't complied with.

11.1.3 Any promise made to us for the mortgage is broken or any information given to us for the mortgage isn't materially true or correct, whether or not you knew it was untrue or incorrect.

11.1.4 A government acquires all or part of the property, or anyone else does so under a statutory power.

11.2 **Immediate payment**. If the mortgage goes into default, all of what is owed (including amounts that haven't become due) must, if we choose, be paid immediately.

11.3 **Action to collect**. If the mortgage goes into default, we can take legal action to collect what is owed. If we get a judgment against you, we can have other assets of yours used to pay what is owed.

11.4 **Possession**. If the mortgage goes into default, we can take possession of anything covered by our security.

11.5 **Collecting income**. If the mortgage goes into default, we can collect rents or income from anything covered by our security.

11.6 **Leases**. If the mortgage goes into default, we can give a lease of the property, or we can terminate a lease, accept a surrender of a lease or agree to amend a lease.

11.7 **Sale**. If the mortgage goes into default, we can sell or dispose of anything covered by our security without going to court. We can also ask a court to order a sale of the thing. If the property is sold and what we receive falls short of what is owed, we can still collect the shortfall from you.

11.8 **Division**. If the mortgage goes into default and any person other than you also has an interest in anything covered by our security, we can agree with that person to acquire their interest or to divide the thing between the persons who have interests in it. We can pay or receive an amount for this purpose.

11.9 **Exercising your powers**. If the mortgage goes into default, we can exercise all the powers of an owner of anything covered by our security, and you're bound by our actions. These powers include the following:

- Managing and operating the property.
- Doing or completing work.
- Taking legal proceedings relating to the property.

11.10 **Becoming the holder of your interest**.

11.10.1 If the mortgage goes into default, we can become the owner of anything covered by our security, free from any right of yours. We have the power even though the mortgage gives us the power to sell the thing.

11.10.2 We become the holder of your interest by foreclosing, that is, by taking a proceeding to cancel your right to discharge our security by paying off what is owed. We have the right to foreclose in the same way as if you had transferred the property to us subject to section 7.8.

11.11 **Carrying out obligations**. If the mortgage goes into default, we can do any of the following:

- We can do what's needed to comply with an obligation under the mortgage with which you've failed to comply and we can enter the property for this purpose. For example, we can pay unpaid property taxes, pay utility charges, repair the property and complete work. If we enter into an agreement, we can do so in your name or our name.
- If your obligation under the mortgage is to comply with an obligation to another person, and the other person claims that you haven't complied, we can do what we choose to comply as if this claim is valid and even if you dispute it.
- We can pay (or prepay) an amount under a property claim if it has priority over our security, or has the same priority. When we prepay, we can compensate the holder of the property claim, and settle with the holder the amount to be paid. If we pay the amount under a property claim, we not only have the rights given to us by the mortgage, but we also have the rights (including security) of the holder of the property claim, and we can obtain an assignment of these rights.

11.12 **Things left on the property**. If the mortgage goes into default and if there is anything on the property over which we don't have security under the mortgage, you must pay any costs we incur for handling or storing it. We can remove it from the property, or we can sell it.

11.13 **Our exercising a power**. When we exercise a power of ours under the mortgage, the following terms apply:

11.13.1 We can exercise the power over all or part of anything covered by our security or over any interest in all or part of anything covered by our security. For example, we can sell a fixture separately from the property and give the buyer the right to remove it. If we exercise the power over part of anything covered by our security or over less than all of your interest, the rest continues to be subject to our security for what is owed and unpaid, and we can exercise the power over the rest when we choose.

11.13.2 We can exercise the power to recover part of what is owed. If we do, our security continues for the rest of what is owed, and we can exercise a power for the rest when we choose. For example, we can lease to recover only arrears of what is owed, and later sell to recover the rest.

