



# Are Accelerated Mortgage Programs Using a Home Equity Line of Credit Effective?

37.91%

LINE ITEMS  
SHIPPING  
TAXES  
TOTAL

16.15 M\$  
0.15 M\$  
0%



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LINE ITEMS  
SHIPPING  
TAXES  
TOTAL

13.5 M\$  
0.2 M\$  
0%  
13.7 M\$

31.86%



 **Part I** 

# Introduction

As a homeowner, you've likely heard the sales pitch about paying your mortgage off more quickly with a HELOC. It's natural to be curious—so many people would love to have less debt. The headlines suggest a number of crazy promises:

*“Pay off your 30 year mortgage in 5 to 7 years... without changing your budget!”*

*“14-Year Mortgage Banker Reveals the Fastest Way to Pay Off Your Mortgage!”*

*“Pay off your home in 1/3 the time... With the same payments you're making now!”*

*“Replace your mortgage with a HELOC and be debt free sooner!”*

We'll preface our proof with the statement that “a lie is easier to propagate than the truth is to educate.” These promises can sound too good to be true, and that's when we prefer to dig a little deeper. Can these strategies work as promised? In this report, we uncover the Whole Truth for you—because we could all use the peace of mind that comes with a sound strategy.

The lies surrounding equity, interest rates, and mortgages have saturated the market, lending a false credibility to companies like this. The truth takes longer to wade through. We decided to put one such strategy to the test—eating the cost of a \$17 “special report” that breaks down exactly how the process should work. To fully understand the depth of these schemes, we put the numbers to the test using our Truth Concepts financial calculators. We ran their projections and analyzed the results.

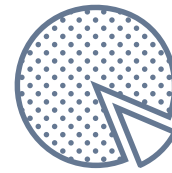
What we uncovered might be surprising, but it certainly demystifies the HELOC hype. No strategy is one-size-fits-all, so we offer you a few options to consider, before you turn to a HELOC to pay off your debt. We do all of this through the lens of Prosperity Economics—a mindset of abundance.



The **Prosperity Economics Movement**  
aims to accomplish **two goals**:



**Learn the whole truth about  
financial matters**



**Apply those truths to  
financial strategies that help  
clients prosper**

Our commitment to financial education is based on Robert Kiyosaki's metaphor of the three-sided coin. Heads is one point of view; tails is another. The third side is the unbiased edge, which allows both sides to be observed so the truth can be determined. When discussing mortgage rates, the terms of repayment AND the interest rates together paint a picture that will help advisors best serve their clients.

The lie begins with a simple quote: "The terms of repayment are keeping you from financial freedom; not the interest-rate." Without much to back the statement up, it sounds nice and empowering. This is just one reason why the lie spreads as quickly as it does.

They continue with this statement:

*"Since this is such an unconventional program you will undoubtedly have many questions. If you are like most, the predominate question being: 'How in the world is this possible?' Followed by: 'This is too good to be true, so it must be less than credible.' Let us assure you; this is not magic, it's just math! It's as easy as taking money from your left pocket and putting it in your right pocket. It's as simple as  $2 + 2 = 4$ !"*

*Let us assure you; this is not magic, it's just math! It's as easy as taking money from your left pocket and putting it in your right pocket. It's as simple as  $2 + 2 = 4$ !"*

You'll notice that the company failed to address the "predominate question," and instead deflected to a partial truth. The only truth



in the statement is that their program is “just math.” The rest, however, is a misleading lie that is used to trick vulnerable clients. The statement that, “It’s as easy as taking money from your left pocket and putting it in your right pocket,” falsely leads clients to believe that they get to put money into THEIR pockets. The reality is, they’re using that money to pay the HELOC loans they’ve created in their right pockets.

The statement passes for compliance because they didn’t actually say that money was going into the client’s pocket, only that the process is “as easy as” doing so. These companies have a choice on how to frame their products, and have opted for a deliberately misleading frame.

The second part of the statement, however, is not simply misleading—it’s quite false. They have taken an easy concept— $2+2=4$ —and through sleight of hand turned it into something that is difficult for most people to understand or prove. Without a proper loan amortization chart, it is impossible to properly see what is hidden up the sleeve of the “magician.” The only option is for clients to take the companies at their word when they falsely list all of the money to be saved through their “this is not magic” accounting nightmare.





# ■ Part II ■

# The Study

Let's look at the math, as presented by a company offering Home Equity Credit Lines. First, we have the current amortization of a loan with the primary lender:

You'll see that the mortgage can be paid off in 25 years, or 300 months, with a minimum monthly payment of \$1,266.71. The net cumulative cost of the loan is \$380,013, while the initial loan balance was \$228,305. The company offering a HELOC promises that they can save \$217,874.12 in total mortgage payments AND have the client debt-free in 10 years and 8 months. Those numbers are phenomenal, and a little unbelievable considering the initial price of the home in question.

Illustration Per. (Months):	300	Annual Interest Rate:	4.48%
Net Savings Int. Rate:		Months:	300.0
Loan Balance:	(228,305)	Monthly Payment:	(\$1,266.71)
Down Payment:	0		

Cumulative Cost of ALL Payments:	(380,013)
Remaining Loan Balance:	0
Net Cumulative Cost of Loan	(380,013)

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance
1	(228,305)	(852.79)	(413.92)	1,266.71	(227,891)
2	(227,891)	(851.24)	(415.47)	1,266.71	(227,476)
3	(227,476)	(849.69)	(417.02)	1,266.71	(227,059)
4	(227,059)	(848.13)	(418.58)	1,266.71	(226,640)
5	(226,640)	(846.57)	(420.14)	1,266.71	(226,220)
6	(226,220)	(845.00)	(421.71)	1,266.71	(225,798)
7	(225,798)	(843.43)	(423.28)	1,266.71	(225,375)
8	(225,375)	(841.84)	(424.87)	1,266.71	(224,950)
9	(224,950)	(840.26)	(426.45)	1,266.71	(224,524)
10	(224,524)	(838.67)	(428.04)	1,266.71	(224,096)
11	(224,096)	(837.07)	(429.64)	1,266.71	(223,666)
12	(223,666)	(835.46)	(431.25)	1,266.71	(223,235)
13	(223,235)	(833.85)	(432.86)	1,266.71	(222,802)
14	(222,802)	(832.23)	(434.48)	1,266.71	(222,367)
15	(222,367)	(830.61)	(436.10)	1,266.71	(221,931)
16	(221,931)	(828.98)	(437.73)	1,266.71	(221,493)
17	(221,493)	(827.35)	(439.36)	1,266.71	(221,054)
18	(221,054)	(825.71)	(441.00)	1,266.71	(220,613)
19	(220,613)	(824.06)	(442.65)	1,266.71	(220,170)
20	(220,170)	(822.40)	(444.31)	1,266.71	(219,726)
21	(219,726)	(820.75)	(445.96)	1,266.71	(219,280)
22	(219,280)	(819.08)	(447.63)	1,266.71	(218,833)
23	(218,833)	(817.41)	(449.30)	1,266.71	(218,383)
24	(218,383)	(815.73)	(450.98)	1,266.71	(217,932)
25	(217,932)	(814.04)	(452.67)	1,266.71	(217,480)
26	(217,480)	(812.35)	(454.36)	1,266.71	(217,025)
27	(217,025)	(810.66)	(456.05)	1,266.71	(216,569)
28	(216,569)	(808.95)	(457.76)	1,266.71	(216,111)
29	(216,111)	(807.24)	(459.47)	1,266.71	(215,652)
30	(215,652)	(805.53)	(461.18)	1,266.71	(215,191)
31	(215,191)	(803.80)	(462.91)	1,266.71	(214,728)
32	(214,728)	(802.08)	(464.63)	1,266.71	(214,263)
33	(214,263)	(800.34)	(466.37)	1,266.71	(213,797)
34	(213,797)	(798.60)	(468.11)	1,266.71	(213,329)
35	(213,329)	(796.85)	(469.86)	1,266.71	(212,859)
36	(212,859)	(795.09)	(471.62)	1,266.71	(212,387)
37	(212,387)	(793.33)	(473.38)	1,266.71	(211,914)
38	(211,914)	(791.56)	(475.15)	1,266.71	(211,439)
39	(211,439)	(789.79)	(476.92)	1,266.71	(210,962)
40	(210,962)	(788.01)	(478.70)	1,266.71	(210,483)
41	(210,483)	(786.22)	(480.49)	1,266.71	(210,003)
42	(210,003)	(784.42)	(482.29)	1,266.71	(209,520)
43	(209,520)	(782.62)	(484.09)	1,266.71	(209,036)
44	(209,036)	(780.82)	(485.89)	1,266.71	(208,550)
45	(208,550)	(779.00)	(487.71)	1,266.71	(208,063)
46	(208,063)	(777.18)	(489.53)	1,266.71	(207,573)
47	(207,573)	(775.35)	(491.36)	1,266.71	(207,082)
48	(207,082)	(773.51)	(493.20)	1,266.71	(206,589)
49	(206,589)	(771.67)	(495.04)	1,266.71	(206,094)

