

**SCOTIABANK MORTGAGE REFERENCE RATE GUIDE FOR
RESIDENTIAL REAL ESTATE MORTGAGES**

INTRODUCTION

A home is one of the biggest and most important investments that a customer will ever make and we at Scotiabank (the Bank) are a part of making home ownership dreams a reality. In this Guide, we help you to understand some important aspects of our residential real estate mortgage, so that you are equipped with the information you need to make this important decision.

1. The Scotiabank Mortgage Reference Rate (SMRR) is an interest rate benchmark against which Scotiabank consumer mortgages are priced and re-priced. It is computed by Scotiabank, and is based on calculations of commercial banks' cost of funds and 15-year Treasury bond yields. The SMRR will be published on Scotiabank's website and updated (if required) on a quarterly basis on the first working day in the months of March, June, September and December.

2. YOUR MORTGAGE RATE OF INTEREST (ROI)

2.1. The Scotiabank Mortgage Reference Rate (SMRR) is used to calculate the Rate of Interest (ROI) on variable and adjustable rate mortgages. The ROI is based on two components - the SMRR and a Margin.

2.2. The SMRR is a benchmark rate calculated quarterly by the Bank using the weighted average of the commercial banks' cost of funds (40%) and a 15 year treasury rate (60%). The Margin is also determined by the Bank and takes account of factors inclusive of credit related elements associated with your mortgage, the amount of your down payment as well as the Bank's normal lending criteria.

2.3. The SMRR formula is therefore:

$$\text{SMRR}_t = 0.4 \text{ COF}_t + 0.6 \text{ YT}_t;$$

where SMRR_t = Scotiabank Mortgage Reference Rate, in time period t ;

COF_t = Cost of Funds (40 per cent weighting) and

YT_t = the applicable treasury bond yield (60 per cent weighting).

2.4. The mortgage interest rate is calculated as follows:

$$\mathbf{ROI_t = SMRR_t + Margin;}$$

where ROI_t = the Mortgage Rate of Interest for time period t;

$SMRR_t$ = the Mortgage Reference Rate for time period t;

3. DISCLOSURE STATEMENT

3.1. When you sign/agree to our terms and conditions, we will also provide you with a Disclosure Statement with the following information:

- i. The type of residential mortgage contract granted (fixed, adjustable or variable);
- ii. The principal amount of the residential mortgage;
- iii. The term of the residential mortgage;
- iv. The SMRR used to price or re-price the residential mortgage and the margin;
- v. The mortgage rate that is applicable at the time of signing of the mortgage contract and the period for which this rate applies (e.g. five (5) years, fifteen (15) years, etc.);
- vi. The terms and conditions governing pre-payments and accelerated payments, including fees and charges; and
- vii. The monthly instalment and the date the instalment is due. In the case of a fixed-rate mortgage, the instalment is fixed for the life of the mortgage. In the case of variable and adjustable-rate mortgages, the instalment remains unchanged until the next re-pricing date.

4. APPLICATION OF THE GUIDE

The Guide is applicable to all residential real estate mortgages granted by the Bank and will come into effect from 1 December 2017.

4.1. The Guide is not currently applicable to:

- i. Mortgages granted under any special housing arrangement with the Government of the Republic of Trinidad and Tobago;
- ii. Mortgages (or the portion of the mortgage) granted to employees of the Bank at preferential rates;
- iii. Commercial mortgages.

APPENDIX 1

DEFINITIONS OF KEY TERMS

- i. A real estate mortgage is defined as a written agreement that creates a claim or lien upon real estate as security for the payment of a specified debt.
- ii. A residential mortgage is a written agreement that creates a claim or lien upon real estate for residential use as security for the payment of a specified debt.
- iii. A fixed-rate mortgage (FRM) is a mortgage in which the rate of interest charged remains unchanged throughout the entire term of the loan.
- iv. A variable-rate mortgage (VRM) is a mortgage in which the rate of interest charged is subject to change during the term of the loan.
- v. An adjustable-rate mortgage (ARM) is a mortgage in which the rate of interest charged is fixed for a specified period but is subject to change thereafter.
- vi. The Scotiabank Mortgage Reference Rate is the interest rate benchmark against which mortgages are priced or re-priced.
- vii. A margin is defined as the difference (in basis or percentage points) between the Mortgage Reference rate and the interest rate applicable to the mortgage.
- viii. The cost of funds is the cost paid by a commercial bank to obtain the funds needed to lend to borrowers.
- ix. The rate of interest is the interest rate payable by a borrower on a mortgage loan. It may be fixed, adjustable or variable during the term of the loan.

APPENDIX 2 - SAMPLE RESIDENTIAL MORTGAGE AGREEMENT DISCLOSURE STATEMENT



Your Mortgage

Name:

Date: September 20th, 2017.

