Money Matters

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The "Smartest" Loan Available

The S.M.A.R.T. loan **-** Save Money And Reduce Taxes
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HOME LOAN HISTORY

When our grandparents and great-grandparents borrowed money from banks to purchase homes the loans were structured differently.

In their day loans were "daily unpaid balance" or daily amortized. Meaning when they paid a little extra to the loan it went directly to PRINCIPLE thus reducing their loan amount that day causing a domino effect of reducing interest and principle on the remaining balance and payments of that loan.

Abacus

Before calculators and computers this created a great deal of work for bankers, erasing and recalculating the remaining balance and interest of a loan.

To simplify the life of bankers, legislation was passed to allow "scheduled interest." Bankers could breath easier with scheduled interest because now any extra payments made toward a home loan were simply applied to the end of the loan. This actually proved to be more lucrative to the banking industry.

TODAY

It is now generations later and with the advent of technology, calculating a home loan with daily unpaid balance is as easy as punching a few buttons.

So, why is it that we continue with scheduled interest loans? Because banks know we are non-the-wiser and they can make a killing on the interest of a "scheduled interest" loan.

Breaking from the modern banking model, Primerica has teamed up with Citibank Mortgage to create (or re-create) a exclusively powerful *new* loan structure based on *old principles*…a loan that is truly not seen anywhere in the industry. I have heard several banks CLAIM they are doing something similar but when you look at the "Truth in Lending" page and the "schedule of Interest and payments" page, it is like comparing apples and oranges!

WHAT IS A S.M.A.R.T. LOAN

The Primerica S.M.A.R.T. loan is unlike any other mortgage on the market because it combines several commanding concepts.

1. It goes back to the 'old school' way of **"daily unpaid balance."** This applies more toward principle on every payment and re-calculates what is owed so with each payment made a lower interest is calculated.

2. Option of bi-monthly or **bi-weekly payments**. By splitting a single monthly payment of say $1000 into two separate payments of $500 and paying every 14 days...**This combined with daily unpaid balance has a significant impact on your loan payoff!** Together these can save 7 to 10 years off a mortgage! [NOTE: several banks offer this type of payment structure but with "scheduled interest" the benefit is minimal.]

3. **Consolidation**. Debt is debt. Some debts are high interest, like credit cards, which have no real pay-off date. With the structure of the S.M.A.R.T. loan, many clients are able to consolidate their debts into one simple payment with tax deductible interest. Usually without extending the loan out to 30 years (i.e. keeping it at the number of years you currently owe) most families **save hundreds of dollars per month!**

4. **Accelerated payments**. Combined with the three previously mentioned, an individual can take the monthly savings and apply part of it back to the S.M.A.R.T. mortgage. This exponentially accelerating the payoff time (often times to half or just 15 years) saving a ridiculous amount of interest that would have been paid over a 30 year conventional loan. I have seen savings on a $300,000 home in the amount of $178,000 interest saved.

5. **Invest the difference**. By investing the remainder of what was saved in #3 a family can build a healthy retirement and pay off their house early, without spending any more money than they were each month. Continuing to invest once the house is paid off early can lead to an enormous retirement.

1. 30 year loan "scheduled interest" vs. "daily unpaid balance." SMART auto deduct or Equity Builder does lower interest rate by .25%. So, this in itself is not much difference.

With a conventional 30 year loan of $250,000 at 6.5% the structure would be as follows:

Monthly Payment: $1580.17
Total Interest Paid: $318,816.22
Total Payment: $568,816.22

Principle Paid the first Year: $2791.31 Footnote[1]
Paid off in 30 years

With a S.M.A.R.T. loan *(which has a completely different structure and purpose but to compare apples to apples)* 30 year loan of $250,000 at 6.5% and one payment per month the structure would be as follows:

Monthly Payment: $1580.04
Total Interest Paid: $318,816.22 vs.
Total Interest w/ "Equity Builder" (auto deduct): $278,432
Potential Interest Reduction: $40,381
Total Payment: $528,432.22

Principle Paid the first Year: $3435.00
Paid off in 27 years 11 months

2. Compare a Standard loan at a higher rate vs. the S.M.A.R.T. loan with it's typically slightly higher rate combined with its bi-weekly payment structure.

Where the real magic happens is the daily unpaid balance combined with bi-monthly or bi-weekly payments! Typically with a S.M.A.R.T. loan the interest rate is a little higher but **interest rate really doesn't matter.** The thing to be concerned with is TIME TO PAY OFF and TOTAL INTEREST PAID / SAVED.

With a conventional 30 year loan of $250,000 at 7.5% the structure would be as follows:

Monthly Payment: $1748.04
Total Interest Paid: $379,293.06
Total Payment: $629,293.06

Principle Paid the first Year: $2304.59 Footnote[1]
Paid of in 30 years

With a S.M.A.R.T. loan *(now it is apples to oranges)* 30 year loan of $250,000 at 7.5% bi-weekly and with equity builder the structure would be as follows:

Monthly Payment: $874.84 (x 2) = $1748.04
Total Interest Paid: $250,583.00
Potential Interest Reduction: $128,627.00
Total Payment: $500,583.00

Principle Paid the first Year: $4834.00 Footnote[2]
Paid off in 21 years 11 months

This is just a glimpse at some of the differences. It actually gets even better when combined with debt consolidation and any additional payments (even as little as $25 per month). Imagine the interest you could earn for your retirement with the money you saved in interest by paying your home off early. *(For a personal Mortgage Audit contact Dr. Shetlin or one of his licensed financial coaches. There is no cost and no obligation.)*

There are many great money saving products and services on the market. The S.M.A.R.T. loan offered exclusively through Primerica is a powerful and simple tool to help families on their way to becoming debt free and financially independent. The only problem with this product as with most bank products is just that…it is only a product. It is not the "cure all." To learn and implement an actual **financial plan** through a Financial Needs Analysis followed by using a series of products (S.M.A.R.T., Life Insurance, Investments, and other products a family may need) a family can truly avoid debt and build wealth to better themselves and their posterity.

NOTE: The examples shown are hypothetic based on factual experience. Outcome will vary with each loan due to personal credit, home equity, changes in the mortgage market, etc.

[1] http://www.mortgagecalculatorplus.com/ 2. CallAtlanta SMART equity builder analysis