

Protected Variable-Rate Loan Contract

with Hypothecary Subrogation (Individuals)

BETWEEN: *(Name and address of Caisse)*

**hereinafter referred to as “THE CAISSE”**

AND: *(Name and address of Member[s])*

**hereinafter referred to as “THE MEMBER”**

**THE PARTIES HEREBY DECLARE AND AGREE AS FOLLOWS:**

**1.** Under the terms of a deed of hypothecary subrogation signed on , the Caisse agreed to lend the Member the sum of $ , such loan being intended to pay off his/her debt owed to the creditor identified in the deed of subrogation **(the “Original Creditor”)**, under the terms of the deed or deeds described therein.

**2.** Under the terms of the deed of hypothecary subrogation, the Member agreed to subrogate the Caisse in all rights of the Original Creditor arising out of the above mentioned deed or deeds, including the hypothec on the Property provided for in such deed(s), the additional hypothec, the hypothec of rents, and the hypothec of insurance rights and proceeds covering such rents.

**THE PARTIES HEREBY AGREE AS FOLLOWS:**

**3. INTEREST:** The loan shall bear interest, as from the disbursement thereof, as well before as after maturity, at a variable rate corresponding to the prime rate of the Fédération des caisses Desjardins du Québec (hereinafter referred to as "Desjardins") effective from time to time, plus % per annum. The rate applicable to the loan shall vary with each change in Desjardins’ prime rate and will be calculated monthly and not in advance. The rate applicable to the loan may however at no time exceed % per annum, calculated monthly and not in advance, which corresponds to a rate of % per annum, calculated semi-annually and not in advance.

“Desjardins’ prime rate” is the rate of interest it determines from time to time as its prime rate. On the date hereof, this rate is      % per annum, so that the rate applicable to the loan shall be      % per annum calculated monthly and not in advance, which is equivalent to a rate of      % per annum calculated semi-annually and not in advance. The Member may know the current prime rate of Desjardins at any time by visiting Desjardins Group’s website or inquiring at any Desjardins caisse. He/she may also refer to the Rate Equivalence Schedule in Section 9 to know the rate of interest calculated semi-annually and not in advance that corresponds to Desjardins’ prime rate in force at the time of consultation plus the additional rate of interest stated above.

The interest accrued on the thirtieth day preceding the first payment shall be paid on that date. If the frequency of payment is weekly, the accrued interest shall be paid on the seventh day preceding the first payment.

**4. REPAYMENT:** The Member agrees to repay the loan by means of regular, equal, consecutive payments of principal and interest in the amount of $  each, the first payment to be made on  and the others successively on  of each

[\_] until  inclusive, at which date the balance of the principal, interest, costs and accessories remaining unpaid shall become due;

[\_] until the end of a  term commencing on the date on which the deed of hypothecary subrogation is signed, any balance then due in principal, interest, costs and accessories becoming payable upon the expiry of such term.

All payments received by the Caisse will be first applied to the accrued interest, starting with the oldest, as well as to the cost of life and disability insurance, if the Member has such insurance, and then to the repayment of the principal

The foregoing terms of repayment are based on an amortization period of  years, and a rate of interest of  % per annum reckoned monthly and not in advance.

If, by reason of a variation in the applicable rate of interest, the amount of the payments becomes insufficient to pay the interest, such amount shall be increased for the remainder of the term to the one provided for in Section 3 as if such rate were applied to the balance then due.

However, if the loan is secured by a hypothec of other than first ranking hypothec and is subject to the *Consumer Protection Act*, the Caisse shall not demand repayment of the balance upon maturity without notifying the Member 30 days in advance, unless the balance owing is less that the amount of the aforesaid regular payments.

5. INTEREST ON ARREARS: All interest due and unpaid shall itself bear interest at the same rate as the principal. It may be capitalized but shall remain payable at all times.

**6. INCREASED SCHEDULED PAYMENTS:** Once each calendar year, the Member may increase his or her scheduled payments without paying the Caisse an indemnity. However, the total increase over the term of the loan shall not be greater than twice the payment amount to which he or she agreed in this agreement. The Member may later choose to decrease his or her payments to any amount, limited to no less than the amount to which he or she has agreed in this agreement.

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| **Example:** The scheduled payment amount to which you agreed at the beginning of the term is $300 per month. Once each calendar year, you may increase that amount up to twice the initial amount, i.e. $600 during the life of the term. You may later choose to reduce the scheduled payment to any amount, as long as it is no less than the set minimum of $300, i.e. the amount to which you initially agreed. |

**7. PREPAYMENT**

**7.1 Partial loan prepayments**

Each calendar year, the Member may prepay, in one or more payments of at least $100, a maximum of 15% of the **initial loan amount** without paying the Caisse an indemnity. This privilege cannot be carried forward from year to year. Moreover, the Member may not exercise this privilege on the day that the loan is repaid in full, unless the balance owing is equal to or lower than the amount that may be prepaid without paying an indemnity.

The Member may also, at any time, prepay any amount in excess of the 15% stated in the previous paragraph, without repaying the loan in full. In that event, he or she shall pay the Caisse an indemnity equal to three months’ interest on the excess prepayment amount, at the loan’s current rate of interest.

After making a prepayment, the Member must continue to make the scheduled payments to which he or she has agreed in this agreement.

