Collateral Charge Mortgages

What you need to know

What is a collateral charge mortgage?

A collateral charge mortgage is a different way to secure a mortgage or loan against your property. Collateral charge mortgages allow lenders to change interest rates and/or lend more without the client incurring further legal fees. However other lenders won't accept transfers from borrowers with collateral charges; borrowers must refinance which means incurring legal costs that would not otherwise be associated with switching lenders when you have a standard mortgage.

Who should get a collateral charge mortgage?

When you know you might want to access more of your home's equity in the first few years of your mortgage for things like debt consolidation or renovations. A collateral charge mortgage will allow you to do so without incurring more legal fees.

Important facts to know about collateral charge mortgages?

Pros

- Easier to access equity when your property increases in value
- Withdraw home equity without refinancing
- Good product if you want to consolidate debt or use your equity for renovations or investments

Cons

- Difficult to switch to another lender upon renewal, legal fees may apply
- New legal fees apply if you switch lenders prior to maturity for a better rate or product feature

Who issues collateral charge mortgages?

- TD Canada Trust
- Many credit unions

Talk to your mortgage broker to see what type of mortgage suits your lifestyle.

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