

# A short guide to becoming mortgage free

by Matthew Jeschke and Ian Brannon

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## Introduction

As you read the following pages you will learn how to save tens of thousands of dollars. All of this at no financial cost to you. We do ask that you do two things for us

First make SURE to share this information with friends and family. Helping them save buku bucks will certainly make you the coolest kid on the block!

And two, if you or anybody you know is looking to buy a new home or refinance make SURE to have them call myself and Ian.

Helping clients come out ahead whether it be saving tens of thousands on mortgage insurance or getting the best deal on their home is something we work on every single day. And getting the best deal possible is something you and your friends are certainly interested in doing.

## Let's dispense with the credentials and contact info

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# Knowing a few things about your home loan can easily help you save many thousands of dollars...

There are a couple things which are important to understand when dealing with loans. The first is principal. Principal is the amount of money the bank is lending you.

Now banks don't just hand out money for free. They charge you a fee for use of their money. This fee is called interest. And interest accrues over time. So the longer you borrow the money for the more interest you pay.

Interest is also figured off the amount of money you borrow. It's expressed as a ratio / percentage of the principal amount. Over the course of a typical home loan a person may pay well into the hundreds of thousands of dollars in interest!

## Mortgage Tip 1: Prepaying principle is the ticket to paying off your mortgage early and saving many thousands of dollars in interest

It's quite simple to pay less interest. You simply pay back the money borrowed aka principal sooner. There's an added benefit to doing so on a fixed term loan such as a mortgage. You will pay the loan off faster!

### I'm on a tight budget... Where can I find money to prepay my mortgage?

Just about anybody can find a few extra dollars each month if they put their mind to it. You can add \$50 to your mortgage and or round up to the nearest hundred dollars.

Here's a couple creative ways to find money without increasing your budget at all...

1. Mortgage Impound Account Refunds - The bank collects Principal, Interest, Taxes, and Insurance each month and pay's them on your behalf. This all goes into your impound account. If your taxes or insurance premiums go down then you will get a refund from the bank out of your mortgage payments. Take this refund and apply it to Principal on your loan. Take your tax savings / refund and apply it towards your .
2. Income Tax Return - there's a good chance you qualify for the mortgage interest deduction

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on your taxes (check with an accountant). Apply the added tax return you receive for owning a home towards your home loan or better yet apply your entire income tax return towards your loan balance.

WARNING Make SURE to tell the bank to apply your added payment towards Principal. When you send in your extra payment tell the bank it needs applied to principal. Otherwise they will likely take your check and apply it to next month's mortgage payment. This does nothing to decrease the overall amount of interest owed on the loan. It keeps you on the current schedule and balance netting you no savings on interest.

### **I have other debts. Should I pay those off first?**

Absolutely, you want to pick your debt with the highest interest rate and pay it off first. So for instance if you have credit cards at 10% interest it makes no sense to prepay your mortgage at 5% interest. Pay off the credit cards first.

## **Mortgage Tip 2: Reduce your monthly payment amount without refinancing by speaking with the modification department**

Let's say you pay \$1000 per month and would really like to pay \$800 per month. You go to the bank and ask, "is there any way to decrease my monthly payment?"

The bank will gladly say why yes, you can refinance. Especially if rates have gone down. However, there is another way! However, there is another way. If you have a paid down the principal amount quite a ways you can have the bank modify the promissory note.

Now you are wondering what's a promissory note. The promissory note is simply a piece of paper that get's recorded with every loan. It records your promise to pay and the terms of your loan. The item on that promissory note we are interested in is the principal amount you have paid down. The bank can revise the promissory note to reflect your current principal balance and reset the term of your loan to the first payment. This will lower your monthly payment with out having to qualify for a refinance.

Most people at the bank do not realize this is even possible. However, banks revise promissory notes

every day, you just have to speak with the right person and that person is in the modifications department. So make sure to call them. They may also charge a small processing fee to rework your promissory note. This fee is typically a few hundred dollars.

### **Mortgage Tip 3: When refinancing take a higher interest rate rather than paying fees or adding fees to balance of loan**

Refinancing is a very advantageous thing to do. However, it's easy to increase the overall amount you owe if you are constantly refinancing. Here's why...

Refinancing costs money. Most of the time the fees are tacked onto the loan balance or paid up front.

This creates a problem, what if interest rates drop again and are you going to pay a bunch of fees again? Maybe you consider adding them to the loan balance. Well this means your balance is increasing! You can actually end up with a higher payment and or paying more overall on your loan than if you just stayed at your current interest rate!

There's another better way to pay for the fees to refinance that avoids all the pitfalls. Negotiate with the bank by taking a slightly higher interest rate in exchange for no fees. Now if rates drop again, you can simply refinance again without coming much if any out of pocket.

Here's a great tip as well. If you can reduce your interest rate as mentioned, then do so. Next, keep your old monthly payment after your refinance. Apply the extra amount directly towards principle. This will help you accelerate the effect of your prepayments as mentioned in the first tip!

### **For more information**

Visit [keystoaz.com/podcast5/](https://keystoaz.com/podcast5/) to learn more. There you will find a audio discussion of everything discussed above and more.

You will also find all sorts of helpful information when it comes to buying a home on the website.

Lastly do not forget to SHARE this information with your friends and family. You will be doing them a huge favor. You can simply email them the link above and or this short guide.

Thanks and here's to a debt free tomorrow!

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