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance
50	(206,094)	(769.82)	(496.89)	1,266.71	(205,597)
51	(205,597)	(767.97)	(498.74)	1,266.71	(205,098)
52	(205,098)	(766.10)	(500.61)	1,266.71	(204,597)
53	(204,597)	(764.23)	(502.48)	1,266.71	(204,095)
54	(204,095)	(762.36)	(504.35)	1,266.71	(203,590)
55	(203,590)	(760.47)	(506.24)	1,266.71	(203,084)
56	(203,084)	(758.58)	(508.13)	1,266.71	(202,576)
57	(202,576)	(756.68)	(510.03)	1,266.71	(202,066)
58	(202,066)	(754.78)	(511.93)	1,266.71	(201,554)
59	(201,554)	(752.87)	(513.84)	1,266.71	(201,040)
60	(201,040)	(750.95)	(515.76)	1,266.71	(200,525)
61	(200,525)	(749.02)	(517.69)	1,266.71	(200,007)
62	(200,007)	(747.09)	(519.62)	1,266.71	(199,487)
63	(199,487)	(745.15)	(521.56)	1,266.71	(198,966)
64	(198,966)	(743.20)	(523.51)	1,266.71	(198,442)
65	(198,442)	(741.24)	(525.47)	1,266.71	(197,917)
66	(197,917)	(739.28)	(527.43)	1,266.71	(197,389)
67	(197,389)	(737.31)	(529.40)	1,266.71	(196,860)
68	(196,860)	(735.33)	(531.38)	1,266.71	(196,328)
69	(196,328)	(733.35)	(533.36)	1,266.71	(195,795)
70	(195,795)	(731.36)	(535.35)	1,266.71	(195,260)
71	(195,260)	(729.36)	(537.35)	1,266.71	(194,722)
72	(194,722)	(727.35)	(539.36)	1,266.71	(194,183)
73	(194,183)	(725.33)	(541.38)	1,266.71	(193,642)
74	(193,642)	(723.31)	(543.40)	1,266.71	(193,098)
75	(193,098)	(721.28)	(545.43)	1,266.71	(192,553)
76	(192,553)	(719.24)	(547.47)	1,266.71	(192,005)
77	(192,005)	(717.20)	(549.51)	1,266.71	(191,456)
78	(191,456)	(715.15)	(551.56)	1,266.71	(190,904)
79	(190,904)	(713.09)	(553.62)	1,266.71	(190,351)
80	(190,351)	(711.02)	(555.69)	1,266.71	(189,795)
81	(189,795)	(708.94)	(557.77)	1,266.71	(189,237)
82	(189,237)	(706.86)	(559.85)	1,266.71	(188,677)
83	(188,677)	(704.77)	(561.94)	1,266.71	(188,115)
84	(188,115)	(702.67)	(564.04)	1,266.71	(187,551)
85	(187,551)	(700.56)	(566.15)	1,266.71	(186,985)
86	(186,985)	(698.45)	(568.26)	1,266.71	(186,417)
87	(186,417)	(696.33)	(570.38)	1,266.71	(185,847)
88	(185,847)	(694.19)	(572.52)	1,266.71	(185,274)
89	(185,274)	(692.06)	(574.65)	1,266.71	(184,699)
90	(184,699)	(689.91)	(576.80)	1,266.71	(184,123)
91	(184,123)	(687.76)	(578.95)	1,266.71	(183,544)
92	(183,544)	(685.59)	(581.12)	1,266.71	(182,963)
93	(182,963)	(683.42)	(583.29)	1,266.71	(182,379)
94	(182,379)	(681.24)	(585.47)	1,266.71	(181,794)
95	(181,794)	(679.06)	(587.65)	1,266.71	(181,206)
96	(181,206)	(676.86)	(589.85)	1,266.71	(180,616)
97	(180,616)	(674.66)	(592.05)	1,266.71	(180,024)
98	(180,024)	(672.45)	(594.26)	1,266.71	(179,430)
99	(179,430)	(670.23)	(596.48)	1,266.71	(178,834)
100	(178,834)	(668.00)	(598.71)	1,266.71	(178,235)
101	(178,235)	(665.76)	(600.95)	1,266.71	(177,634)
102	(177,634)	(663.52)	(603.19)	1,266.71	(177,031)
103	(177,031)	(661.26)	(605.45)	1,266.71	(176,425)
104	(176,425)	(659.00)	(607.71)	1,266.71	(175,818)
105	(175,818)	(656.73)	(609.98)	1,266.71	(175,208)
106	(175,208)	(654.45)	(612.26)	1,266.71	(174,595)
107	(174,595)	(652.17)	(614.54)	1,266.71	(173,981)
108	(173,981)	(649.87)	(616.84)	1,266.71	(173,364)
109	(173,364)	(647.57)	(619.14)	1,266.71	(172,745)
110	(172,745)	(645.26)	(621.45)	1,266.71	(172,123)
111	(172,123)	(642.93)	(623.78)	1,266.71	(171,500)



Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance
112	(171,500)	(640.60)	(626.11)	1,266.71	(170,873)
113	(170,873)	(638.27)	(628.44)	1,266.71	(170,245)
114	(170,245)	(635.92)	(630.79)	1,266.71	(169,614)
115	(169,614)	(633.56)	(633.15)	1,266.71	(168,981)
116	(168,981)	(631.20)	(635.51)	1,266.71	(168,346)
117	(168,346)	(628.82)	(637.89)	1,266.71	(167,708)
118	(167,708)	(626.44)	(640.27)	1,266.71	(167,067)
119	(167,067)	(624.05)	(642.66)	1,266.71	(166,425)
120	(166,425)	(621.65)	(645.06)	1,266.71	(165,780)
121	(165,780)	(619.24)	(647.47)	1,266.71	(165,132)
122	(165,132)	(616.82)	(649.89)	1,266.71	(164,482)
123	(164,482)	(614.39)	(652.32)	1,266.71	(163,830)
124	(163,830)	(611.96)	(654.75)	1,266.71	(163,175)
125	(163,175)	(609.51)	(657.20)	1,266.71	(162,518)
126	(162,518)	(607.06)	(659.65)	1,266.71	(161,858)
127	(161,858)	(604.59)	(662.12)	1,266.71	(161,196)
128	(161,196)	(602.12)	(664.59)	1,266.71	(160,532)
129	(160,532)	(599.64)	(667.07)	1,266.71	(159,865)
130	(159,865)	(597.14)	(669.57)	1,266.71	(159,195)
131	(159,195)	(594.64)	(672.07)	1,266.71	(158,523)
132	(158,523)	(592.13)	(674.58)	1,266.71	(157,848)
133	(157,848)	(589.61)	(677.10)	1,266.71	(157,171)
134	(157,171)	(587.08)	(679.63)	1,266.71	(156,492)
135	(156,492)	(584.54)	(682.17)	1,266.71	(155,809)
136	(155,809)	(582.00)	(684.71)	1,266.71	(155,125)
137	(155,125)	(579.44)	(687.27)	1,266.71	(154,437)
138	(154,437)	(576.87)	(689.84)	1,266.71	(153,748)
139	(153,748)	(574.30)	(692.41)	1,266.71	(153,055)
140	(153,055)	(571.71)	(695.00)	1,266.71	(152,360)
141	(152,360)	(569.11)	(697.60)	1,266.71	(151,663)
142	(151,663)	(566.51)	(700.20)	1,266.71	(150,962)
143	(150,962)	(563.89)	(702.82)	1,266.71	(150,260)
144	(150,260)	(561.27)	(705.44)	1,266.71	(149,554)
145	(149,554)	(558.63)	(708.08)	1,266.71	(148,846)
146	(148,846)	(555.99)	(710.72)	1,266.71	(148,135)
147	(148,135)	(553.33)	(713.38)	1,266.71	(147,422)
148	(147,422)	(550.67)	(716.04)	1,266.71	(146,706)
149	(146,706)	(547.99)	(718.72)	1,266.71	(145,987)
150	(145,987)	(545.31)	(721.40)	1,266.71	(145,266)
151	(145,266)	(542.61)	(724.10)	1,266.71	(144,542)
152	(144,542)	(539.91)	(726.80)	1,266.71	(143,815)
153	(143,815)	(537.19)	(729.52)	1,266.71	(143,085)
154	(143,085)	(534.47)	(732.24)	1,266.71	(142,353)
155	(142,353)	(531.73)	(734.98)	1,266.71	(141,618)
156	(141,618)	(528.99)	(737.72)	1,266.71	(140,880)
157	(140,880)	(526.23)	(740.48)	1,266.71	(140,140)
158	(140,140)	(523.47)	(743.24)	1,266.71	(139,397)
159	(139,397)	(520.69)	(746.02)	1,266.71	(138,651)
160	(138,651)	(517.90)	(748.81)	1,266.71	(137,902)
161	(137,902)	(515.11)	(751.60)	1,266.71	(137,150)
162	(137,150)	(512.30)	(754.41)	1,266.71	(136,396)
163	(136,396)	(509.48)	(757.23)	1,266.71	(135,639)
164	(135,639)	(506.65)	(760.06)	1,266.71	(134,879)
165	(134,879)	(503.81)	(762.90)	1,266.71	(134,116)
166	(134,116)	(500.96)	(765.75)	1,266.71	(133,350)
167	(133,350)	(498.10)	(768.61)	1,266.71	(132,581)
168	(132,581)	(495.23)	(771.48)	1,266.71	(131,810)
169	(131,810)	(492.35)	(774.36)	1,266.71	(131,036)
170	(131,036)	(489.46)	(777.25)	1,266.71	(130,258)
171	(130,258)	(486.55)	(780.16)	1,266.71	(129,478)
172	(129,478)	(483.64)	(783.07)	1,266.71	(128,695)
173	(128,695)	(480.72)	(785.99)	1,266.71	(127,909)

