

Mortgage Acceleration And Other Conundrums

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In Agatha Christie's murder mystery "And Then There Were None" ten people gather on an island and start dying, one by one. While initially pleading their innocence, they are, in fact, all guilty of something.

The same is true of us, but it seems that, in the practice of selling products or services, the exaggeration of truth, or the sheer declaration of what is not true, is a sin that very few can avoid.

Both "words" and "numbers" can be misused when marketing a product, service or idea. That is, any one of us can manipulate our verbal or numeric language to suggest an idea that might appeal to the consuming public, engage their emotions and result in our personal or corporate profit.

To be fair, you probably do it too – How do you persuade your boys to eat their vegetables, for example? - Promise them a trip to the State Fair (a truth perhaps), or tell them that vegetables will grow hair on their chest (not so true).

In the real estate industry, essentially a game of marketing services to you, the competition between banks, and between real estate licensees, is brisk. The business I receive is, after all, business that my fellow Realtor does not. The pie of real estate income is cut according to the slices each one of us can carve off.

The same is true of any business. Airlines, for example, compete vigorously on ticket prices and services offered to entice you into their seats. Sometimes an airline can carve off a piece of the pie exclusively - e.g. Anchorage to Hawaii - and then profits soar.

If any 10 of us were sent to an island for trial, it is likely that we would all be guilty of not being entirely honest in all our dealings, especially those that affect our paycheck.

When it comes to the Banking industry, the mega-million business, these tricks of the trade are polished to perfection. Indeed, it was essentially the greed based actions of financial institutions that almost unwound our entire economy in 2008.

In the mortgage lending field the Dodd-Frank Act of 2010 tied up many loopholes by which lenders previously could increase their income at your expense with well versed words and numbers when you applied for a loan.

Mortgage acceleration is of particular interest because it involves the use (or abuse) of numbers as opposed to words. You can trick people easily with words, but use mathematical arguments and most folks can't follow at all.

As an aside, we blithely accept the conclusions of physicists whose only proof of a theory rests on numbers and symbols in a formula that apparently prove what is so, according to them. While the use of mathematics did, in fact, lead to wonderfully helpful inventions such as the atomic

bomb, I personally question the validity of mathematics to explain all things, especially when only one elite group can speak the language.

With regard to mortgage acceleration, I read, many years ago, an article which I will copy to any who might wish to read, that demonstrates the best way to save accruing interest on your home loan. Having been a successful student in simultaneous equations and other numeric education, I have looked at various mortgage acceleration schemes - the bi-monthly mortgage, the 4 weekly mortgage and other advertised services of those who would profit from your saving money.

The technique that is free of service charges, and gives you the most personal flexibility in managing your finances, is simply adding 'principal' to your monthly payment (or not adding it in months that are difficult for you).

The article to which I refer (email windsor@alaska.net for a copy) is called the "Half-time Mortgage" and demonstrates how, using the Amortization Schedule, you can personally save hundreds of thousands of dollars in interest by following a plan.

Given that you take a 30 year fixed rate loan, which commits you to nothing but 360 unchangeable future repayments, it will blow your mind how much money you won't pay in interest if you add a little extra 'principal' to your monthly payment.

No bank can stop you doing this! Just be sure, whether it is a fixed sum of \$100 or whatever you choose, you clearly mark it as "Extra Principal" on you payment slip.

Additional principal will not only save you tons of money in interest, but your loan will terminate early! There's nothing wrong with that. Remember, you can pay off a 30 year loan in 15 years this way, but you cannot pay off a 15 year loan in 30 without losing your home.

The advertised programs marketed to you simply come from people who understand this mathematics and want you to pay them to do it for you.

In the "Half-time Mortgage", Russ Miller demonstrates how, by adding next month's principal (from the amortization schedule), you can pay off your 30 year loan in 15 years and actually view and track the interest you are saving, month by month.

If you were to follow this self-help, easy-peasy system on a 30 year fixed rate \$300,000 loan at 4.5% interest you will save over \$120,000 - and you have my word on that, even on an island off the coast of Devon.