11.13.3 We can exercise the power in any way and do anything relating to the power. For example we can exercise the power:

- Without your consent or cooperation.
- By breaking locks and bolts.
- Where we haven't taken possession of the property.
- By having others do things for us.
- By acquiring things, for example, materials or equipment to complete work.
- By entering into a sale, lease or other transaction on any terms, for example, by private agreement, by public auction or by public tender, and for cash or on credit. Selling on credit includes, for example, where we transfer the property and take security for the unpaid price. If we sell on credit, we needn't account for the proceeds until we receive them.
- At an auction, by setting a reserve price or buying in, and re-selling.
- By entering into an agreement to enter into the transaction, bringing an agreement to an end, entering into a new agreement or amending an agreement.

We can exercise the power whenever we wish. For example, we don't have to delay selling until market conditions improve.

11.13.4 We can transfer or deal in any other way with every interest in anything covered by our security that you had the power to dispose of or deal with. You irrevocably appoint us as your attorney to do anything we decide is needed or desirable to exercise a power at any time under this part 11.

11.14 **Other terms relating to our powers**.

11.14.1 ***Legal powers***. Where a power that the mortgage gives us goes beyond what is permitted by a law that applies despite what you and we have agreed to, we have the power as far as that law permits, or the power is subject to our complying with that law. Subject to such a law, we can exercise any power under the mortgage without giving any notice or taking any other step.

11.14.2 ***Our rights***. Our rights under the mortgage or this part 11 aren't exhaustive. We have the rights given to us by the mortgage, any other agreement, or the law. We can exercise those rights at any time, at the same time, in any order and as often as we choose.

11.14.3 ***Use of proceeds***. We'll use proceeds we receive from enforcing the mortgage first to pay or reduce costs under section 2.8. We can then use them to pay any part of the rest of what is owed and secured in whatever way we decide.

11.14.4 ***Effect of our obtaining a judgment***. If we obtain a court judgment, it doesn't supersede or impair any right of ours under the mortgage. We continue to be entitled to interest on what is owed, calculated and payable under the terms of the mortgage.

11.15 **Protection of persons who deal with us**. When we sell, give a lease, collect income, exercise a right, or do anything else under the mortgage, the following terms apply:

11.15.1 A person dealing with us and any person taking title through that person can assume without inquiry that the transaction is legal, that the mortgage has gone into default (if our power depends on that), and that we're using the power properly. The person isn't affected by any fact to the contrary, even if the person actually knows of that fact. The person can pay an amount to us without being concerned about what we do with it.

11.15.2 In addition, a statutory declaration by an officer or employee of ours or a certificate by us as to any fact is conclusive evidence in favour of every person referred to above.

11.15.3 You must not make any claim against a person who deals with us, or anyone taking title through that person, because the transaction doesn't conform to other terms of the mortgage. If you do have a claim for anything done by us, it's restricted to a claim for compensation against us, and is subject to section 12.9.

12. Other terms.

12.1 **Effect of the mortgage**. Our preparing or accepting the mortgage doesn't put us under an obligation to lend; our lending under the mortgage doesn't put us under an obligation to lend more; and neither adds to any obligation we may have. The mortgage and our security take effect when the mortgage is entered into, even if we don't make an advance at that time, and even if we don't comply with an obligation to make an advance.

12.2 **Effect of the law or another transaction, including a commitment letter**. The mortgage adds to any other right of ours. Nothing in the mortgage takes away or reduces any other right of ours under any law or other transaction. Nothing in any other transaction between you and us takes away or reduces our rights under the mortgage. If there is a conflict between the mortgage and another transaction, it must be resolved to give us the better rights. Subject to the above, the terms of a commitment or other agreement for what is owed continue in force.

12.3 **Effect of your selling or dealing with the property**. Subject to section 5.5.3, if you sell or deal in any other way with the property or part of it, that doesn't change a liability of yours under the mortgage, and our rights against you or anyone else or the property aren't impaired. Nothing that we do in connection with a sale or dealing impairs our rights. This includes our approving an assumption, having a person who receives the transfer agree with us to comply with the mortgage, or having a person give us a guarantee.

12.4 **Effect of a subdivision of the property**. If any of the property is divided into a lot, condominium unit or other part, every part of the property secures all of what is owed. This applies whether the division exists when the mortgage is entered into, or takes place after then. What is owed can't be split among parts of the property. You don't have a right to a discharge of a part of the property in return for paying part of what is owed.