Address:

Account Number:

Mortgage Agreement Disclosure Statement

Part 1

Address of Property:

Type of Property: Land Only Land and Building

Type of Mortgage: Fixed Rate Mortgage Adjustable Rate Mortgage Variable Rate Mortgage

Part 2

Date of Advance:

Statement Date:

Initial Principal Amount:

Outstanding Principal:

Term of Mortgage:

Amortization Period

Instalments:

Frequency:

Part 3

Date of Next Interest Rate Review:

Mortgage Interest Rate:

Margin:

Mortgage Interest Rate = Reference Rate + Margin

Reference Rate:

Mortgage Interest Rate Cap : 3.50%

Reference Rate is calculated as

Part 4

Prepayment Privileges:

You may make prepayments of up to 10% of the outstanding Loan principal per annum, without penalty provided 3 months' written notice is given to the Bank

Prepayment Charges:

If you do not give 3 months' written notice of the permitted prepayment (10% of the outstanding Loan principal per annum), 3 months' penalty interest on the outstanding Loan principal will be applicable. If you wish to make prepayments in excess of 10% of the outstanding Loan principal per annum, you will pay to the Bank 6 months' penalty interest calculated on the amount of the prepayment, whether or not notice is given.

Default Insurance:

Other Fees:

Late payment fees are applicable.

APPENDIX 3 MORTGAGE DEFINITIONS

Part 1

Mortgage – A mortgage is a written agreement that creates a claim or lien upon real estate as security for the payment of a specified debt.

Fixed rate mortgage – This is a mortgage in which the rate of interest charged remains unchanged throughout the entire term of the mortgage loan.

Adjustable rate mortgage – This is a mortgage in which the rate of interest charged is fixed for a specified period but is subject to change thereafter.

Variable rate mortgage – This is a mortgage in which the rate of interest charged is subject to change during the term of the loan.

Part 2

Date of Advance – This is the date the principal amount was loaned and it is the date on which interest charges begin.

Initial Principal Amount – This is the original sum of money borrowed.

Term of Mortgage – This is the initial life of the mortgage.

Instalment Payment – This is the amount payable over specified intervals (e.g. monthly, bi-weekly) over a given period and is comprised of both interest and principal repayments.

Insurance Premium – This is the Level Premium Insurance to be paid along with the Instalment Payment if applicable.

Outstanding Principal – This is the value of the loan which is owed to the mortgagee as at the statement date.

Amortisation Period – This is the length of time your mortgage will be paid off based on interest and monthly instalment payments.

Part 3

Mortgage Interest Rate – This is the interest rate applicable to your mortgage loan. This interest rate is charged to the principal outstanding amount (i.e. the reducing balance).

Scotiabank Mortgage Reference Rate – This is the benchmark interest rate, announced from time to time by Scotiabank, on which your mortgage interest rate will be based.

Margin – This is the difference between your Mortgage Interest Rate and the Scotiabank Mortgage Reference Rate and includes components such as your credit rating, the amount of your down payment (if applicable) and the location of your property.

Mortgage Interest Rate Cap – This is the maximum rate that can be charged on your mortgage. Over any three-year (3) period, the residential mortgage rate could increase by a maximum of 350 basis points or by the increase in the Central Bank's 'Repo' rate, whichever is larger. Over any three-year (3) period, the residential mortgage rate could fall by a maximum of 350 basis points or by the decrease in the Central Bank's 'Repo' rate, whichever is larger.

Repo Rate – The rate at which the Central Bank is prepared to provide overnight financing to Commercial Banks that are temporarily unable to meet their liquidity requirements. The Central Bank announces the Repo Rate monthly following an analysis of economic and financial conditions. The announced Repo Rate is the principal instrument used by the Central Bank to influence the structure of Commercial Banks' interest rates.

Part 4

Prepayment Privileges – These are the conditions under which you may repay a greater portion of the loan than required in any given period without incurring penalty charges for the prepayment.

Prepayment Charge – This is the amount of penalty charges, if any, for prepayment of the loan.

Default Insurance – This is the amount of charges for insurance against default on a high-ratio mortgage. This is not applicable to renewals or reviews.

Other Fees – These are the various amounts of other fees that are applicable to your mortgage, other than interest charges, for example, late payment fees.

APPENDIX 4

SAMPLE AMORTIZATION SCHEDULE



Your Mortgage

Amortisation Schedule

CUSTOMER NAME:

LOAN NO. :

No. / Date	Standard Payment TTD	Principal TTD	Interest TTD	New Balance TTD
1 14AUG17	TT\$4,688.16	TT\$1,611.91	TT\$3,076.25	TT\$688,388.09
2 14SEP17	TT\$4,688.16	TT\$1,619.10	TT\$3,069.06	TT\$686,768.99
3 14OCT17	TT\$4,688.16	TT\$1,626.32	TT\$3,061.84	TT\$685,142.67
4 14NOV17	TT\$4,688.16	TT\$1,633.57	TT\$3,054.59	TT\$683,509.10
5 14DEC17	TT\$4,688.16	TT\$1,640.85	TT\$3,047.31	TT\$681,868.25
6 14JAN18	TT\$4,688.16	TT\$1,648.16	TT\$3,040.00	TT\$680,220.09
7 14FEB18	TT\$4,688.16	TT\$1,655.51	TT\$3,032.65	TT\$678,564.58
8 14MAR18	TT\$4,688.16	TT\$1,662.89	TT\$3,025.27	TT\$676,901.69
9 14APR18	TT\$4,688.16	TT\$1,670.31	TT\$3,017.85	TT\$675,231.38
10 14MAY18	TT\$4,688.16	TT\$1,677.75	TT\$3,010.41	TT\$673,553.63
11 14JUN18	TT\$4,688.16	TT\$1,685.23	TT\$3,002.93	TT\$671,868.40
12 14JUL18	TT\$4,688.16	TT\$1,692.75	TT\$2,995.41	TT\$670,175.65