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance
174	(127,909)	(477.78)	(788.93)	1,266.71	(127,120)
175	(127,120)	(474.83)	(791.88)	1,266.71	(126,328)
176	(126,328)	(471.88)	(794.83)	1,266.71	(125,533)
177	(125,533)	(468.91)	(797.80)	1,266.71	(124,736)
178	(124,736)	(465.93)	(800.78)	1,266.71	(123,935)
179	(123,935)	(462.93)	(803.78)	1,266.71	(123,131)
180	(123,131)	(459.93)	(806.78)	1,266.71	(122,324)
181	(122,324)	(456.92)	(809.79)	1,266.71	(121,514)
182	(121,514)	(453.89)	(812.82)	1,266.71	(120,702)
183	(120,702)	(450.86)	(815.85)	1,266.71	(119,886)
184	(119,886)	(447.81)	(818.90)	1,266.71	(119,067)
185	(119,067)	(444.75)	(821.96)	1,266.71	(118,245)
186	(118,245)	(441.68)	(825.03)	1,266.71	(117,420)
187	(117,420)	(438.60)	(828.11)	1,266.71	(116,592)
188	(116,592)	(435.51)	(831.20)	1,266.71	(115,761)
189	(115,761)	(432.40)	(834.31)	1,266.71	(114,926)
190	(114,926)	(429.29)	(837.42)	1,266.71	(114,089)
191	(114,089)	(426.16)	(840.55)	1,266.71	(113,248)
192	(113,248)	(423.02)	(843.69)	1,266.71	(112,405)
193	(112,405)	(419.87)	(846.84)	1,266.71	(111,558)
194	(111,558)	(416.70)	(850.01)	1,266.71	(110,708)
195	(110,708)	(413.53)	(853.18)	1,266.71	(109,855)
196	(109,855)	(410.34)	(856.37)	1,266.71	(108,998)
197	(108,998)	(407.14)	(859.57)	1,266.71	(108,139)
198	(108,139)	(403.93)	(862.78)	1,266.71	(107,276)
199	(107,276)	(400.71)	(866.00)	1,266.71	(106,410)
200	(106,410)	(397.47)	(869.24)	1,266.71	(105,541)
201	(105,541)	(394.23)	(872.48)	1,266.71	(104,668)
202	(104,668)	(390.97)	(875.74)	1,266.71	(103,792)
203	(103,792)	(387.70)	(879.01)	1,266.71	(102,913)
204	(102,913)	(384.41)	(882.30)	1,266.71	(102,031)
205	(102,031)	(381.12)	(885.59)	1,266.71	(101,146)
206	(101,146)	(377.81)	(888.90)	1,266.71	(100,257)
207	(100,257)	(374.49)	(892.22)	1,266.71	(99,364)
208	(99,364)	(371.16)	(895.55)	1,266.71	(98,469)
209	(98,469)	(367.81)	(898.90)	1,266.71	(97,570)
210	(97,570)	(364.45)	(902.26)	1,266.71	(96,668)
211	(96,668)	(361.08)	(905.63)	1,266.71	(95,762)
212	(95,762)	(357.70)	(909.01)	1,266.71	(94,853)
213	(94,853)	(354.31)	(912.40)	1,266.71	(93,941)
214	(93,941)	(350.90)	(915.81)	1,266.71	(93,025)
215	(93,025)	(347.48)	(919.23)	1,266.71	(92,106)
216	(92,106)	(344.04)	(922.67)	1,266.71	(91,183)
217	(91,183)	(340.60)	(926.11)	1,266.71	(90,257)
218	(90,257)	(337.14)	(929.57)	1,266.71	(89,327)
219	(89,327)	(333.66)	(933.05)	1,266.71	(88,394)
220	(88,394)	(330.18)	(936.53)	1,266.71	(87,458)
221	(87,458)	(326.68)	(940.03)	1,266.71	(86,518)
222	(86,518)	(323.17)	(943.54)	1,266.71	(85,574)
223	(85,574)	(319.65)	(947.06)	1,266.71	(84,627)
224	(84,627)	(316.11)	(950.60)	1,266.71	(83,676)
225	(83,676)	(312.56)	(954.15)	1,266.71	(82,722)
226	(82,722)	(308.99)	(957.72)	1,266.71	(81,765)
227	(81,765)	(305.42)	(961.29)	1,266.71	(80,803)
228	(80,803)	(301.83)	(964.88)	1,266.71	(79,838)
229	(79,838)	(298.22)	(968.49)	1,266.71	(78,870)
230	(78,870)	(294.60)	(972.11)	1,266.71	(77,898)
231	(77,898)	(290.97)	(975.74)	1,266.71	(76,922)
232	(76,922)	(287.33)	(979.38)	1,266.71	(75,943)
233	(75,943)	(283.67)	(983.04)	1,266.71	(74,960)
234	(74,960)	(280.00)	(986.71)	1,266.71	(73,973)
235	(73,973)	(276.31)	(990.40)	1,266.71	(72,983)

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance
236	(72,983)	(272.61)	(994.10)	1,266.71	(71,988)
237	(71,988)	(268.90)	(997.81)	1,266.71	(70,991)
238	(70,991)	(265.17)	(1,001.54)	1,266.71	(69,989)
239	(69,989)	(261.43)	(1,005.28)	1,266.71	(68,984)
240	(68,984)	(257.68)	(1,009.03)	1,266.71	(67,975)
241	(67,975)	(253.91)	(1,012.80)	1,266.71	(66,962)
242	(66,962)	(250.12)	(1,016.59)	1,266.71	(65,945)
243	(65,945)	(246.33)	(1,020.38)	1,266.71	(64,925)
244	(64,925)	(242.51)	(1,024.20)	1,266.71	(63,901)
245	(63,901)	(238.69)	(1,028.02)	1,266.71	(62,873)
246	(62,873)	(234.85)	(1,031.86)	1,266.71	(61,841)
247	(61,841)	(230.99)	(1,035.72)	1,266.71	(60,805)
248	(60,805)	(227.13)	(1,039.58)	1,266.71	(59,766)
249	(59,766)	(223.24)	(1,043.47)	1,266.71	(58,722)
250	(58,722)	(219.35)	(1,047.36)	1,266.71	(57,675)
251	(57,675)	(215.43)	(1,051.28)	1,266.71	(56,624)
252	(56,624)	(211.51)	(1,055.20)	1,266.71	(55,568)
253	(55,568)	(207.56)	(1,059.15)	1,266.71	(54,509)
254	(54,509)	(203.61)	(1,063.10)	1,266.71	(53,446)
255	(53,446)	(199.64)	(1,067.07)	1,266.71	(52,379)
256	(52,379)	(195.65)	(1,071.06)	1,266.71	(51,308)
257	(51,308)	(191.65)	(1,075.06)	1,266.71	(50,233)
258	(50,233)	(187.64)	(1,079.07)	1,266.71	(49,154)
259	(49,154)	(183.60)	(1,083.11)	1,266.71	(48,071)
260	(48,071)	(179.56)	(1,087.15)	1,266.71	(46,984)
261	(46,984)	(175.50)	(1,091.21)	1,266.71	(45,892)
262	(45,892)	(171.42)	(1,095.29)	1,266.71	(44,797)
263	(44,797)	(167.33)	(1,099.38)	1,266.71	(43,698)
264	(43,698)	(163.22)	(1,103.49)	1,266.71	(42,594)
265	(42,594)	(159.10)	(1,107.61)	1,266.71	(41,487)
266	(41,487)	(154.97)	(1,111.74)	1,266.71	(40,375)
267	(40,375)	(150.81)	(1,115.90)	1,266.71	(39,259)
268	(39,259)	(146.64)	(1,120.07)	1,266.71	(38,139)
269	(38,139)	(142.46)	(1,124.25)	1,266.71	(37,015)
270	(37,015)	(138.26)	(1,128.45)	1,266.71	(35,886)
271	(35,886)	(134.05)	(1,132.66)	1,266.71	(34,753)
272	(34,753)	(129.82)	(1,136.89)	1,266.71	(33,617)
273	(33,617)	(125.57)	(1,141.14)	1,266.71	(32,475)
274	(32,475)	(121.31)	(1,145.40)	1,266.71	(31,330)
275	(31,330)	(117.03)	(1,149.68)	1,266.71	(30,180)
276	(30,180)	(112.73)	(1,153.98)	1,266.71	(29,026)
277	(29,026)	(108.42)	(1,158.29)	1,266.71	(27,868)
278	(27,868)	(104.10)	(1,162.61)	1,266.71	(26,705)
279	(26,705)	(99.75)	(1,166.96)	1,266.71	(25,539)
280	(25,539)	(95.39)	(1,171.32)	1,266.71	(24,367)
281	(24,367)	(91.02)	(1,175.69)	1,266.71	(23,192)
282	(23,192)	(86.63)	(1,180.08)	1,266.71	(22,011)
283	(22,011)	(82.22)	(1,184.49)	1,266.71	(20,827)
284	(20,827)	(77.80)	(1,188.91)	1,266.71	(19,638)
285	(19,638)	(73.35)	(1,193.36)	1,266.71	(18,445)
286	(18,445)	(68.90)	(1,197.81)	1,266.71	(17,247)
287	(17,247)	(64.42)	(1,202.29)	1,266.71	(16,045)
288	(16,045)	(59.93)	(1,206.78)	1,266.71	(14,838)
289	(14,838)	(55.42)	(1,211.29)	1,266.71	(13,627)
290	(13,627)	(50.90)	(1,215.81)	1,266.71	(12,411)
291	(12,411)	(46.36)	(1,220.35)	1,266.71	(11,190)
292	(11,190)	(41.80)	(1,224.91)	1,266.71	(9,965)
293	(9,965)	(37.22)	(1,229.49)	1,266.71	(8,736)
294	(8,736)	(32.63)	(1,234.08)	1,266.71	(7,502)
295	(7,502)	(28.02)	(1,238.69)	1,266.71	(6,263)
296	(6,263)	(23.39)	(1,243.32)	1,266.71	(5,020)
297	(5,020)	(18.75)	(1,247.96)	1,266.71	(3,772)



Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance
298	(3,772)	(14.09)	(1,252.62)	1,266.71	(2,519)
299	(2,519)	(9.41)	(1,257.30)	1,266.71	(1,262)
300	(1,262)	(4.71)	(1,262.00)	1,266.71	0
TOTALS	(1,262)	(151.708)	(228.305)	380,013	0

Based on some client input on income and expenses, the company we're examining has determined that the client has a positive monthly Profit/Loss of \$1,233.29—this is surplus money that the client theoretically is not using.

Next, the HELOC recommended by the company has a beginning interest rate of 5.25%, which they suggest INCREASES about 0.50% each year. You and your clients must understand that this means moving from a fixed annual rate of 4.48% to a variable annual rate that starts at 5.25% and will increase to roughly 10.25% over this 10 year and 8 month period. But interest rates still don't matter?

Variable interest rates can add astronomical amounts to a loan, even if the loan is paid off "faster" by going through these companies. So they may be able to convince you to buy into their plan on the basis of unique repayment terms, but the interest rates are not obsolete. The increasing interest rates are where they make all their profit.

For context, the estimated value of the home in question is \$300,000.

Current Economy			
Below is a distilled look at your Personal Profile. If you see areas of concern or items that require attention, please return to the corresponding input page from the left and make adjustments. Return to the Report to see how any changes affected your projected debt-free date. If you have enough available equity in the proposed line of credit we recommend you include credit card or vehicle debt to improve monthly cash flow and possibly improve the proposed debt free date.			
Mortgages	Balance	Payment	
1st Mortgage	\$ 228,305.00	\$ 1,266.71	
2nd Mortgage	\$ 0.00	\$ 0.00	
Monthly Tax & Ins		\$ 0.00	
<b>Totals</b>	<b>\$ 228,305.00</b>	<b>\$ 1,266.71</b>	
Credit Card Debt			
Card: 1	\$ 0.00	\$ 0.00	
Card: 2	\$ 0.00	\$ 0.00	
Card: 3	\$ 0.00	\$ 0.00	
Card: 4	\$ 0.00	\$ 0.00	
Card: 5	\$ 0.00	\$ 0.00	
Card: 6	\$ 0.00	\$ 0.00	
<b>Totals</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	
Installment Debt			
Vehicle 1	\$ 0.00	\$ 0.00	
Expenses			
Monthly Living Exp		\$ 3,500.00	
Real Estate Other Monthly Expenses		\$ 0.00	
<b>Current Monthly Expenses</b>		<b>\$ 4,766.71</b>	
Income			
Deposited Net Income		\$ 6,000.00	
Investment Income		\$ 0.00	
Additional Deposits		\$ 0.00	
<b>Monthly Total</b>		<b>\$ 6,000.00</b>	
Annual Tax Refund		\$ 0.00	
Annual Dividend / Bonus		\$ 0.00	
<b>Monthly Surplus</b>		<b>\$ 1,233.29</b>	

The meat of the report presents an array of misleading information. Even with financial software, it takes real imagination to figure out how they devised these numbers. Fortunately, we think we've cracked the code.

Amortization					
Below is a year by year representation of the Executive Choice® proposal. These totals represent:					
<b>Year End Balance:</b> The remaining balance due at the end of each year.					
<b>Payment:</b> The monthly payment calculated on year-end balance					
<b>Accumulated Interest:</b> Total amount of accumulated interest paid from the beginning of the program.					
<b>Accum. Payment Savings:</b> Accumulated payment savings; total payments vs. total payments you would have made under current conventional practice.					
<b>Equity Available:</b> Total amount of funds available in the line of credit at end of each year.					
	Loan Balance	Payment	Accumulated Interest	Accumulated Payment Savings	Available Equity
Opening Account	\$ 228,305.00	\$ 998.83	\$ 998.83	\$ 267.88	\$ -3,305.00
Year 1 Ending	\$ 211,426.18	\$ 924.99	\$ 11,546.17	\$ 3,654.35	\$ 13,573.82
Year 2 Ending	\$ 193,012.50	\$ 924.85	\$ 23,132.35	\$ 7,268.69	\$ 31,987.50
Year 3 Ending	\$ 174,467.79	\$ 908.69	\$ 34,571.48	\$ 11,030.08	\$ 50,532.21
Year 4 Ending	\$ 155,592.56	\$ 875.21	\$ 45,662.76	\$ 15,139.32	\$ 69,407.44
Year 5 Ending	\$ 136,169.01	\$ 822.69	\$ 56,186.70	\$ 19,815.90	\$ 88,830.99
Year 6 Ending	\$ 115,955.35	\$ 748.88	\$ 65,809.23	\$ 25,303.89	\$ 109,044.85
Year 7 Ending	\$ 94,678.94	\$ 650.92	\$ 74,524.86	\$ 31,876.78	\$ 130,321.06
Year 8 Ending	\$ 72,028.21	\$ 525.21	\$ 81,748.41	\$ 39,855.75	\$ 152,971.79
Year 9 Ending	\$ 47,642.88	\$ 367.25	\$ 87,205.13	\$ 48,599.55	\$ 177,357.12
Year 10 Ending	\$ 21,102.07	\$ 171.45	\$ 90,468.52	\$ 61,536.68	\$ 203,897.93
Year 11 Ending	\$ 0.00	\$ 0.00	\$ 91,182.15	\$ 76,023.57	\$ 225,060.00
Year 12 Ending	\$ 0.00	\$ 0.00	\$ 91,182.15	\$ 91,224.09	\$ 225,060.00

The above payoff projections take into account an inflationary rate environment. All postulations assume a rate increase of .50% per year.

We'll start with their "Payment" column. The initial payment of \$998.83 happens to be the monthly interest-only payment, as stated in the "Accumulated Interest" column. The number is based on the initial interest rate of 5.25%. Through the primary lender, the interest would have been \$852.79 at the rate of 4.48%. So this payment plan begins with \$146.04 of additional interest due to the company who says interest is not the most important factor.

Next, we'll take a look at the "Accumulated Payment Savings" column. This column shows the interest only payment (\$998.83 for the first payment) subtracted from the original loan payment (\$1,266.71). The result is a perceived gain of \$267.88 in the first month. We say "perceived," because there is no gain if the next column, "Available Equity," is correct.

