

**Why Does It Seem That
Almost Everybody In
America Is In Debt ???**

Why is Rate so Deceptive?

\$ 100,000 Loan

<u>Loan A</u>	_____	7 %*	Fixed Rate -	\$ 600
<u>Loan B</u>	_____	10 %*	Fixed Rate -	\$ 990

HOW MUCH? AND HOW LONG?

The 7 % Loan is :\$ 260,000, 50YRS

The 10 % Loan is :\$ 119,780, 18.5YRS

* \$100,000 @ 7% for 50 years = \$600 / mo.

\$100,000 @ 10% for 18.5 years = \$990 / mo.

Ask The Right Questions !

1. What is the Total COST?
2. When will I have this
paid off?

SIMPLE INTEREST

- DAILY SIMPLE INTEREST - BORROWER PAYS INTEREST ON THE OUTSTANDING BALANCE FOR THE ACTUAL NUMBER OF DAYS FROM ONE PAYMENT TO THE NEXT. IF THE BORROWER CONSISTENTLY PAYS EARLIER (LESS THAN 30 DAYS), BORROWER PAYS LESS INTEREST AND SAVES MONEY. IF THE BORROWER PAYS AT EXACT 30 DAY INTERVALS, THE ACCOUNT SHOULD BE IDENTICAL TO A SCHEDULED INTEREST ACCOUNT. IF THE BORROWER PAYS LATE, BORROWER PAYS MORE INTEREST THAN IF HE PAID EARLY OR ON TIME.
- ADVANTAGES/DISADVANTAGES TO BORROWER - MORE CONTROL, MORE INCENTIVE TO PAY EARLY. WILL PAY LESS INTEREST IF CLIENT MAKES PAYMENTS WEEKLY OR BI-WEEKLY.

SCHEDULED INTEREST

- SCHEDULE INTEREST (ALSO CALLED PRE-AMORTIZED INTEREST) - AMORTIZATION SCHEDULE PROVIDES FOR 30 DAYS INTEREST ON THE OUTSTANDING BALANCE, NO MATTER WHEN PAID. BORROWER PAYS 30 DAYS INTEREST REGARDLESS OF WHETHER PAYMENT IS EARLY, ON TIME, OR LATE.
- ADVANTAGES/DISADVANTAGES TO BORROWER - NO INTEREST SAVINGS TO CLIENT WHO PAYS EARLY. NO ADVANTAGE TO CLIENT MAKING PAYMENTS WEEKLY OR BI-WEEKLY. WILL COST MORE INTEREST THAN DAILY SIMPLE INTEREST IF ADDITIONAL PRINCIPAL PAYMENTS ARE BEING PAID WITH WEEKLY OR SEMI-MONTHLY PAYMENTS.

The Power of the Daily Unpaid Balance Loan

**\$ 100,000 @ 10% for
30 Years = \$ 878 mo.**

Daily Unpaid Balance Mortgage Loan

Bi-Weekly Payment of \$ 439.00

Month #1

\$ 100,000'00 x 10 % = \$ 10,000
÷ 360 Days = \$27.777
x 14 Days = \$388.88

\$439.00 Bi-Weekly
- \$388.88 14 Days Int.
\$ 50.12 Principle

\$ 99,949.88 x 10 % = \$ 9,994.98
÷ 360 Days = \$27.763
x 14 Days = \$388.69

\$439.00 Bi-Weekly
- \$388.69 14 Days Int.
\$ 50.31 Principle

Month #2

\$ 99,899.57 x 10 % = \$ 9,989.95
÷ 360 Days = \$27.749
x 14 Days = \$388.49

\$439.00 Bi-Weekly
- \$388.49 14 Days Int.
\$ 50.51 Principle

\$ 99,849.06 x 10 % = \$ 9,984.90
÷ 360 Days = \$27.735
x 14 Days = \$388.30

\$439.00 Bi-Weekly
- \$388.30 14 Days Int.
\$ 50.70 Principle

Pre-Computed 30 Day Interest Cycle Loan (The Conventional Mortgage)

Monthly Payment of \$ 878.00

\$ 100,000 x 10 % = \$ 10,000
÷ 12 Months = 1st. Months
Interest of \$833.

\$ 878.00
- \$ 833.33
\$ 44.67

Monthly Pmt.
Monthly Int.
Principle

\$ 99,955.33 x 10 % = \$ 9,995.53
÷ 12 Months = 2nd. Months
Interest of \$832.96

\$ 878.00
- \$ 832.96
\$ 45.04

Monthly Pmt.
Monthly Int.
Principle

Daily UnPaid Balance vs. PreComputed 30 Day

Daily Un-Paid Balance

Total Equity Build-Up first 60 days **\$201.61**

If the first Bi-weekly payment is made at the closing of the loan: \$439.00 Principle reduction / \$ 0 to Interest

Pre-Computed 30 Day Interest Cycle

Most don't allow first payment at closing.

Total Equity Build-Up first 60 days **\$ 89.71**