

❖ How do rising interest rates affect my mortgage?

A variable interest rate on your mortgage is linked to the Banks's CAD Prime Rate* and the rate varies automatically as and when the SBI Canada Bank Prime Rate varies. So, when the Prime Rate increases, the variable rate on your mortgage will also rise. However, your mortgage payment may stay unchanged even if your interest rate increases till you ask us to increase it. As the variable rate rises, your mortgage payment goes towards the interest firstly and then towards the principal portion.

Whether you have a fixed or variable rate mortgage, you may face increased mortgage payments at renewal if your new interest rate is higher than your current one. The amortization period is the length of time it takes to pay off a mortgage in full.

* The prime rate means the variable annual interest rate that SBI Canada Bank publishes from time to time as a point of reference.

❖ Trigger Rate for Variable Rate Mortgages:

With the increasing interest rate and fixed mortgage payment, the repayment of Principal decreases with the increase in rate. The Trigger Rate is where repayment amounts are no longer enough to cover the interest due on your mortgage loan. This may result in an outstanding balance due on the Maturity Date, which is higher than the original principal amount, due to negative amortization.

❖ Understanding negative amortization

Negative amortization refers to the situation wherein, even when you pay the regular instalment, the amount you owe will not reduce because you are not paying enough to cover the interest. In such a case, as the repayment amounts are no longer enough to cover the interest and principal that is due on your mortgage loan, the unpaid interest is added to the balance of unpaid principal. This will result in an outstanding balance due on the **Maturity Date**, which is higher than the original principal amount, due to negative amortization.

❖ How to get out of negative Amortization

Concerned about your borrowings? We're here to assist. Here are some actions you can take today to get back to making real financial progress:

1. **Increasing your regular payment amount**

-Reduce the unpaid and owed interest and principal by increasing the regular mortgage (installment) payment amounts.

2. Making a lump sum principal payment

-Reduce your outstanding mortgage balance with a single or recurring payment of larger amount.

3. Making a lump sum principal payment and increase installment amount.

-Making a large payment along with an increased mortgage installment helps you to bring your loan on the right path and direction.

4. Converting your variable interest rate mortgage loan to a fixed rate mortgage

-Lock in a fixed interest rate and enjoy certainty with a stable rate for a fixed period

These solutions may allow the loan to amortize over its remaining life. We recommend you get in touch with us to seek further information and advice.

It is advised that you take proactive measures, if your account is under negative amortization. Else, you may have to either make a large lump-sum payment before or at mortgage renewal or expect a drastic increase in mortgage payments at renewal to maintain the amortization schedule, or re-phase the mortgage to establish a new amortization schedule resulting in significantly higher total interest costs.

Your financial well-being is our priority, and we want to ensure that you make informed decisions about your mortgage. We recommend that you consult with a financial professional to assess your overall financial situation and explore alternative options that may better align with your long-term goals. If you would like to discuss your situation further, we're here to answer your questions regarding your mortgage terms and alternatives.

Learn more through the educational tools & resources:

Clicking on the below links will redirect you to a different website.

❖ Links to resources to aid financial decision making.

- [Mortgage Payment Calculator](#)
- [Prepayment penalties](#)
- [Paying off your mortgage faster](#)

❖ Links to reputable support networks for information.

- [Manage your mortgage like a pro](#)
- [Manage interest rates rise](#)
- [How the term and amortization can impact the mortgage costs.](#)
- [Discharging a mortgage](#)