The first month of the "Available Equity," column is confusing because the amount owed to the primary lender is \$228,305,

but the “Line Amount” is only \$225,000. This leaves a shortfall of \$3,305 which shows up as a negative number in the first month. It seems as though they’ve charged a hefty fee to the client, in addition to the interest they’re collecting. Unfortunately, the cost isn’t directly stated anywhere in the report—it’s a cost the client can easily miss. The gaps will become even more apparent as we continue.

It’s only after the first month that the “Available Equity” column begins to increase. This is where things start to fall apart, and really don’t add up to  $2+2=4$ . The numbers imply that  $2+0=4$ , which is simply not possible without magic or a misdirection of numbers. Our vote is the latter. The information presented does not cover everything a client needs to make a well-informed decision. Instead, the numbers are scattered or left out so that the client only sees the ones that have appeal.

Forgetting, for a moment, the unusual numbers in the first column, in the “Year 1 Ending” column you’ll see \$13,573.82 in “Available Equity.” But how can this be possible unless the line of credit principal was paid down by that amount? Bottom line is—that’s exactly what had to happen, although they imply that only a payment of \$998.83 was paid. The reality is that in order for the “Available Equity” column to increase as they suggest in their amortization chart, a total payment of \$2,500 must be made!

Here’s where things go from questionable to completely astonishing. If we consider the beginning of the report, where client income and expenses are listed and a P/L value is established. You might ask—why does the company even need to know about a client’s surplus income (P/L) if the advantage was due ONLY to their HELOC strategy?

Unfortunately this is where we find out that  $2+0$  does not equal 4, BUT the original mortgage payment to the primary lender (\$1,266.71) plus the client’s P/L (\$1,233.29) does equal \$2,500 exactly.

# A Note For Advisors

One of the most confusing aspects of the “special reports” are the repayment charts, which do not include all the components. Aside from missing columns, the company has also marked their “Year Ending” totals incorrectly. A quick run through a financial calculator shows that the values actually represent the beginning of the month. The result? Their projections are off by one month because the “Year Ending” totals don’t include the end sum of the last month of the year.

The amortization schedule shown below was created using all the figures provided by the company, including their beginning interest rate of 5.25%, increasing by 0.5% each year over 128 months. The final interest rate would be 10.25%. You’ll notice that our projections match their amortization projections exactly when you look at the beginning of the year.

## Loan Analysis - Equity Advantage Strategy

Illustration Per. (Months): 300

Net Savings Int. Rate:

Annual Interest Rate: Variable 12.56%

Loan Balance: (228,305)

Months: 300.0 116.8

Down Payment: 0

Monthly Payment: (\$1,368.11) (\$2,500.00)

Cumulative Cost of ALL Payments: (320,000)

Remaining Loan Balance: 0

Cumulative Excess Payments: 513

Net Cumulative Cost of Loan (319,487)

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance	Excess Payment	Cumulative Excess Pmts
1	(228,305)	(998.83)	(1,501.17)	2,500.00	(226,804)	0	0
2	(226,804)	(992.27)	(1,507.73)	2,500.00	(225,296)	0	0
3	(225,296)	(985.67)	(1,514.33)	2,500.00	(223,782)	0	0
4	(223,782)	(979.05)	(1,520.95)	2,500.00	(222,261)	0	0
5	(222,261)	(972.39)	(1,527.61)	2,500.00	(220,733)	0	0
6	(220,733)	(965.71)	(1,534.29)	2,500.00	(219,199)	0	0
7	(219,199)	(959.00)	(1,541.00)	2,500.00	(217,658)	0	0
8	(217,658)	(952.25)	(1,547.75)	2,500.00	(216,110)	0	0
9	(216,110)	(945.48)	(1,554.52)	2,500.00	(214,556)	0	0
10	(214,556)	(938.68)	(1,561.32)	2,500.00	(212,994)	0	0
11	(212,994)	(931.85)	(1,568.15)	2,500.00	(211,426)	0	0
12	(211,426)	(924.99)	(1,575.01)	2,500.00	(209,851)	0	0
13	(209,851)	(918.11)	(1,581.89)	2,500.00	(208,269)	0	0
14	(208,269)	(911.20)	(1,588.80)	2,500.00	(206,680)	0	0
15	(206,680)	(904.26)	(1,595.74)	2,500.00	(205,084)	0	0
16	(205,084)	(897.29)	(1,602.71)	2,500.00	(203,481)	0	0
17	(203,481)	(890.29)	(1,609.71)	2,500.00	(201,871)	0	0
18	(201,871)	(883.25)	(1,616.75)	2,500.00	(200,254)	0	0
19	(200,254)	(876.18)	(1,623.82)	2,500.00	(198,630)	0	0
20	(198,630)	(869.07)	(1,630.93)	2,500.00	(196,999)	0	0
21	(196,999)	(861.92)	(1,638.08)	2,500.00	(195,361)	0	0
22	(195,361)	(854.73)	(1,645.27)	2,500.00	(193,716)	0	0
23	(193,716)	(847.50)	(1,652.50)	2,500.00	(192,064)	0	0
24	(192,064)	(840.23)	(1,659.77)	2,500.00	(190,405)	0	0
25	(190,405)	(832.92)	(1,667.08)	2,500.00	(188,739)	0	0
26	(188,739)	(825.57)	(1,674.43)	2,500.00	(187,066)	0	0
27	(187,066)	(818.18)	(1,681.82)	2,500.00	(185,386)	0	0
28	(185,386)	(810.75)	(1,689.25)	2,500.00	(183,699)	0	0
29	(183,699)	(803.28)	(1,696.72)	2,500.00	(182,005)	0	0
30	(182,005)	(795.77)	(1,704.23)	2,500.00	(180,304)	0	0
31	(180,304)	(788.22)	(1,711.78)	2,500.00	(178,596)	0	0
32	(178,596)	(780.63)	(1,719.37)	2,500.00	(176,881)	0	0
33	(176,881)	(773.00)	(1,726.99)	2,500.00	(175,159)	0	0
34	(175,159)	(765.33)	(1,734.67)	2,500.00	(173,430)	0	0
35	(173,430)	(757.62)	(1,742.38)	2,500.00	(171,694)	0	0
36	(171,694)	(749.87)	(1,750.13)	2,500.00	(169,951)	0	0
37	(169,951)	(742.08)	(1,757.92)	2,500.00	(168,199)	0	0
38	(168,199)	(734.25)	(1,765.75)	2,500.00	(166,439)	0	0
39	(166,439)	(726.38)	(1,773.62)	2,500.00	(164,671)	0	0
40	(164,671)	(718.47)	(1,781.53)	2,500.00	(162,895)	0	0
41	(162,895)	(710.52)	(1,789.48)	2,500.00	(161,111)	0	0
42	(161,111)	(702.53)	(1,797.47)	2,500.00	(159,319)	0	0
43	(159,319)	(694.50)	(1,805.50)	2,500.00	(157,519)	0	0
44	(157,519)	(686.43)	(1,813.57)	2,500.00	(155,711)	0	0
45	(155,711)	(678.32)	(1,821.68)	2,500.00	(153,895)	0	0
46	(153,895)	(670.17)	(1,829.83)	2,500.00	(152,071)	0	0
47	(152,071)	(662.00)	(1,837.99)	2,500.00	(150,239)	0	0
48	(150,239)	(653.79)	(1,846.21)	2,500.00	(148,398)	0	0
49	(148,398)	(645.54)	(1,854.46)	2,500.00	(146,548)	0	0
50	(146,548)	(637.25)	(1,862.75)	2,500.00	(144,689)	0	0
51	(144,689)	(628.92)	(1,871.08)	2,500.00	(142,820)	0	0