12.5 **Effect of dealings**. A dealing by us or failure by us to deal with anyone or with any right or security doesn't release or impair a right of ours. This is so even though you may not know of or consent to the dealing, whatever are the terms on which we act, and even if we receive nothing in return. For example, subject to section 5.5.3, if we renew the loan with a new owner after a transfer of the property, that doesn't change a liability of yours under the mortgage.

12.6 **Effect of our delay or of our waiving rights**. If we delay enforcing a right of ours under the mortgage or any other agreement, if we waive a right, or if we don't exercise the right, we don't lose or impair that right or any other right. If we waive a breach of any obligation of yours under the mortgage or any other agreement, we don't lose a right of ours for a continuing, other or future breach of that obligation or any other right.

12.7 **Your liability**. Where more than one of you is liable for an obligation under the mortgage, both or all of you are jointly and severally liable (which means you're liable individually and together).

12.8 **Invalid or unenforceable terms**. If any of the terms of the mortgage is or becomes invalid or unenforceable, that doesn't make the mortgage or other terms invalid or unenforceable.

12.9 **Our protection**.

12.9.1 Even if our security gives us the benefit of a right of yours, we aren't bound to exercise that right, to comply with an obligation as to it or to protect your right. If we are or become liable under our security for an obligation of yours to anyone else, you must pay any loss we suffer caused by a claim against us. Our security doesn't relieve you from your obligations. Where we exercise a right over something covered by our security, without taking possession of the thing, we aren't in possession of that thing. The right or exercise doesn't mean that we have an obligation to you or anyone else based on possession, management or control of anything covered by our security. We need only account for amounts we actually receive under the right.

12.9.2 Nothing we do relating to the mortgage puts us under a duty of care towards you. You should not rely, for example, on our making the loan as showing the value of the property, on our requiring insurance as showing that it's appropriate, or on an inspection as showing that the property is without defect.

12.9.3 We aren't liable for loss caused by our enforcing the mortgage or exercising a right under the mortgage, unless the loss was caused by our wilful neglect or default. If we become liable to anyone else through our enforcing the mortgage or exercising a right under the mortgage, you must pay any loss we suffer caused by a claim against us, unless the loss was caused by our wilful neglect or default.

12.10 **Notices or other communications**.

12.10.1 ***How we can give a notice or communication***. Where the mortgage requires or allows us to give a notice to, or to communicate in any other way with, any person (including you), we can give the notice or communicate in any of the following ways, as we choose:

- We can mail it by prepaid mail addressed to the person at the person's mailing address shown in our records, by ordinary, registered or other mail.
- We can leave it at the person's address shown in our records, or on any part of the property, with an adult person there or in a place where it should reasonably be seen.
- We can advertise it in a newspaper published or generally read in the area where any part of the property is situated.
- We can provide it in an electronic form (including fax) to any person. You and every other party to the mortgage consent to our providing it in this way.

12.10.2 ***When received***.

- A notice or communication mailed as set out above is regarded as received on the third business day after it was mailed, whether the person actually receives it or not.
- A notice or communication left or advertised as set out above is regarded as received when it's so left or published.
- A notice or communication sent by electronic form (including fax) on a business day and before 3 p.m. in the place from which it's sent is regarded as received on that day. After 3 p.m., it's regarded as received on the next business day after it was sent.

A business day is any day other than a Saturday, Sunday or public holiday in the jurisdiction in which the property is located.

12.10.3 ***Addressee***. A notice or communication is valid even though it isn't addressed to anyone by name or description. It's also valid even though the person affected by it isn't known, hasn't been identified or is under a disability.

12.10.4 ***Who is entitled to a notice or communication***. Where the mortgage requires or allows us to give a notice to you or communicate with you in any other way, the notice or communication is valid if we give or make it to a person then shown by our records to be an owner of the property or of the interest in the property that's covered by our security. Where there is more than one owner, the notice or communication is valid if we give or make it to either or any of them.

