XCCELERATED DEBT ANNIHILATION

BONUS HOW TO PAY YOUR HOUSE OFF EARLY

PUBLISHERS PAGE

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All scriptures are taken from the King James Version unless otherwise stated.

May God BOMBARD You with EVERY Blessing
Until You Can Take No More!!!

Disclaimer

First let me begin by making one thing very clear! I am NOT a financial advisor; it is illegal for me to give you financial advice! Please seek the counsel of a qualified practitioner, for anything you hear me say. I don't know your individual circumstances; it would be wise to have a professional look into your situation personally.

What I'm sharing here is what God's Word says about debt, borrowing and lending. I can only speak in hypothetical terms, I'm just telling you what I would do, having learned strategies from very wise people who are much more qualified than myself to give advice!

How to Pay Your House Off Early!

A house is generally the largest expense the average person/family will ever make. Houses are EXPENSIVE! As a general rule, the reason houses cost so much is because credit is available. If there were no mortgage loans available, how much would the average house cost? I don't know, nowhere near what they are selling for today by a long shot! But it is, what it is and so following good counsel in this area can mean the difference between "losing your shirt" and "making a profit" if you decide to sell.

Before we get into how to pay your house off early. I appreciate you might not have a house yet and you're thinking of buying, there are some options to consider. i.e., Should you rent or buy? The answer is it depends. Let's weigh up the pros and cons of both.

To Rent or To Buy?

There are three main advantages to renting. **First is mobility**. You do not have to go through the hassle of selling a house when you need to move; therefore, renting may be a good option if you are just going to live in an area for a short time—a year or two.

The second advantage of renting is that there are fewer responsibilities. The owner takes care of the maintenance, property taxes etc.

Finally, when renting (leasing), there are lower initial costs for getting into the house or apartment. Usually instead of a large down payment, survey, broker, estate agent, solicitor/attorney fees and closing costs that are associated with buying, the renter simply has to prepay a month's rent plus a security deposit (typically also equivalent to a month's rent).

With these considerations in mind, renting is likely the best option for those who are seeking temporary housing, who do not want the responsibility of home ownership, and who do not have sufficient savings to make a down payment on a house.

However, the 4 disadvantages of renting suggest that renting is not the best long-term housing option:

1. Renters do not enjoy the financial advantages homeowners do.
2. If you rent your entire working career and have no savings to purchase a home for retirement, then during this period of your life you must still continue to pay rent for someone else's property.
3. Renters also are subject to rent increases over which they have little control.
4. Tenants may be restricted regarding ownership of pets, personalization of the property, and acceptable levels of noise.

There is however an advantage to renting for those who maybe entrepreneurs/investors who are using capital (money) in their business which will later enable them to pay cash for a house if they want to.

In fact, depending on what your goals in life are, once you have enough money for a deposit; **Instead of locking that money in the house you live in, you could continue to rent where you live and buy a house as an investment.** Fix it up and flip it for a profit, after a few flips you can buy a house cash no mortgage

or

You can keep the house you renovated and rent it out, you re-mortgage it to get the cash out and buy another house and repeat the process, then you have multiple houses with the mortgages being paid by your tenants.

You now have Cash Flow Assets in the Upper Right of your wealth quadrant balance sheet. You also get Capital gains over time. Then later down the line you can sell a couple of houses and buy your own house cash without a mortgage.

Appreciating Asset Land, Artwork, Rare Coins, Cars, Watches and other collectibles. Financing the purchase of a Business Starting a New Business (before it generates cash)	**Cash Flow Asset** Dividend-Paying Stocks, Municipal Bonds, and Private Notes Loans Secured by a First Deed of Trust An Established Business Rental Property
Consumer Debt (Liabilities) Credit Card Debt with nothing to show for it i.e. Travel, Medical Bills, Food	**Depreciating Asset (Liabilities)** Furniture, Boats, Cars, House

Now most people won't go down that route. Most people will rent and save up to buy or stay at home with parents and save up to buy.