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| **Example of calculation: partial loan prepayments**The Caisse has loaned you $200,000 and you still owe $100,000. Each calendar year, you have the option of making one or more prepayments of at least $100, indemnity-free, up to a maximum of $30,000 (i.e. 15% of $200,000). In the event that you prepay an amount greater than $30,000 without repaying the loan in full (e.g. you prepay $40,000), the indemnity will be calculated on the excess amount ($10,000, in this example), as follows:  Amount subject to an indemnity: $10,000 [A] Interest rate on your loan: 6% or 0.06 [B] Interest cost for one year: A x B = C, thus: $10,000 x 0.06 = $600 [C] Interest cost for three months: C ÷ 12 months x 3 months, thus: $600 ÷ 12 x 3 = **$150** Note that in an actual case, the indemnity would be lower because it would be calculated using software that applies financial principles that are favourable to you. |

**7.2 Full loan prepayment**

The Member may prepay the loan in full at any time. In that event, he or she shall pay the Caisse an indemnity equal to three months’ interest calculated on the amount of the prepayment, at the loan’s current rate of interest.

For purposes of the above calculation, the amount that may be prepaid free of indemnity, according to section 7.1 “Partial loan prepayments” above, may not be subtracted from the amount of the prepayment.

If the prepayment is made less than three months before the end of the term, the indemnity is calculated on the amount of the prepayment for the remainder of the term, at the loan’s current rate of interest.

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| **Example of calculation: full loan prepayment** You currently owe $100,000 on your loan and the interest rate is 6%. You want to prepay your loan in full before the end of the term. The indemnity to be paid to the Caisse is calculated as follows: Balance owing: $100,000 [A] Interest rate on your loan: 6% or 0.06 [B] Interest cost for one year: A x B = C, thus: $100,000 x 0.06 = $6,000 [C] Interest cost for three months: C ÷ 12 months x 3 months, thus: $6,000 ÷ 12 x 3 = **$1,500** Note that in an actual case, the indemnity would be lower because it would be calculated using software that applies financial principles that are favourable to you. |

**7.3 Proportional cash back** **repayment**

If the Member received cash back when the loan was granted and he or she is required to pay a prepayment indemnity, he or she must also repay a portion of that cash back to the Caisse. The amount to be repaid is proportional to the remainder of the term in relation to its length. In the case of a partial prepayment, the amount to be repaid is also calculated in proportion to the prepayment amount that exceeds 15%, as outlined in section 7.1 ”Partial loan prepayments”, above; this proportional calculation is made against the balance owing.

This proportional repayment obligation remains in force until the end of the term of the loan, even if it is not stated in any agreements relating to the loan that the Member may enter into with the Caisse in the meantime.

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| **Example of calculation: proportional cash back** **repayment** You want to prepay your loan in full. The amount of cash back to be repaid is calculated as follows: Amount of cash back received when the loan was disbursed: $1,000 [D]Term of the loan: 5 years (60 months) [E]Remainder of term at time of prepayment: 33 months [F]Amount of cash back to be repaid: D ÷ E x F, thus: $1,000 ÷ 60 months X 33 months = **$550** [G] In the case of a **partial** prepayment, the cash back to be repaid is also calculated in proportion to the prepayment amount that exceeds the indemnity-free amount of 15%.Example: Amount that exceeds the indemnity-free amount of 15%: $10,000 [H]Balance owing: $100,000 [I]Proportion for calculation: H ÷ I, thus: $10,000 ÷ $100,000 = 0.10Amount of cash back to be repaid: $550 [G] x 0.10 = **$55**Note that in an actual case, the calculation is based on the exact number of days, rather than the number of months, before the end of the term.This amount owing is in addition to the prepayment indemnity. |

**7.4. Application of sections 7.1 through 7.3 in any other situation**

The prepayment indemnity described in section 7.1 or 7.2 must be paid to the Caisse in any other situation where the loan is being prepaid by a party other than the Member. The same applies to the proportional repayment of cash back that must be made according to section 7.3, where applicable.

8. INDIVISIBILITY AND SOLIDARITY: The indebtedness to the Caisse shall be indivisible and may be collected in its entirety from each of the heirs, legatees or successors of the Member, from any subsequent purchaser and from any surety, as the case may be.

If the word “Member” means more than one person, each one shall be solidarily liable for the performance of the obligations stated herein, in the deed of hypothecary subrogation and in any renewal agreement, as the case may be.

9. RATE EQUIVALENCE SCHEDULE: Column A contains the rate of interest reckoned monthly and not in advance; column B shows the rate of interest reckoned semi-annually and not in advance.

| **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** | **A** | **B** |
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**10. DEFINITION:** In this contract, the word “term” means the period between the date of signature of the deed of hypothec and the date on which the balance of the loan becomes owing according to the Section 4 “Repayment” clause.

11. OTHER MENTIONS:

12. SURETYSHIP: To these presents intervene(s)       *(Name and address)*, who hereby stand(s) surety, solidarily with the Member and, as the case may be, solidarily with any other sureties herein for the performance of the obligations of the Member stated herein or arising thereof. If there is more than one surety, they also declare to bind themselves solidarily with one another.

13. LANGUAGE: The parties hereto confirm that it is their wish that this contract as well as all other documents relating hereto, including notices, have been and shall be drawn up in English only. Les parties aux présentes confirment leur volonté que ce contrat de même que tous les documents, y compris tout avis, s’y rattachant, soient rédigés en anglais seulement.

Made at  , this  .

 *(Signature of Caisse’s authorized representative)*  *(Signature of Member)*

 *(Signature of Co-borrower or Surety)*  *(Signature of Surety)*

 *(Witness)*  *(Witness)*