

Pay Off Debt in One Third The Time. "What Banks Don't Want You To Know"

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Moises "Moses" Estevez

Pay Off Your 30 Year Mortgage in Five to Seven Years With Your Current Income!

Have a mortgage? What about a student loan? How about a car loan? Or, do you have any credit card debt?

About 97% of the U.S. population has to deal with one or more of the above financial burdens. Typically, more than one at a time. Therefore, just about everyone will benefit from the information that you will learn here.

I am about to share a financial secret that the government and banks do not want you to know!

If you implement what you learn, you will save tens, if not hundreds of thousands of dollars throughout the course of your life. This information can literally change your life by allowing you to keep more of your own money instead of giving it to the banks.

This strategy has been practiced in foreign countries for about twenty years, but here, it is known only to major, U.S. corporations and the wealthy. It is the concept of speeding up your loan payoff so that you save a lot of money on interest payments throughout the course of your life. Typical amortized loans can be paid off in less than one third the time with the same income.

In Australia, people pay off their mortgages in five to seven years. They use lines of credit instead of loans, while here, most people have their mortgages for more than 50 years. Less than one percent of mortgages are actually paid off in ONLY 30 years although most of us CAN pay them off just like Australians do, in five to seven years. It doesn't take any additional money, it's just a matter of using the right banking tools.

The reason it takes us so much longer than 30 years is because we are enticed by banks to refinance our mortgage over and over and over. Most people refinance their mortgage every five to seven years, so they begin the 30-year time-table each time that they refinance. The moment we have a little equity built up, we start receiving all types of letters and offers from different banks to "SAVE" us money on our mortgage by refinancing. Refinancing is the ABSOLUTE worst thing that you can do, and I'll prove this to you.

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You see, banks offer two types of debt instruments. There are loans, which include mortgages, student and car loans and there are lines of credit. With loans, the interest is fixed and charged upfront. You pay down your loan and you no longer have use of that money. When you pay down lines of credit, you immediately have the money available to reuse.

You can use a 20% interest line of credit to pay off a 6% loan and still save hundreds of thousands of dollars. I'll demonstrate this as well.

The example that I will use is a mortgage because that's usually the largest debt that most people have, but you can also use this to pay down student loans, car loans and even credit card debt and save thousands upon thousands of dollars.

For my example, I'll use a \$300,000 mortgage at six percent interest, amortized over 30 years.

The banks and mortgage brokers will have you believe that the interest rate that you will pay during the 30 years is six percent. It's not really six percent. It's actually closer to 120% interest as you will see.

ENTER VALUES		LOAN SUMMARY	
Loan amount	\$300,000.00	Scheduled payment	\$1,798.65
Annual interest rate	6.00%	Scheduled number of payments	360
Loan period in years	30	Actual number of payments	360
Number of payments per year	12	Total early payments	\$0.00
Start date of loan	3/1/18	Total interest	\$347,514.57
Optional extra payments	\$0.00	LENDER NAME	ABC Bank

Most people refinance every five to seven years (60 to 84 months). Please see month number 60 on the amortization table and make a note of the total interest paid up until that month. The total interest is more than \$87,000. Now make a note of the total principal paid through that same date. It is \$21,000.

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
60	2/1/23	\$279,563.90	\$1,798.65	\$0.00	\$1,798.65	\$400.83	\$1,397.82	\$279,163.07	\$87,082.16

Now divide 87,000 by 21,000 and your result should be 4.14. That's 414% interest paid to the bank in the first five years. Not exactly the six percent that you signed up for, is it? In the first five years of your six percent, 30-year mortgage, you have paid your bank or mortgage company 414%! That's what we do to ourselves when we refinance our mortgage and most of us do it over and over again. To the point where most home owners pay a mortgage for 50 years of their lives.

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Now, at the top of the first page of the table (above), you'll see the total interest to be paid if we do manage to pay this monster off in "ONLY" 30 years. It's \$348,000. So, at the end of the 30 years, we will have paid the original \$300,000 back, plus \$348,000 in interest. Now divide 348,000 by 300,000 and you will arrive at 1.16. That's 116% interest rate during the life of this "six percent" mortgage! Not quite six percent either, right?

Generally, to calculate the true cost of amortized debt you take the stated interest rate, multiply by two and add a zero at the end. So, in this case, six multiplied by two is 12 and add the zero. You come to 120%. That's close to 116% that we just calculated in this example.

So, what's the take away here? Loans are B.A.D. Debt. And why aren't we taught this in school or by banks or mortgage brokers when they "HELP" us to obtain a new mortgage or refinance our existing one? Because everyone makes more money on amortized debt. It's up to consumers to fully educate themselves! And this is just one of the things that we offer, financial literacy.

Now, I'll show you how to correct this without any additional money out of pocket and with the same income you have right now. Just a matter of fully educating yourself and using the right banking tool.

