

20% DOWN PAYMENT

may be an unwise financial decision

Use these Strategies for Debt Consolidation as well



AssistMyRealtor.com

BUY/SELL vs. SELL/BUY



OWN A HOME AND WANT TO BUY ANOTHER

- Buy **\$250k 20% down** (to avoid PMI Private Mortgage Insurance)
- **\$3000** in property taxes
- **To Net \$55,000** from sale of current home
- Current - **\$5000** in savings and **\$42k in a 401k**

Total Payment

\$1,289 a month with taxes and insurance for the NEW Home

1st Loan #: [] LTV: 80.000/80.000/80.000 Rate: 4.000% Est Closing Date: //
Loan Amount: \$200,000.00 DTI: 11.196/37.933 Not Locked

1003 Page 2

V. Monthly Income and Combined Housing Expense Information

	Gross Monthly Income			Monthly Housing Expenses	
	Borrower	Co-Borrower	Total	Present	Proposed
Base	<input type="text" value="6,520.00"/>	<input type="text" value="5,000.00"/>	11,520.00	<input type="text"/>	<input type="text"/>
Overtime	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text" value="954.83"/>
Bonuses	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>
Commissions	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text" value="85.00"/>
Div. / Interest	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text" value="250.00"/>
Net Rent Inc.	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text"/>
Other	<input type="text"/>	<input type="text"/>		<input type="text"/>	<input type="text" value="0.00"/>
Total	6,520.00	5,000.00	11,520.00	Total	1,289.83

BUY/SELL vs. SELL/BUY

OWN A HOME AND WANT TO BUY ANOTHER

- Cash to Close **\$60,234**
- Note **\$00.00** in seller concessions

- Total Payment **\$1,289** a month with taxes and insurance - Family is comfortable with payment
- However, we **wiped out \$55K** net from sale and **\$5K** in savings. → **NO RESERVES** for emergencies.
- **Only reserve is \$42K** in 401k account.

	250,000.00	j. Subordinate financing	
		k. CC paid by seller	2,150.00
		l. Cash Deposit on sales contrac	
		Seller Credit	0.00
Additional items	4,275.00		
Additional costs	8,109.50		
Additional Fee			
Amount borrower will pay)			
through h)	262,384.50		
		New First Mortgage	
		CC from 2nd	
		CC paid by Broker, Lender, Oth.	
		m. Loan Amount	200,000.00
		n. PMI, MIP Financed	
		o. Loan Amount (m + n)	200,000.00
		Total Credits (j through n)	202,150.00
		p. Cash from borrower	60,234.50

BUY/SELL vs. SELL/BUY

OWN A HOME AND WANT TO BUY ANOTHER

- **Current Home** Situation
TOTAL MONTHLY CASH OUTFLOW
- **\$3285 per month**

	Payment	Balance
House payment	\$1,126	\$156,235
Cottage 2nd home	\$407	\$57,028
Truck	\$597	\$28,179
Car	\$516	\$7,547
Quad Runner	\$169	\$7,194
Student loan	\$166	\$6,673
Student loan	\$100	\$4,119
Student loan	\$90	\$3,524
Credit card	\$114	\$3,783
Total monthly outflow	\$3,285	\$274,282

- So now calculate the **New Home**
TOTAL MONTHLY CASH OUTFLOW
(20% down New Home)
- **\$3448 per month increase of \$163 a month** ($\$3285 + \$163 = \3448)

	Payment	Balance
House payment	\$1,289	\$200,000
Cottage 2nd home	\$407	\$57,028
Truck	\$597	\$28,179
Car	\$516	\$7,547
Quad Runner	\$169	\$7,194
Student loan	\$166	\$6,673
Student loan	\$100	\$4,119
Student loan	\$90	\$3,524
Credit card	\$114	\$3,783
Total monthly outflow	\$3,448	\$318,047

Reserves now depleted.

→ **401k is only reserve fund of 42k**

BUY/SELL vs. SELL/BUY

OWN A HOME AND WANT TO BUY ANOTHER



- Now look at **5% down with PMI**

Payment **increases \$233**
(from 20% down scenario) $\$1289 + \$233 = \$1522$

250,000.00	j. Subordinate financing	
	k. CC paid by seller	2,150.00
	l. Cash Deposit on sales contrac	
	Seller Credit	5,000.00
4,275.00		
8,109.50		
	New First Mortgage	
	CC from 2nd	
	CC paid by Broker, Lender, Oth.	
262,384.50	m. Loan Amount	237,500.00
	n. PMI, MIP Financed	
	o. Loan Amount (m + n)	237,500.00
	Total Credits (j through n)	244,650.00
	p. Cash from borrower	17,734.50

Ask \$5k seller concessions

- Cash to close **5% down with PMI**

Cash to close now **\$17,734** reduced by **\$42,500**
from the 20% down scenario of **\$60,234**

me			Monthly Housing Expenses	
er	Co-Borrow er	Total	Present	Proposed
520.00	5,000.00	11,520.00		
			Rent	
			First Mtg.	1,133.86
			Other Fin.	
			Mtg. Ins	85.00
			RE Taxes	250.00
			Mtg. Ins	53.44
			HOA Dues	
			Other	0.00
520.00	5,000.00	11,520.00	Total	1,522.30

OWN A HOME AND WANT TO BUY ANOTHER

- **5% down Strategy** – Allows to buy non-contingent of selling current home
- *Will act as a much more attractive offer for the Seller*

So where do we get the money to buy 5% down without selling current home and only \$5000 in reserves?