12.11 **We can transfer the mortgage**. The mortgage binds and benefits a successor or assignee of ours. We can transfer what is owed and our security. The transfer doesn't impair an obligation to pay what is owed or our security.

12.12 **Changes to the mortgage**.

12.12.1 ***Terms of a later agreement***. When you and we agree to make a change to the mortgage, this section 12.12 and section 12.13 apply to that agreement. We can choose to have the agreement not take effect until you've complied with this section 12.12.

12.12.1.1 ***Information***. You must give us the information we need to decide on the change.

12.12.1.2 ***Security***. We must be satisfied that our security covers the change. If we ask, the agreement making the change must be registered. If anyone else has acquired a right in the property and we ask, you must have the right postponed to our security.

12.12.1.3 ***Costs***. You must also pay us our costs for the change, including the usual administration fee that we charge at the time (see section 2.8).

12.12.2 ***Effect of a later agreement***.

12.12.2.1 An agreement changing the mortgage doesn't pay off the loan or make the loan into a new loan, but merely changes the terms of the mortgage (and there's no novation). The changes become part of the mortgage. For example, the loan continues even if it has a different kind of term. Except where the agreement provides otherwise, the terms of the mortgage continue and apply to the loan as changed, and all security secures the loan as changed. If interest that's owing is treated as part of the loan under the agreement, that doesn't impair our priority. The agreement adds to our rights and doesn't take away or lessen a right that we have and we reserve those rights.

12.12.2.2 Where the agreement extends the term of the loan, it changes the date of the mortgage to the effective date of the agreement. This means that, if section 10 of the Canada *Interest Act* or a similar law gives you a right to prepay with an added charge of three months' interest, you don't have that right until five years after the new date. Section 10 of the Canada *Interest Act* and similar laws don't apply to a mortgage given by a corporation.

12.13 **Informal agreement or consent and electronic information, documents or disclosure**.

12.13.1 In this section 12.13, an informal agreement or consent is one that isn't on paper and signed, for example, one that's made or given orally; through pressing phone keys; in an electronic way (for example, by e-mail); or by a person acting on the agreement. In this section 12.13, "electronic" includes created, recorded, transmitted or stored in digital form or in other intangible form by electronic, magnetic or optical means, or by any other similar means that can create, record, transmit or store.

12.13.2 You agree that we can act on an informal agreement between you, us, a spouse, a guarantor or anyone having rights similar to those of a spouse, or on a consent by you, a guarantor, a spouse or anyone having rights similar to those of a spouse and, if we do, you and we are bound by it. We don't have to enter into an informal agreement or act on an informal consent. If we enter into an informal agreement, we can confirm the identity of a person agreeing and we don't have to act on the agreement until we've done so. You consent to our using, providing or accepting information or a document in an electronic form. We don't have to use, provide or accept information or a document in an electronic form.

12.13.3 We can make a record of an informal agreement or consent (for example, by recording a phone call) and we can use the record to prove the informal agreement or consent. We can make a record of information or a document that we use, provide or accept in an electronic form (for example, by saving it electronically) and we can use the record to prove the information or document.

12.13.4 Where we act on an informal agreement or consent, we can send a written confirming agreement or consent to you, and you must have it promptly signed and returned to us. We can terminate an informal agreement, if we think that it wasn't made with a person who should have been a party, wasn't consented to by a person who should have consented or isn't clear.

12.13.5 You consent to any future disclosure being provided by electronic means in an electronic form that you can retrieve and retain, or by fax.

12.14 **Power of attorney**. Where under the mortgage you give us a power to do something, you irrevocably appoint us as your attorney to do the thing. Where under the mortgage you appoint us as your attorney to do something, you also irrevocably appoint anyone we authorize as your attorney for the same purpose.

12.15 **Further actions**. When we ask, you must complete documents, or take other actions, that we think are necessary or desirable to carry out the mortgage and its intent, and you must pay your and our costs for that. When you are to give us security, you must do so in the same way as the mortgage gives us security.