Should you decide to purchase a home, there are several options. A detached single-family house, a multi-unit dwelling (such as a duplex or townhouse), a condo, cooperative housing, a manufactured home, a mobile home, and new home construction are the most common options. In my opinion a detached single-family house is likely the best option with a mobile home lowest on the list. As a general rule, mobile homes are problematic. They may lose value over time; they may be difficult to sell in the future; they may be difficult to finance; and, construction quality may be poor.

When looking for a home to purchase, remember you may not get all the features you want in your first home, financial advisors mortgage brokers have a fiduciary obligation (in other words a duty to tell you what's in YOUR best interest) and they will advise that you get into the housing market by purchasing what you can afford. As you move up in the housing market, your second or third home can include more of the features you want. There is much we could say about home buying, such as finding the home, having an inspection done, negotiating the price, etc. However, the purpose here is to focus on paying the house off early. You can get help with the other home buying tips online.

So how do you know when you are ready to buy a home? When several factors are in place:

- You have all debts either paid off or under control;
- You have a 20% down payment saved up (in order to eliminate private mortgage insurance);
- You can afford the monthly payments including taxes and insurance. *(It is generally recommended that your monthly housing payment should not be more than about 35% of your gross monthly income.)*

Paying Off Your Home Mortgage

Because of the severely inflated home prices that most potential home purchasers face, there aren't many options if you don't have a high income or the courage and discipline build one and save up enough to pay cash. There aren't many other than a traditional home mortgage for typically fifteen to thirty years (in order to qualify for the loan). So, if this is the case then, as able, you should accelerate payment of the mortgage by prepaying principle. There are several ways to do this. I will do my best to illustrate each one so that it will be easy to understand and follow.

The Fifteen-Year Mortgage

Though the thirty-year mortgage is the most common in America, forty-year mortgages are also available under certain circumstances. However, taking out a fifteen-year mortgage may be the prudent route for those who can afford it. Obviously, a fifteen-year mortgage pays off in half the time of a thirty-year and saves a significant amount of interest to the purchaser. In addition, most fifteen-year mortgages are offered at a savings of 0.5% on the interest rate. So, if the current thirty-year fixed rate is 7.5%, you probably can get 7.0% on a fifteen-year mortgage.

Here is a comparison between a **thirty** and a **fifteen-year** mortgage on a **$200,000** loan:

	Thirty Years	**Fifteen Years**
Monthly Payment	$1,398.43	$1,797.66
Total Interest Paid	$303,434.45	$123,578.80

If you can afford $400 more on your house payment each month, you can pay the loan off in half the time and save yourself $179,855.65 in interest that you never have to pay! As a general rule, we would not recommend a variable rate mortgage or an interest only mortgage.

Avoid or Eliminate Private Mortgage Insurance

Private mortgage insurance (PMI) is **NOT your "homeowner's policy"** that covers your home and its contents. PMI is an insurance that protects **lenders** from foreclosure loss due to their risk of making home loans that exceed 80% of the home's market value. PMI allows lenders to give loans to potential homeowners who have little or no cash saved up for a down payment. (Loans have been made when the purchaser has no down payment or as little as 5% or 10% cash down payments.) PMI is private insurance that **can be cancelled** under certain circumstances. High-risk FHA lenders are protected by MMI (mutual mortgage insurance), and such policies can only be cancelled by paying off the mortgage!

The reason you want to avoid or eliminate PMI is that it is a monthly premium that the purchaser pays that is roughly equivalent to an additional 1% added to the mortgage interest rate. If your PMI monthly payment is $100, then if you avoided or eliminated it, you could add that $100 to the principal portion of your monthly payment and thereby pay off your home several years earlier.

How to Avoid PMI

The simplest way to avoid PMI is to have a 20% down payment. Then it never becomes an issue or a payment. The next best way is not pretty.

