

HOW DEFERRALS WORK



We're here to help. Whether we've already processed a deferral for you, or if you're simply interested in learning more about the impact of deferred payments, we've put together some useful information that may help answer some of your questions. Continue reading to see how deferrals work!

When regular payments are being made

A part of your regular payment goes toward interest ("interest portion") and a part of your payment goes toward reducing the principal balance ("principal portion"). The result is that the interest portion of each payment decreases with each payment as the principal balance steadily declines. (Table 1)

Payment Period	Beginning Principal Balance	Regular Payment	Interest Portion	Principal portion	Ending Principal Balance
1	\$200,000.00	\$1,043.63	\$228.16	\$815.47	\$199,184.53
2	\$199,184.53	\$1,043.63	\$227.00	\$816.63	\$198,367.90
3	\$198,367.90	\$1,043.63	\$226.08	\$817.55	\$197,550.35
4	\$197,550.35	\$1,043.63	\$225.14	\$818.49	\$196,731.86
5	\$196,731.86	\$1,043.63	\$224.21	\$819.42	\$195,912.44
6	\$195,912.44	\$1,043.63	\$223.28	\$820.35	\$195,092.09
7	\$195,092.09	\$1,043.63	\$222.34	\$821.29	\$194,270.80
8	\$194,270.80	\$1,043.63	\$221.40	\$822.23	\$193,448.57
9	\$193,448.57	\$1,043.63	\$220.47	\$823.16	\$192,625.41
10	\$192,625.41	\$1,043.63	\$219.53	\$824.10	\$191,801.31
11	\$191,801.31	\$1,043.63	\$218.59 (A)	\$825.04	\$190,976.27 (B)
Total interest during the period			\$2456.20 (C)		

When regular payments are deferred

During the deferral period, the interest due is added to the principal balance. The result is the interest for each payment period progressively increases since the principal balance steadily increases. (Table 2)

Payment Period	Beginning Principal Balance	Regular Payment	Interest Portion	Principal Reduction	Ending Principal Balance (beginning balance + interest added to the principal)
1	\$200,000.00	\$0.00	\$228.16	\$0.00	\$200,228.16
2	\$200,228.16	\$0.00	\$228.42	\$0.00	\$200,456.58
3	\$200,456.58	\$0.00	\$228.68	\$0.00	\$200,685.26
4	\$200,685.26	\$0.00	\$228.91	\$0.00	\$200,914.17
5	\$200,914.17	\$0.00	\$229.20	\$0.00	\$201,143.37
6	\$201,143.37	\$0.00	\$229.46	\$0.00	\$201,372.83
7	\$201,372.83	\$0.00	\$229.73	\$0.00	\$201,602.56
8	\$201,602.56	\$0.00	\$229.99	\$0.00	\$201,832.55
9	\$201,832.55	\$0.00	\$230.25	\$0.00	\$202,062.80
10	\$202,062.80	\$0.00	\$230.51	\$0.00	\$202,293.31
11	\$202,293.31	\$1,043.63	\$230.78 (D)	\$812.85	\$201,480.46 (E)
Total interest during the period			\$2,524.09 (F)		

An explanation of the increased principal

The ending balance without the deferral is shown as (B) in Table 1 and with the deferral as (E) in Table 2. The difference in the amounts can be explained by the total amount of the deferred payments and additional interest that resulted of the deferred payments:

The Balance without deferral (B from Table 1)	\$	190,976.27
Deferred Regular Payments (\$1,043.63 x 10)	+ \$	10,436.30
Additional interest during the deferral period (\$2,524.09 {F from Table 2} - \$2,456.20 {C from Table 1})	+ \$	67.89
The balance with the deferral (E from Table 2)	\$	201,480.46



After the Deferral Period

When payments resume, more interest is due since the principal balance is higher. This is illustrated in the first payment by the difference between (A) in Table 1 and (C) in Table 2. Although the difference can seem small, over the life of the mortgage the difference can be significant.

You can lessen the long-term impact on the interest cost by making partial prepayment or increasing your regular mortgage payment amounts. At the end of the deferral period, we encourage you to talk to one of our mortgage representatives about money saving payment options available.