Know Your Mortgage

Traditional Residential Mortgage and Collateral Mortgage

A mortgage is a legal document for borrowing money, usually from a bank, that gives the lender the right to take possession of your house if the loan is not repaid as scheduled. Once you obtain a residential mortgage from a lender, the lender will register the mortgage against your property. In some provinces, this is also referred to as a "charge" or "hypothec" against your property. Regardless of the terminology used, the end result is the same — the registration of a mortgage provides the lender with the ability to secure a loan or loans against your property.

	Traditional Residential Mortgage	Collateral Mortgage
Definition	Traditional residential mortgages are registered with "terms of mortgage" that specifically set out things such as the principal amount owing, interest rate, term, payment amount, etc. You may be required to enter into a new mortgage loan or replace the old mortgage loan with a new one in order to borrow more money.	A collateral mortgage allows you to use your home as security for a loan or more than one loan and, potentially, borrow additional funds. Because a lender may register the mortgage for an amount that is more than your initial loan, you are able to change loans and other credit agreements without having to register a new mortgage provided the total amount owing is less than the principal amount of the collateral mortgage. A collateral mortgage is also used when some or all of the debts have a "revolving" feature, such as a credit line. A credit line is said to have this "revolving" feature because you can pay back some or all of the money from the credit line and you will still have continual access to the credit up to a predetermined maximum limit. You repay only the principal and the interest on the money you actually borrow.
Registration	**Traditional residential mortgages are generally registered for the actual amount of the mortgage loan.** If you borrow $240,000 through a traditional residential mortgage to buy a home that costs $300,000, the lender will register the mortgage for the actual amount of the loan, $240,000.	**Collateral mortgages may be registered for up to the full value of your home.** A collateral mortgage gives you the flexibility to borrow more money in the future. The lender may suggest the collateral mortgage be registered for an amount that is higher than the amount you are borrowing to provide flexibility for future borrowing needs. By registering for the higher amount, you will not be required to discharge the collateral mortgage and register a new one for a higher amount if you need to increase the total amount of credit available to you. For example, a bank could register your mortgage for 100% of the value of your home when you are only borrowing 75% of the home's value. If your home costs $300,000 and you only need a loan for $225,000, the bank may register the mortgage loan for $300,000, enabling you to obtain additional loans later on using the remaining $75,000 available, provided you apply and qualify for the additional credit. It is your choice whether the collateral mortgage is registered for the amount you intend to borrow or for the higher amount. Think about what option best suits your current and future financial plans.

	Traditional Residential Mortgage	Collateral Mortgage
Switching lenders	If you wish to transfer or switch your existing mortgage to a different lender, you will most likely have to pay a switch fee, as well as the costs for registering the transfer of your mortgage to the new lender. Switching or transferring your mortgage to a new lender is referred to as an "assignment." Your new lender may cover some or all of your costs to switch. There may be a prepayment charge that you will need to pay if you switch your mortgage to a different lender mid-term. Typically, the new lender will agree to accept the transfer if it is familiar with the other lender's mortgage terms.	If you wish to transfer or switch your existing collateral mortgage to a different lender, you will most likely have to pay fees to discharge your existing mortgage and register a new mortgage with the new lender. Your new lender may cover some or all of your costs to switch lenders. There may be a prepayment charge that you need to pay if you switch your mortgage to a different lender mid-term. Additionally, when you discharge your collateral mortgage, your current lender can require you to repay any additional funds that have been secured by the collateral mortgage, such as car loans. Some lenders may not accept your request to transfer your existing collateral mortgage to them.
Borrowing more money	If you want to borrow more money (additional funds) as part of your mortgage loan, you will likely need to pay fees to register a new mortgage and discharge your existing mortgage. You may also need to pay legal and registration fees. With most RBC® traditional residential mortgages, if you have repaid part of the amount you borrowed, you can, subject to RBC approval, re-borrow amounts previously repaid, up to the original amount of the registered mortgage. With this option you will not have to pay any legal and registration fees to register a new mortgage and discharge your existing one.	Collateral mortgages allow you to obtain and repay various loans or lines of credit without needing to register a new mortgage, provided that the total amount borrowed does not exceed the principal amount secured against your property. You may be able to save legal and registration fees by doing this. With an RBC Homeline Plan®, the maximum amount of additional funds you can borrow against your home is 80% of its value. As the value of your home increases, you may qualify for more credit up to a maximum of 80% of the new appraised value. Example: The purchase price of your home is $500,000. The amount of your mortgage loan is $350,000. The collateral charge on your mortgage is $500,000. You have $50,000 of additional funds available to you, upon qualification (80% of $500,000 is $400,000, less the mortgage of $350,000). Remember, whether you want to register the collateral mortgage for the full value of the property or a lower amount is always your decision.
Discharging the mortgage	**Discharge when paid in full** Once the mortgage loan is paid in full, the lender will release its interest in your property and register the discharge of your mortgage. Generally, you will be required to pay the cost to register the discharge and, where permitted by law, a discharge fee to your lender for this service.	**Discharge upon request** Unlike a traditional residential mortgage, collateral mortgages are generally discharged at your request even when the amortizing component of the mortgage has been fully paid off and any additional funds borrowed have been fully paid as well. By not automatically discharging the mortgage, you can save legal fees and registration costs if you need to borrow money in the future. However, if you think you won't need to borrow again, just ask the lender to discharge the mortgage.

What kinds of mortgages does RBC Royal Bank provide?

RBC Royal Bank® provides both traditional residential mortgages and collateral mortgages. Depending on your needs, you can explore a variety of mortgage products with RBC Royal Bank. You should note that not all banks have similar types of mortgages and some banks do not provide traditional residential mortgages to their customers.

RBC Royal Bank

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