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance	Excess Payment	Cumulative Excess Pmts.
52	(149,220)	(901.60)	(1,598.40)	2,500.00	(147,632)	0	0
53	(147,632)	(891.94)	(1,608.06)	2,500.00	(146,023)	0	0
54	(146,023)	(882.23)	(1,617.77)	2,500.00	(144,406)	0	0
55	(144,406)	(872.45)	(1,627.55)	2,500.00	(142,778)	0	0
56	(142,778)	(862.62)	(1,637.38)	2,500.00	(141,141)	0	0
57	(141,141)	(852.73)	(1,647.27)	2,500.00	(139,493)	0	0
58	(139,493)	(842.77)	(1,657.23)	2,500.00	(137,836)	0	0
59	(137,836)	(832.76)	(1,667.24)	2,500.00	(136,169)	0	0
60	(136,169)	(822.69)	(1,677.31)	2,500.00	(134,492)	0	0
61	(134,492)	(812.59)	(1,687.41)	2,500.00	(132,860)	0	0
62	(132,860)	(802.46)	(1,697.54)	2,500.00	(131,218)	0	0
63	(131,218)	(792.30)	(1,707.70)	2,500.00	(129,566)	0	0
64	(129,566)	(782.11)	(1,717.89)	2,500.00	(127,903)	0	0
65	(127,903)	(771.89)	(1,728.11)	2,500.00	(126,229)	0	0
66	(126,229)	(761.63)	(1,738.37)	2,500.00	(124,544)	0	0
67	(124,544)	(751.35)	(1,748.65)	2,500.00	(122,848)	0	0
68	(122,848)	(741.04)	(1,758.96)	2,500.00	(121,142)	0	0
69	(121,142)	(730.71)	(1,769.29)	2,500.00	(119,424)	0	0
70	(119,424)	(720.35)	(1,779.65)	2,500.00	(117,695)	0	0
71	(117,695)	(709.97)	(1,789.93)	2,500.00	(115,955)	0	0
72	(115,955)	(699.56)	(1,799.99)	2,500.00	(114,204)	0	0
73	(114,204)	(689.13)	(1,809.87)	2,500.00	(112,449)	0	0
74	(112,449)	(678.67)	(1,819.33)	2,500.00	(110,683)	0	0
75	(110,683)	(668.19)	(1,828.81)	2,500.00	(108,904)	0	0
76	(108,904)	(657.69)	(1,838.31)	2,500.00	(107,114)	0	0
77	(107,114)	(647.17)	(1,847.83)	2,500.00	(105,311)	0	0
78	(105,311)	(636.63)	(1,857.37)	2,500.00	(103,497)	0	0
79	(103,497)	(626.07)	(1,866.93)	2,500.00	(101,671)	0	0
80	(101,671)	(615.49)	(1,876.51)	2,500.00	(99,833)	0	0
81	(99,833)	(604.89)	(1,886.11)	2,500.00	(97,983)	0	0
82	(97,983)	(594.27)	(1,895.73)	2,500.00	(96,121)	0	0
83	(96,121)	(583.63)	(1,905.37)	2,500.00	(94,247)	0	0
84	(94,247)	(572.97)	(1,915.03)	2,500.00	(92,361)	0	0
85	(92,361)	(562.29)	(1,924.71)	2,500.00	(90,463)	0	0
86	(90,463)	(551.59)	(1,934.41)	2,500.00	(88,553)	0	0
87	(88,553)	(540.87)	(1,944.13)	2,500.00	(86,631)	0	0
88	(86,631)	(530.13)	(1,953.87)	2,500.00	(84,697)	0	0
89	(84,697)	(519.37)	(1,963.63)	2,500.00	(82,751)	0	0
90	(82,751)	(508.59)	(1,973.41)	2,500.00	(80,793)	0	0
91	(80,793)	(497.79)	(1,983.21)	2,500.00	(78,823)	0	0
92	(78,823)	(486.97)	(1,993.03)	2,500.00	(76,841)	0	0
93	(76,841)	(476.13)	(2,002.87)	2,500.00	(74,847)	0	0
94	(74,847)	(465.27)	(2,012.73)	2,500.00	(72,841)	0	0
95	(72,841)	(454.39)	(2,022.61)	2,500.00	(70,823)	0	0
96	(70,823)	(443.49)	(2,032.51)	2,500.00	(68,793)	0	0
97	(68,793)	(432.57)	(2,042.43)	2,500.00	(66,751)	0	0
98	(66,751)	(421.63)	(2,052.37)	2,500.00	(64,697)	0	0
99	(64,697)	(410.67)	(2,062.33)	2,500.00	(62,631)	0	0
100	(62,631)	(399.69)	(2,072.31)	2,500.00	(60,553)	0	0
101	(60,553)	(388.69)	(2,082.31)	2,500.00	(58,463)	0	0
102	(58,463)	(377.67)	(2,092.33)	2,500.00	(56,361)	0	0
103	(56,361)	(366.63)	(2,102.37)	2,500.00	(54,247)	0	0
104	(54,247)	(355.57)	(2,112.43)	2,500.00	(52,121)	0	0
105	(52,121)	(344.49)	(2,122.51)	2,500.00	(49,983)	0	0
106	(49,983)	(333.39)	(2,132.61)	2,500.00	(47,833)	0	0
107	(47,833)	(322.27)	(2,142.73)	2,500.00	(45,671)	0	0
108	(45,671)	(311.13)	(2,152.87)	2,500.00	(43,497)	0	0
109	(43,497)	(300.00)	(2,162.93)	2,500.00	(41,311)	0	0
110	(41,311)	(288.87)	(2,172.93)	2,500.00	(39,113)	0	0
111	(39,113)	(277.73)	(2,182.93)	2,500.00	(36,903)	0	0
112	(36,903)	(266.59)	(2,192.93)	2,500.00	(34,681)	0	0
113	(34,681)	(255.43)	(2,202.93)	2,500.00	(32,447)	0	0
114	(32,447)	(244.27)	(2,212.93)	2,500.00	(30,201)	0	0
115	(30,201)	(233.13)	(2,222.93)	2,500.00	(27,943)	0	0
116	(27,943)	(222.00)	(2,232.93)	2,500.00	(25,673)	0	0



Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance	Excess Payment	Cumulative Excess Pmts.
117	(27,976)	(227.30)	(2,272.70)	2,500.00	(25,703)	0	0
118	(25,703)	(208.84)	(2,291.16)	2,500.00	(23,412)	0	0
119	(23,412)	(190.22)	(2,309.78)	2,500.00	(21,102)	0	0
120	(21,102)	(171.45)	(2,328.55)	2,500.00	(18,774)	0	0
121	(18,774)	(150.36)	(2,339.64)	2,500.00	(16,434)	0	0
122	(16,434)	(140.37)	(2,359.63)	2,500.00	(14,074)	0	0
123	(14,074)	(120.22)	(2,379.78)	2,500.00	(11,694)	0	0
124	(11,694)	(99.89)	(2,409.11)	2,500.00	(9,294)	0	0
125	(9,294)	(79.39)	(2,429.61)	2,500.00	(6,874)	0	0
126	(6,874)	(58.71)	(2,441.29)	2,500.00	(4,432)	0	0
127	(4,432)	(37.86)	(2,462.14)	2,500.00	(1,979)	0	0
128	(1,979)	(16.83)	(1,979.32)	2,500.00	0	512.85	513
129	0	0	0	0	0	0	513
130	0	0	0	0	0	0	513
131	0	0	0	0	0	0	513
132	0	0	0	0	0	0	513
133	0	0	0	0	0	0	513
134	0	0	0	0	0	0	513
135	0	0	0	0	0	0	513
136	0	0	0	0	0	0	513
137	0	0	0	0	0	0	513
138	0	0	0	0	0	0	513
139	0	0	0	0	0	0	513
140	0	0	0	0	0	0	513
141	0	0	0	0	0	0	513
142	0	0	0	0	0	0	513
143	0	0	0	0	0	0	513
144	0	0	0	0	0	0	513
145	0	0	0	0	0	0	513
146	0	0	0	0	0	0	513
147	0	0	0	0	0	0	513
148	0	0	0	0	0	0	513
149	0	0	0	0	0	0	513
150	0	0	0	0	0	0	513
151	0	0	0	0	0	0	513
152	0	0	0	0	0	0	513
153	0	0	0	0	0	0	513
154	0	0	0	0	0	0	513
155	0	0	0	0	0	0	513
156	0	0	0	0	0	0	513
157	0	0	0	0	0	0	513
158	0	0	0	0	0	0	513
159	0	0	0	0	0	0	513
160	0	0	0	0	0	0	513
161	0	0	0	0	0	0	513
162	0	0	0	0	0	0	513
163	0	0	0	0	0	0	513
164	0	0	0	0	0	0	513
165	0	0	0	0	0	0	513
166	0	0	0	0	0	0	513
167	0	0	0	0	0	0	513
168	0	0	0	0	0	0	513
169	0	0	0	0	0	0	513
170	0	0	0	0	0	0	513
171	0	0	0	0	0	0	513
172	0	0	0	0	0	0	513
173	0	0	0	0	0	0	513
174	0	0	0	0	0	0	513
175	0	0	0	0	0	0	513
176	0	0	0	0	0	0	513
177	0	0	0	0	0	0	513
178	0	0	0	0	0	0	513
179	0	0	0	0	0	0	513
180	0	0	0	0	0	0	513
181	0	0	0	0	0	0	513

As you can see from our amortization study, the company was truthful about being able to pay off the loan in 128 months (10 years and 8 months). They simply neglected to mention the extra \$1,233.29 per month that must be applied to the loan in order to do so.

While the proclamation is that their schedule is “just math,” they are not comparing apples to apples by using comparable cash flows in their comparisons. They’ve left out some important details. Their fine print makes up for any confusion, however, by implying that payments may be different than stated due to “other factors.”

The company’s proclamation that interest rates “don’t matter” lulls people into placing their trust in a company and paying higher rates because they believe they are getting ahead.



