RFA
BANK OF CANADA

INFORMATION ON MORTGAGE SECURITY

What is a Mortgage?

A mortgage (or charge, depending on the province) is granted by a borrower in favour of a lender to secure repayment of a loan. If the borrower fails to pay back the debt, the mortgage gives the lender the right to take possession or to sell the property. The mortgage must be registered against the property at the appropriate registry. Each province has its own mortgage and registration rules.

There are two ways to register a mortgage on title: standard charge and collateral charge.

What is the difference between a standard versus a collateral mortgage?

Standard Charge

- Called a standard charge or traditional charge. A standard charge is registered by specifying the main credit terms such as the principal amount owing, interest rate, term, payment amount, etc.
- A standard charge is registered for the actual amount of the mortgage loan.
- For example, if you obtain a mortgage for $350,000 to buy a home worth $500,000, the registered mortgage amount would be $350,000.
- If you want to borrow additional funds, you would need to pay off the mortgage loan, discharge the registered charge, sign a new mortgage loan agreement and register a new charge on title.
- You can switch your existing mortgage to another lender at the end of the term without increasing the amount. The mortgage loan and registered standard charge can be transferred or assigned to another lender, if the other lender agrees.
- You may pay a prepayment charge and other fees on a mortgage that’s transferred or paid out before the maturity date.

Collateral Charge

- A collateral mortgage allows you to use your home as security for a loan or more than one loan and, potentially, borrow additional funds.
- For example, if you need a mortgage loan for $350,000, the lender may register a collateral charge for $450,000, and you may be able to borrow an additional $100,000 in the future without registering a new charge. The mortgage loan details (such as the principal amount, interest rate, term and payment amount) are in a separate document (the mortgage loan agreement). They are not included in the document registered on title.
- If you want to switch your existing mortgage to another lender at the end of the term, the new lender may not accept a transfer of your registered collateral charge. You will likely need to pay fees to discharge your collateral charge and register a new charge with the new lender.
- If the collateral charge also secures other debts to your original lender, you repay those debts before the lender transfers or assigns the charge to your new lender or discharges it from title.
- You may pay a prepayment charge and other fees on a mortgage that’s transferred or paid out before the maturity date.

RFA Bank of Canada does not offer Collateral Mortgages.

What is a Discharge?

A mortgage discharge is the removal of a mortgage from the registry in which it was listed. Once the mortgage has been discharged, the lender loses any rights it had against the property under the mortgage.

The borrower must typically pay the administrative fees for preparing and/or registering the discharge of the mortgage.

For general information on the types of security that can be taken by a lender for a mortgage loan or real estate-secured line of credit, please visit Canada Bankers Association (CBA) and Financial Consumer Agency of Canada (FCAC) website links as below:

- Canada Bankers Association
- Financial Consumer Agency of Canada