You must pay or prepay over 13 years' worth of mortgage payments (or 20% of the mortgage) to qualify for cancellation of the PMI. You need to have a track record of being timely with making your payments and have a loan that was obtained on or after July 29, 1999, (if you're in the US) for your PMI to be automatically cancelled. You should be notified of such. A federal law, the Homeowner's Protection Act (HPA) of 1998, requires lenders to do this. **If your loan pre-dates this law, then you must request your lender to cancel the PMI when you get to the 20% payoff point.**

So, suffice to say avoiding or eliminating PMI from your mortgage payment as soon as possible should be a major financial goal for your family. Then you can use the money you were spending for this insurance to prepay on your principal balance.

Paying Your Home Mortgage Early

By prepaying on your mortgage principle, you can pay your house off years earlier than your amortization schedule shows. The first thing to note: make sure when you obtain a mortgage; **there is no prepayment penalty**. It should be written in your closing documents, not just the oral statement of a closing agent.

Some individuals question whether or not the home mortgage should be prepaid. They feel that they will lose the tax advantage of the mortgage payment. But be aware that if you are in the 25% tax bracket, for every $1,000 you pay in home mortgage interest, you save $250 in taxes. This means simply that you have to spend a dollar to save a quarter— not a good deal! From our perspective, a family is wise to prepay its mortgage to get in a more secure position and make investment goals.

For sake of illustration, we will use a $200,000 mortgage that is 80% of a $250,000 home. This is about the average home price in America today. The payment schedule or amortization schedule printed below will help you understand how to prepay your mortgage.

Amortization Schedule

The preceding table shows only the first two years of a thirty-year loan. The constant is in Column Number 2—the monthly payment of $1,398.43. Every month you must make at least one regular payment in order to pay the interest on the unpaid balance from the past month.

Loan Amount (Principal): $200,000 % Rate: 7.50 Years: 30 Monthly Payment: $1,398.43

	Payment #	Payment Amount	Interest	Principal	Principal Balance
1st YEAR	1	1,398.43	1,250.00	148.43	199,851.57
	2	1,398.43	1,249.07	149.36	199,702.21
	3	1,398.43	1,248.14	150.29	199,551.92
	4	1,398.43	1,247.20	151.23	199,400.69
	5	1,398.43	1,246.25	152.18	199,248.51
	6	1,398.43	1,245.30	153.13	199,095.38
	7	1,398.43	1,244.35	154.08	198,941.30
	8	1,398.43	1,243.38	155.05	198,786.25
	9	1,398.43	1,242.41	156.02	198,630.23
	10	1,398.43	1,241.44	156.99	198,473.24
	11	1,398.43	1,240.46	157.97	198,315.27
	12	1,398.43	1,239.47	158.96	198,156.31
	TOTALS	**16,781.16**	**14,937.48**	**1,843.67**	

	Payment #	Payment Amount	Interest	Principal	Principal Balance
2nd YEAR	13	1,398.43	1,238.48	159.95	197,996.36
	14	1,398.43	1,237.48	160.95	197,835.41
	15	1,398.43	1,236.47	161.96	197,673.45
	16	1,398.43	1,235.46	162.97	197,510.48
	17	1,398.43	1,234.44	163.99	197,346.49
	18	1,398.43	1,233.42	165.01	197,181.48
	19	1,398.43	1,232.38	166.05	197,015.43
	20	1,398.43	1,231.35	167.08	196,848.35
	21	1,398.43	1,230.30	168.13	196,680.22
	22	1,398.43	1,229.25	169.18	196,511.04
	23	1,398.43	1,228.19	170.24	196,340.80
	24	1,398.43	1,227.13	171.30	196,169.50
	TOTALS	**16,781.16**	**14,794.35**	**1,986.80**	

Now look at the amortization schedule and note the following:

- This payment schedule includes only the base payment of principal and interest.
- It does not include the amount that must be set aside to cover property taxes, homeowner's insurance.
- It does not include PMI if the loan amount is more than 80% of the value or sale price of the home.
- These additional expenses could add $200 or more to your monthly payment.

