



Types of Registered Charges for Real Estate Secured Lending –Standard and Collateral Charges

When you need a residential mortgage loan to purchase a home, lenders (such as Simplii Financial™) require security for repayment in the form of real property, such as a house. The lender providing the mortgage loan will require you to sign a charge document, which will be registered in the provincial or territorial land registry office where the property is located. The charge gives the lender certain rights, including the right to sell the property if the loan is not repaid as agreed. There are two types of charges a lender can register: standard or collateral. A standard charge may also be referred to as a traditional, conventional, or non-collateral charge.

What is a Standard Charge?

A standard charge, also known as a conventional charge, is registered on title in a document that includes the important terms of your mortgage loan, such as the principal amount, interest rate, term, payment amount, etc. A standard charge is registered for the actual amount of the mortgage, securing only the one mortgage loan. For example, if you require a mortgage loan for \$250,000 to purchase a home and the loan is secured by a standard charge, the lender will register a standard charge for \$250,000. If you want to borrow additional funds you will have to pay off the mortgage loan, discharge the registered charge, sign a new mortgage loan agreement and register a new charge on title.

Benefits

Most lenders will accept a transfer or assignment of another lender's standard charge mortgage loan, which permits you to switch lenders without discharging the existing charge from title and registering a new one.

How much could Simplii Financial register the charge for?

Simplii Financial registers the standard charge for the actual amount borrowed. For example, if you purchase a home for \$500,000, and require a mortgage loan for \$250,000, the standard charge will be registered for the actual amount of the mortgage loan (\$250,000).

What costs would apply if I switch lenders?

If you wish to switch your existing mortgage loan to another lender at the end of the term without increasing the mortgage loan amount, the mortgage loan and registered standard charge can be transferred or assigned to another lender, provided the other lender agrees. Note, prepayment charges may apply for mortgage loans that are transferred/paid out before the maturity date of the mortgage loan.

What is a Collateral Charge?

A collateral charge allows you to use your home as security for one or more loans. Because the lender may register the charge for an amount that is more than your initial loan, you may be able to borrow more funds without having to register a new charge, provided the total amount owing is no more than the principal amount of the collateral charge. For example, if you require a mortgage loan for \$250,000 to purchase a home, the lender may register a collateral charge for \$300,000, and you may be able to borrow an additional \$50,000 in future without having to register a new charge. The specific mortgage loan terms (such as the mortgage loan amount, interest rate, term and payment

amount) are in a separate document (the mortgage loan agreement), and not included in the document registered on title. The following chart will guide you through the benefits and differences for each type of charge. And depending on your needs, you can explore a variety of mortgage products.

Benefits

With a collateral charge, you may be able to borrow additional funds against your property in the future without having to register a new charge (avoiding legal and other fees that may apply). This is because the collateral charge may be registered for more than the amount of the original mortgage loan.

How much could Simplii Financial register the charge for?

A lender may register the collateral charge for up to or more than the full property value to allow you to borrow additional funds in the future. For a Simplii Financial Secured Line of Credit, which is a real estate secured line of credit, Simplii Financial registers the collateral charge for the approved limit amount. For example, if the value of the home is \$500,000 and you are approved for an SBA limit of \$250,000, the collateral charge would be registered for \$250,000. You make payments and pay interest on the money actually borrowed, not on the amount of the registered charge. There is a separate loan agreement that contains the loan amount, interest rate, term and other details of the mortgage loan.

What costs would apply if I switch lenders?

If you wish to switch your existing mortgage loan to another lender at the end of the term, the new lender may not accept a transfer of your registered collateral charge. In that case, you will need to pay fees to discharge your registered collateral charge and register a new charge with the new lender.

If the collateral charge also secures other debts to your original lender, you will have to repay those debts before the lender will transfer or assign the charge to your new lender, or discharge it from title.