# Another Way to Get Ahead

While we don't advocate for this approach, some clients can insist on the peace of mind that being debt-free can provide. For those clients, we've decided to see what happens if that extra payment of \$1,233.29 were applied instead to their original mortgage. We'll bypass the cost of the \$17 and any other fees they might charge.

If the mortgage payments to the primary lender are accelerated, with a stable interest rate of 4.48%, here's what will happen:

**Loan Analysis 2 - Current Amort. Adding \$1,233.29 per month**

Illustration Per (Months): 112  
 Net Savings Int. Rate: 4.48%  
 Loan Balance: (228,305)  
 Down Payment: 0

Annual Interest Rate: 4.48%  
 Months: 300.0  
 Monthly Payment: (\$1,266.71)

Required: 12.50%  
 Alternate: 111.9  
 (\$2,500.00)

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance	Excess Payment	Cumulative Excess Pmts.
1	(228,305)	(852.79)	(1,647.21)	2,500.00	(226,658)	0	0
2	(226,658)	(846.64)	(1,653.36)	2,500.00	(225,004)	0	0
3	(225,004)	(840.46)	(1,659.54)	2,500.00	(223,345)	0	0
4	(223,345)	(834.26)	(1,665.74)	2,500.00	(221,679)	0	0
5	(221,679)	(828.04)	(1,671.96)	2,500.00	(220,007)	0	0
6	(220,007)	(821.79)	(1,678.21)	2,500.00	(218,329)	0	0
7	(218,329)	(815.53)	(1,684.47)	2,500.00	(216,645)	0	0
8	(216,645)	(809.25)	(1,690.77)	2,500.00	(214,954)	0	0
9	(214,954)	(802.92)	(1,697.08)	2,500.00	(213,257)	0	0
10	(213,257)	(796.58)	(1,703.42)	2,500.00	(211,553)	0	0
11	(211,553)	(790.22)	(1,709.78)	2,500.00	(209,843)	0	0
12	(209,843)	(783.83)	(1,716.17)	2,500.00	(208,127)	0	0
13	(208,127)	(777.42)	(1,722.58)	2,500.00	(206,405)	0	0
14	(206,405)	(770.99)	(1,729.01)	2,500.00	(204,676)	0	0
15	(204,676)	(764.54)	(1,735.47)	2,500.00	(202,940)	0	0
16	(202,940)	(758.04)	(1,741.96)	2,500.00	(201,198)	0	0
17	(201,198)	(751.54)	(1,748.46)	2,500.00	(199,450)	0	0
18	(199,450)	(745.01)	(1,754.99)	2,500.00	(197,698)	0	0
19	(197,698)	(738.45)	(1,761.55)	2,500.00	(195,933)	0	0
20	(195,933)	(731.87)	(1,768.13)	2,500.00	(194,165)	0	0
21	(194,165)	(725.27)	(1,774.73)	2,500.00	(192,390)	0	0
22	(192,390)	(718.64)	(1,781.36)	2,500.00	(190,609)	0	0
23	(190,609)	(711.98)	(1,788.02)	2,500.00	(188,821)	0	0
24	(188,821)	(705.30)	(1,794.70)	2,500.00	(187,028)	0	0
25	(187,028)	(698.60)	(1,801.40)	2,500.00	(185,229)	0	0
26	(185,229)	(691.87)	(1,808.13)	2,500.00	(183,417)	0	0
27	(183,417)	(685.12)	(1,814.88)	2,500.00	(181,602)	0	0
28	(181,602)	(678.34)	(1,821.66)	2,500.00	(179,780)	0	0
29	(179,780)	(671.53)	(1,828.47)	2,500.00	(177,952)	0	0
30	(177,952)	(664.71)	(1,835.29)	2,500.00	(176,117)	0	0
31	(176,117)	(657.85)	(1,842.15)	2,500.00	(174,274)	0	0
32	(174,274)	(650.97)	(1,849.03)	2,500.00	(172,425)	0	0
33	(172,425)	(644.06)	(1,855.94)	2,500.00	(170,569)	0	0
34	(170,569)	(637.13)	(1,862.87)	2,500.00	(168,707)	0	0
35	(168,707)	(630.17)	(1,869.83)	2,500.00	(166,837)	0	0
36	(166,837)	(623.19)	(1,876.81)	2,500.00	(164,960)	0	0
37	(164,960)	(616.18)	(1,883.82)	2,500.00	(163,076)	0	0
38	(163,076)	(609.14)	(1,890.86)	2,500.00	(161,185)	0	0
39	(161,185)	(602.08)	(1,897.92)	2,500.00	(159,287)	0	0
40	(159,287)	(594.99)	(1,905.01)	2,500.00	(157,382)	0	0
41	(157,382)	(587.87)	(1,912.13)	2,500.00	(155,470)	0	0
42	(155,470)	(580.73)	(1,919.27)	2,500.00	(153,551)	0	0
43	(153,551)	(573.56)	(1,926.44)	2,500.00	(151,624)	0	0
44	(151,624)	(566.36)	(1,933.64)	2,500.00	(149,691)	0	0
45	(149,691)	(559.14)	(1,940.88)	2,500.00	(147,750)	0	0
46	(147,750)	(551.89)	(1,948.11)	2,500.00	(145,802)	0	0
47	(145,802)	(544.61)	(1,955.39)	2,500.00	(143,848)	0	0
48	(143,848)	(537.31)	(1,962.69)	2,500.00	(141,884)	0	0
49	(141,884)	(529.98)	(1,970.02)	2,500.00	(139,914)	0	0
50	(139,914)	(522.62)	(1,977.38)	2,500.00	(137,930)	0	0
51	(137,930)	(515.23)	(1,984.77)	2,500.00	(135,932)	0	0
52	(135,932)	(507.82)	(1,992.18)	2,500.00	(133,929)	0	0
53	(133,929)	(500.38)	(1,999.62)	2,500.00	(131,920)	0	0
54	(131,920)	(492.91)	(2,007.09)	2,500.00	(129,895)	0	0
55	(129,895)	(485.41)	(2,014.59)	2,500.00	(127,853)	0	0
56	(127,853)	(477.89)	(2,022.11)	2,500.00	(125,796)	0	0
57	(125,796)	(470.34)	(2,029.66)	2,500.00	(123,724)	0	0
58	(123,724)	(462.75)	(2,037.25)	2,500.00	(121,649)	0	0