But for purposes of showing prepayment of your mortgage, we will address principal and interest only.

One month after borrowing the $200,000, the first payment of $1,398.43 is due. Of this payment amount, $1,250.00 will go to the lender for interest; only $148.43 will go to "principal" to reduce the amount of the loan. Look at the first-year **total** line. After paying $1,398.43 each month for an entire year, you have spent $16,781.16 on the loan repayment. Of this amount, $14,937.48 has gone to the lender as interest (profit), and you have reduced your loan by only $1,843.67! You still owe $198,156.31.

Now you get to see the joy of seeing how you can prepay principle payments and save thousands of dollars in interest that you never have to pay. (This is even more dramatic and visual than the "miracle" of compounding interest in your savings portfolio.) Let's illustrate.

Let's say that when you make your first monthly payment that you have $300 dollars from some source—savings, income tax return, birthday gift, etc. If you would be willing to put this money toward paying off your mortgage**, a dramatic result would occur**!

Look at the principal column for Payments Numbers 2 and 3. The amounts there are $149.36 and $150.29. Added together, they equal $299.65. You can take your $300 of discretionary money and make Payments Numbers 2 and 3 at the same time you make Payment Number 1. (Any time you make a regular payment, you can make as many additional payments as you want by simply prepaying the principal amount.)

So, when you make your Payment Number 1, simply enclose in the payment envelope a second check for $299.65 with a notation on the memo line of the check that this amount is for additional principal on your mortgage, Loan #_________.

When you do this, there are two very good results. You have cut the length of your loan by two months, so your next payment is Number 4. But every bit as great is the fact that you saved the interest for Payments Numbers 2 and 3—that you never have to pay! So by paying $299.65, you save $2,497.21, the combined interest for Payments 2 and 3. This is a return on your investment of 833%! Tell me where you can get that kind of return guaranteed with 0% risk?

Let's illustrate another way. Suppose that during the month of December when you are preparing to make your twelfth payment, you also are thinking about putting $2,000 into your IRA. (Your IRA is currently earning 8%.) Then you think, "I wonder what would happen if I put this $2,000 on my home mortgage instead?" You check your amortization schedule and notice that if you were to make all of next year's payments (Numbers 13-24) in a timely manner, you will have paid $1,986.80 on your principal. You decide to use the $2,000 you were going to put in your 8% IRA on your home mortgage instead along with your December payment—Number 12. (Actually, you should pay the exact amount of $1,986.80, so that you always know where you are in your amortization schedule.)

What would you accomplish by doing this? As you can easily see, you would make all twelve payments for Year Number 2 (Payments Numbers 13-24) and save yourself the entire year's interest of $14,794.35! Your next month's payment would be Number 25! There would be a return on your investment of 745%! Is that awesome or what?

It turns out that your home mortgage is your very best investment in terms of guaranteed returns! While it is true that the principal prepayment is easier and the benefits more dramatic in the early years of a mortgage, the $200,000 loan at 7.5% does not "break even" where the principal and interest are the same until Year Number 22 of payments. So, even twenty-two years into the mortgage, you still can make two payments at a time by paying the full monthly payment and half that amount for the second extra payment!

Finally, you must understand that this prepayment plan will work only as it should if you have no prepayment penalty associated with your mortgage and if you faithfully let your lender know in writing that you intend for the second check you are enclosing with your regular monthly payment to go on the principal of your loan. All the writing that is necessary is a notation on the memo line of your check: "Additional principal for Loan # _________; or, you simply can write the amount you are prepaying on the line designated on your payment coupon for "Extra Principal."

So that is how you strategically go about paying off your house early or if you decide to buy a house later down the line. This will get you free of debt much earlier than anticipated. By all means come back to this video to remind yourself of what to do, I recommend you speak to a mortgage broker or financial advisor to get guidance on what options you have and what's best for your personal circumstances.