So here we have our mortgage, \$300,000. A typical family may earn \$5,000 a month. And everyone puts their money into their checking account. You do not want to do this because your cash flow is worth a fortune. In your checking account, banks are utilizing that fortune instead of you! I'll get back to this in a moment.

Let's look at expenses. We know the mortgage is \$1,800, let's say two cars, \$600 a month, credit card debt of \$400 and living expenses of \$1,200. Including food, entertainment and other living expenses. So, this family is left with \$1,000 in discretionary income at the end of the month. And most of us put that away in a savings account. You don't want to put money in a savings account either because the interest earned on the savings is less than the rate of inflation and your money is actually worth less and less each day. In addition to that, you have to pay tax on the interest that you earn at the end of the year. The takeaway here is that you don't want to use checking or savings accounts to manage your finances. Surprised?

As I said at the beginning, the other debt instruments available to us are lines of credit. So, let's say that we ask the bank for a line of credit and they extend one for \$15,000 at 21% interest. With a line of credit, the payments that we make to them are immediately available for us to reuse. So, we're going to use a line of credit instead, for our security, instead of putting our money into a savings account. So, we'll always leave at least \$5,000 available in the line of credit for emergencies instead of putting it in our savings account.

The other way that we will use the new credit line is that we are going to speed up the payoff of our mortgage to save hundreds of thousands of dollars.

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So, we have our \$15,000 line and in the first month, we are going to make a \$10,000 principal payment to chunk down our mortgage.

That brings down our \$300,000 mortgage to \$290,000. Now, see the amortization schedule and make a note of the month where the outstanding principal is closest to \$290,000. You'll find that to be month number 31.

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
31	9/1/20	\$290,359.52	\$1,798.65	\$0.00	\$1,798.65	\$346.85	\$1,451.80	\$290,012.67	\$45,770.87

So, our outstanding mortgage principal immediately goes down to \$290,000 and you have created a new debt of \$10,000. Nothing has changed, we still owe a total of \$300,000. Except that now we have to pay down this new line. So instead of putting your monthly income or cash flow into your checking account, you're going to deposit the \$5,000 into your line of credit, by doing this, you're already more than satisfying the required monthly payment to the line.

From here, you are going to pay your monthly obligations of \$4,000. So, each month, you're putting in \$5,000 and taking out \$4,000 for expenses and you leave the remaining \$1,000 in the line to pay down the \$10,000 that we used to pay down the mortgage. By doing this, it will take you ten months to pay down the outstanding debt on the credit line to zero. On the tenth month, what do you do? You chunk down another \$10,000 from your mortgage.

During that time, you've continued to make your monthly mortgage payments. Now see where the principal balance is at month 41 on the amortization table. We are looking at month number 41 because your initial chunking payment brought your mortgage down to \$290,000 and the principal was at \$290,000 on month 31 and it took you ten months to pay off the new line. You'll see that on month number 41, the principal on the mortgage is at 286,000. So, we now chunk down another \$10,000 from the mortgage principal and bring that down to \$276,000 (see next page).

PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
41	7/1/21	\$286,811.89	\$1,798.65	\$0.00	\$1,798.65	\$364.59	\$1,434.06	\$286,447.30	\$60,192.01

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PMT NO	PAYMENT DATE	BEGINNING BALANCE	SCHEDULED PAYMENT	EXTRA PAYMENT	TOTAL PAYMENT	PRINCIPAL	INTEREST	ENDING BALANCE	CUMULATIVE INTEREST
67	9/1/23	\$276,715.64	\$1,798.65	\$0.00	\$1,798.65	\$415.07	\$1,383.58	\$276,300.56	\$96,810.22

On the schedule, when our principal is at \$276,000, see what should have been the accumulated interest paid? You'll arrive at \$97,000. So, within a ten month period, we saved \$97K in interest and paid down the 30 year mortgage by five and a half years; all in ten months. Beginning to see how this is going to work to save you hundreds of thousands of dollars?

Now let's see how much the line of credit cost us during those ten months. We used \$10K at 21% over ten months. So, $10,000 \times .21 = \$2,100$ for the year, divided by 12 = \$175 and multiply that by 10 = \$1,750. In actuality, it didn't even cost us that much because we paid it down by \$1K each month, but for our example, we'll go with \$1,750 in interest cost.

We spent \$1,750 in line of credit interest to save \$97,000 in mortgage interest. Great deal, right?

You can make this work even faster, save even more money and pay down all of your debt even faster in two ways. What if you eliminate your car loans and credit card debt first? You'd have an additional \$1,000 per month to work with so that you would have \$2,000 in discretionary income instead of just \$1,000. You could chunk your mortgage every five months instead of ten.

Again, you can use this same strategy on you credit cards, car loans, student loans and mortgages.

Who can benefit from this information? Just about everyone.

I hope that you get something out of this. If you have any questions, I'm always willing to share my knowledge. Please reach out.

All the best!

Moises "Moses" Estevez