Month	Beginning of Month Loan Balance	Interest Charged	Principal Payment	End of Per. Loan Payment	End of Month Loan Balance	Excess Payment	Cumulative Excess Pmts.
59	(121,849)	(455.14)	(2,044.86)	2,500.00	(119,804)	0	0
60	(119,804)	(447.51)	(2,052.49)	2,500.00	(117,752)	0	0
61	(117,752)	(439.84)	(2,060.16)	2,500.00	(115,692)	0	0
62	(115,692)	(432.14)	(2,067.86)	2,500.00	(113,624)	0	0
63	(113,624)	(424.42)	(2,075.58)	2,500.00	(111,548)	0	0
64	(111,548)	(416.67)	(2,083.33)	2,500.00	(109,465)	0	0
65	(109,465)	(408.88)	(2,091.12)	2,500.00	(107,374)	0	0
66	(107,374)	(401.07)	(2,098.93)	2,500.00	(105,275)	0	0
67	(105,275)	(393.23)	(2,106.77)	2,500.00	(103,168)	0	0
68	(103,168)	(385.36)	(2,114.64)	2,500.00	(101,053)	0	0
69	(101,053)	(377.47)	(2,122.53)	2,500.00	(98,931)	0	0
70	(98,931)	(369.54)	(2,130.46)	2,500.00	(96,800)	0	0
71	(96,800)	(361.58)	(2,138.42)	2,500.00	(94,662)	0	0
72	(94,662)	(353.59)	(2,146.41)	2,500.00	(92,518)	0	0
73	(92,518)	(345.57)	(2,154.43)	2,500.00	(90,361)	0	0
74	(90,361)	(337.53)	(2,162.47)	2,500.00	(88,199)	0	0
75	(88,199)	(329.45)	(2,170.55)	2,500.00	(86,028)	0	0
76	(86,028)	(321.34)	(2,178.66)	2,500.00	(83,849)	0	0
77	(83,849)	(313.20)	(2,186.80)	2,500.00	(81,663)	0	0
78	(81,663)	(305.04)	(2,194.96)	2,500.00	(79,468)	0	0
79	(79,468)	(296.84)	(2,203.16)	2,500.00	(77,264)	0	0
80	(77,264)	(288.61)	(2,211.39)	2,500.00	(75,053)	0	0
81	(75,053)	(280.35)	(2,219.65)	2,500.00	(72,833)	0	0
82	(72,833)	(272.06)	(2,227.94)	2,500.00	(70,605)	0	0
83	(70,605)	(263.73)	(2,236.27)	2,500.00	(68,369)	0	0
84	(68,369)	(255.38)	(2,244.62)	2,500.00	(66,125)	0	0
85	(66,125)	(247.00)	(2,253.00)	2,500.00	(63,872)	0	0
86	(63,872)	(238.58)	(2,261.42)	2,500.00	(61,610)	0	0
87	(61,610)	(230.13)	(2,269.87)	2,500.00	(59,340)	0	0
88	(59,340)	(221.65)	(2,278.35)	2,500.00	(57,062)	0	0
89	(57,062)	(213.14)	(2,286.86)	2,500.00	(54,775)	0	0
90	(54,775)	(204.60)	(2,295.40)	2,500.00	(52,480)	0	0
91	(52,480)	(196.03)	(2,303.97)	2,500.00	(50,176)	0	0
92	(50,176)	(187.42)	(2,312.58)	2,500.00	(47,863)	0	0
93	(47,863)	(178.78)	(2,321.22)	2,500.00	(45,542)	0	0
94	(45,542)	(170.11)	(2,329.89)	2,500.00	(43,212)	0	0
95	(43,212)	(161.41)	(2,338.59)	2,500.00	(40,873)	0	0
96	(40,873)	(152.68)	(2,347.32)	2,500.00	(38,526)	0	0
97	(38,526)	(143.91)	(2,356.09)	2,500.00	(36,170)	0	0
98	(36,170)	(135.11)	(2,364.89)	2,500.00	(33,805)	0	0
99	(33,805)	(126.27)	(2,373.73)	2,500.00	(31,431)	0	0
100	(31,431)	(117.41)	(2,382.59)	2,500.00	(29,049)	0	0
101	(29,049)	(108.51)	(2,391.49)	2,500.00	(26,657)	0	0
102	(26,657)	(99.57)	(2,400.43)	2,500.00	(24,257)	0	0
103	(24,257)	(90.61)	(2,409.39)	2,500.00	(21,848)	0	0
104	(21,848)	(81.61)	(2,418.39)	2,500.00	(19,429)	0	0
105	(19,429)	(72.57)	(2,427.43)	2,500.00	(17,002)	0	0
106	(17,002)	(63.51)	(2,436.49)	2,500.00	(14,566)	0	0
107	(14,566)	(54.41)	(2,445.59)	2,500.00	(12,120)	0	0
108	(12,120)	(45.27)	(2,454.73)	2,500.00	(9,665)	0	0
109	(9,665)	(36.10)	(2,463.90)	2,500.00	(7,201)	0	0
110	(7,201)	(26.90)	(2,473.10)	2,500.00	(4,728)	0	0
111	(4,728)	(17.66)	(2,482.34)	2,500.00	(2,246)	0	0
112	(2,246)	(8.39)	(2,491.61)	2,500.00	0	246.06	246
TOTAL \$	(2,246)	(51.449)	(228.369)	289,500	0	246	246

Instead of paying off the loan in 128 months, our client is now able to do it in 112. By simply accelerating payments with a fixed interest rate, their current amortization schedule outperforms the other option. Here, we have a real savings of \$39,733.21, without the need to jump through hoops and sign more contracts.

Using “just math,” you can see those savings up front. The difference in these schedules is a whopping 16 months, of which the client will save \$2,500 in monthly mortgage payments. That’s a total of \$40,000. There’s one excess payment on the primary lender’s plan, returning an additional \$246.06 to the client’s pocket. The HELOC company’s strategy also ended up with an excess payment of \$512.85, and if we subtract the loss of that payment from our \$40,246.06, we’re left with the sum of \$39,733.21. It’s real math, and real savings.

Although we don’t recommend an increased payment plan, some clients will never have peace of mind as long as they have debt. If you’re met with a client who WANTS their debts paid off for this reason, remember to pay close attention to programs like the one above. Often they come with high interest rates and fees, and the client is better off applying that extra money to the lender they’re currently with.



# ■ Part III ■

# Conclusions for Advisors

After that proof, you're probably wondering what made this scheme seem so appealing in the first place. First of all—people want to believe in these kinds of solutions, even if they seem too good to be true. Everyone loves to save money!



Second, many people only view debt in a negative light. Help your clients consider, on the other hand, what responsible debt management can do for their finances today. Almost everyone has debt—in one way or another—but paying it off quickly only depletes your options in the present. Mortgage debt is a “good debt,” one that can create value. By making the lowest possible payment, the client has more money freed up to save or use for their Emergency Opportunity Fund. Using all of the surplus leaves no room for the unknown.

And third, people have built equity up to be so much more than it is. Equity is great, but it's not as valuable as most people think.

To some, more equity equals more control and more financial freedom. This is just one of the myths of mortgages, and puts clients at risk of investing in schemes that won't offer them any real benefit. The allure of equity is just another false selling point to prey on homeowners in a scarcity mindset. These clients fear having too much debt and want to get rid of it as fast as possible.





### The reality of equity is:

- The bank still controls the equity, no matter what.
- Higher equity reduces the loan balance but does not affect the value of the house, which is determined solely by the market.
- More equity reduces negotiating strength with the bank. To access the equity, you must sell the home or qualify for financing to borrow against it.
- Extra payments toward the equity can cause a loss of the home due to a reduction in the amount of available cash outside of the house for emergencies.

The use of Equity in the names of these companies is interesting, first, because equity is controlled by the bank. No matter how much you have, you must go through the bank to access the asset. It's also important to note that two homes in the same neighborhood, regardless of how much equity one has, will grow at the same rate as the surrounding homes. Having more equity will not change the rate at which a home will accumulate equity. It is easy to believe that more equity equals more control, yet the homeowner is never in control of the equity.

Furthermore, the terms of loan repayment plans are often misleading, have missing information, or use their words to lull clients into believing the best. Truth Concepts software, or financial calculators of your choice, are great tools for dissecting and pulling the truth from these schemes. Work from what you

understand about mortgages, and see what comes up—you'll often find what we have found. The math checks out...if you extrapolate the numbers that the companies have glossed over in their reports. We were able to recreate their projections only because we dug for the answers that were hiding in plain sight—the client's P/L margin and the original mortgage payment were more crucial than the company revealed.

Our goal in this paper is not to “out” any particular company, but to emphasize that a HELOC program is not what it seems to be. There are practical steps for homeowners to decrease their debt and save money, but there are no magic solutions. If it seems too good to be true, it probably needs a deeper analysis for verification. More debt, by opening a line of credit from the equity, is not a viable solution to debt.

We looked at JUST one company's report, but the information provided will help you to test these schemes for yourself as they pop up. The terms of repayment are important, yes, but so are the interest rates. Any financial decision you or your client makes should be based on the whole truth of a situation, and that is the bottom line.

# Be informed, Take Action

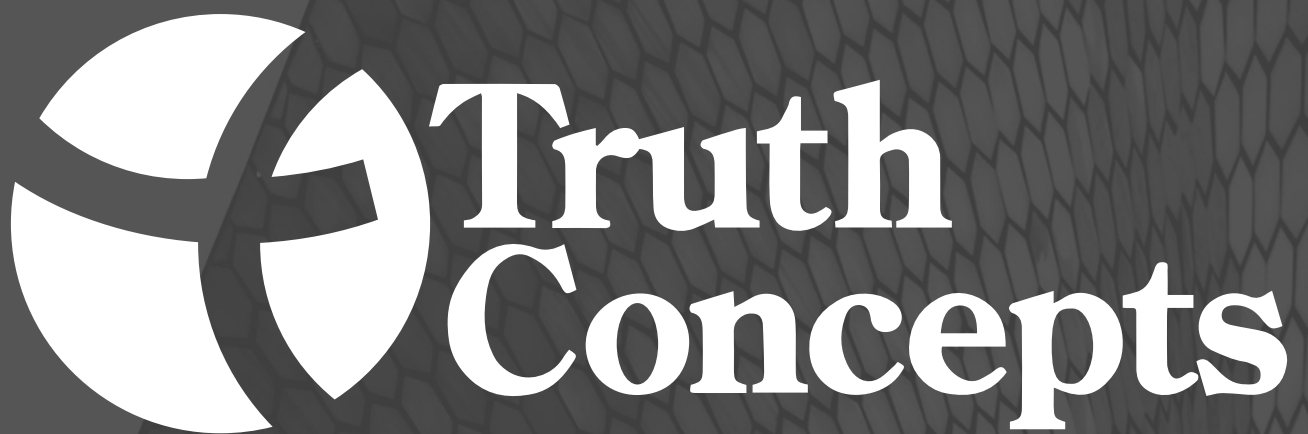
If this paper piqued your interest, find out more about the Prosperity Economic Movement on our website: [Prosperity Peaks](#).

If you are a financial or insurance advisor and want to know more about becoming a member of the Prosperity Economics Movement, please contact us at [Advisor Information](#).

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