12.16 **Law**. The mortgage is governed by the law of the jurisdiction in which the property is located, including the federal law in force in that jurisdiction.

12.17 **National Housing Act**. If the mortgage is an insured mortgage under the Canada *National Housing Act*, the mortgage is made pursuant to that Act.

13. Guarantee.

13.1 **Definitions**. This part 13 is addressed to the person (or each person) who agrees to this document as a guarantor, and refers to that person as you and to a person who is to pay the guaranteed amounts as the **borrower**.

13.2 **Your guarantee**. You unconditionally guarantee to us that all of what is owed, being all of the amounts listed in section 2.1, will be paid, and you guarantee that all of the other obligations of the borrower (or every borrower, if there is more than one) under the mortgage will be complied with. You agree that if any amount in section 2.1 isn't paid, you will pay it. Your guarantee continues even if the borrower becomes bankrupt or insolvent, or is discharged in a bankruptcy or other proceeding. A limit on the amount secured by the security doesn't limit your guarantee.

13.3 **Your liability**. Your guarantee also makes you liable as if you were the borrower. This section 13.3 doesn't impair our other rights under this part 13.

13.4 **Defects in borrower's obligations**. If we act on the basis that an obligation that you've guaranteed exists and anything causes it not to exist, this part applies as if the obligation had existed. This applies to the following, for example:

- A borrower lacks power to enter into an obligation, doesn't have authority to exercise a power or doesn't exercise the power properly.
- Anyone purporting to act on behalf of a borrower lacks authority or is fraudulent.

This section 13.4 applies even if we didn't inquire about these things or we were negligent, but it doesn't apply if we actually knew the obligation did not exist.

13.5 **Effect of dealings**. A dealing by us or failure by us to deal with a borrower or anyone else, or with any right or security, doesn't release you or impair your liability. This is so even if you don't know of or consent to the dealing, however we act, and even if we're unwilling to act, we receive nothing in return, we don't take care, or we're at fault in any other way. If the dealing changes or replaces what is owed, your guarantee applies to the changed obligation or replacement. Some examples are:

- We give more time to comply with what you guarantee, or we give any other waiver.
- We agree to change or replace what is owed.
- We release any person from a liability, even if the person is another guarantor with whom you were jointly and severally liable.
- We release a security, or all or part of the property from the mortgage or other security.
- We don't have, protect or take the benefit of a right against anyone, or under a security.
- We accept a part payment or any other settlement of what you guarantee.
- We agree to change a security, or an obligation of another person
- We renew the loan, even if other terms are changed (for example, the interest rate is increased or the amortization period is lowered).
- Subject to section 5.5.3, we approve a new owner of the property or deal with a new owner after a transfer of the property (for example, we renew the loan).
- We take other rights such as security or a guarantee.
- If a borrower is a corporation and the corporation is changed or amalgamated, your guarantee covers what is owed by the changed or amalgamated corporation.

Our rights against you aren't impaired if the borrower sells or deals in any other way with the property or part of it.

13.6 **Enforcing the guarantee**. Until we've received all of what is owed, you don't have a right to be subrogated to any of our rights, that is, you cannot take the benefit of any of our rights. We can enforce your guarantee before we enforce our rights against the borrower or anyone else, or under any security. You must pay us our costs for enforcing the guarantee.

13.7 **Other terms**. You agree to the following terms.

- Your guarantee continues until we release you from it in writing.
- Where more than one person has a liability under this part 13, both or all of them are jointly and severally liable (which means that they're liable individually and together).
- You agree to the terms of section 12.13 as if you were the borrower.
- No information or promise that we may have given to you affects your liability under your guarantee.
- Your guarantee adds to any other guarantee or security we may have or receive.
- Although you agree to this document as a guarantor, your guarantee is a separate agreement between you and us; it's not part of the agreement between the borrower and us.
- Your guarantee binds an heir, executor, administrator or similar representative of yours and a successor of yours. Your guarantee benefits a successor or assignee of ours, even if you weren't told about the successor or assignee.
- You agree that we would not have entered into the mortgage without the guarantee.