Here is the Overall Strategy

1. Take temporary 401k loan for **\$17k**, *These funds get us into the new home*
2. Sell Current home and Net **\$55k**
3. Pay back 401k of **\$17k** – Now 42k in 401k once again
4. Leaves a net of **\$38,000** in pocket (55k proceeds -17k payback 401k = 38k net in pocket)

\$\$\$ Now the Magic \$\$\$

BUY/SELL vs. SELL/BUY

OWN A HOME AND WANT TO BUY ANOTHER

Recap

- Sold Current home and Net Proceeds **\$55k**
- Paid back 401k of **\$17k**
- Leaves a net of **\$38,000** in pocket

1. Take **\$38k Net Proceeds** pay off **\$29,316** of debt
2. Leaves **\$8,684** in the bank
3. **Reduces total monthly outflow by \$1,065**

Reduces Total monthly out-flow by **\$1,065** ($\$3681 - \$2616 = \1065)

Paid off

- Quad Runner
- Car
- 2 student loans
- credit card

New Home Cash outflow - 5% down Strategy

	Payment	Balance
House payment	\$1,522	\$200,000
Cottage 2nd home	\$407	\$57,028
Truck	\$597	\$28,179
Car	\$516	\$7,547
Quad Runner	\$169	\$7,194
Student loan	\$166	\$6,673
Student loan	\$100	\$4,119
Student loan	\$90	\$3,524
Credit card	\$114	\$3,783
Total monthly outflow	\$3,681	\$318,047

	Payment	Balance
House payment	\$1,522	\$200,000
Cottage 2nd home	\$407	\$57,028
Truck	\$597	\$28,179
Car	\$0	\$0
Quad Runner	\$0	\$0
Student loan	\$0	\$0
Student loan	\$0	\$0
Student loan	\$90	\$3,524
Credit card	\$0	\$0
Total monthly outflow	\$2,616	\$288,731



BUY/SELL vs. SELL/BUY

OWN A HOME AND WANT TO BUY ANOTHER

NOW we dig a bit Deeper

- Buy out of PMI at close - **\$2,664**
- Leaves **\$6,000** from **\$8,664** in bank
- Reduces monthly payment by **\$53** from **\$1,522** to **\$1,468**

Take the **\$38k** pay off **\$29,316** in debt

- Buy out of PMI Still leaves **\$6000** in the bank
- Reduces new total monthly outflow by **\$1,119**

Income			Monthly Housing Expenses	
Borrower	Co-Borrower	Total	Present	Proposed
6,520.00	5,000.00	11,520.00		
			Rent	
			First Mtg.	1,133.86
			Other Fin.	
			Haz. Ins	85.00
			RE Taxes	250.00
			Life Ins	
			HOA Dues	
			Other	0.00
6,520.00	5,000.00	11,520.00	Total	1,468.86

	Payment	Balance
House payment	\$1,468	\$200,000
Cottage 2nd home	\$407	\$57,028
Truck	\$597	\$28,179
Car	\$0	\$0
Quad Runner	\$0	\$0
Student loan	\$0	\$0
Student loan	\$0	\$0
Student loan	\$90	\$3,524
Credit card	\$0	\$0
Total monthly outflow	\$2,562	\$288,731

Now new proposed total out flow **\$2,562** from out flow of **\$3,681** (buying 20% down)

Savings of **\$1,119** when buying 5% down, buy out of PMI and eliminate debt **VS. 20%** down and not paying off debt

BUY/SELL vs. SELL/BUY

OWN A HOME AND WANT TO BUY ANOTHER



Lets go back to the **20% down \$200k** loan amount
30 years total interest paid \$143,739

Mortgage Information		Balance at a Specified Year		Fixed-Rate or ARM	
Loan Amount	200,000.00	Balance at Year ...	15	Variable or Fixed Rate	Fixed Rate
Annual Interest Rate	4.00%	Date	8/1/2034	Years Rate Remains Fixed	3
Term Length (in Years)	30	Interest Paid	100,955.26	Interest Rate Cap	12.00%
First Payment Date	9/1/2019	Principal Paid	70,914.14	Interest Rate Minimum	4.00%
Compound Period	Monthly	Outstanding Balance	129,085.86	Periods Between Adjustments	12
Payment Frequency	Monthly			Estimated Adjustment	0.25%
Monthly Payment	\$ 954.83			Highest Monthly Payment	\$ 955.46
Home Value or Price	\$ -				
Est. Yearly Property Taxes	\$ -				
Est. Yearly H.O. Insurance	\$ -				
Monthly PMI	\$ -				
PITI Payment	\$ 954.83				
Extra Payments					
Extra Payment					
Payment Interval	1				
Extra Annual Payment	\$ -				
Starting Payment #	1				
Total Extra Payments	0.00				
Interest Savings	\$ -				
Summary					
Total Payments	343,739.43	Years Until Paid Off	30	Tax Bracket	25.00%
Total Interest	143,739.43	Last Payment Date	8/1/2049	Effective Interest Rate	3.000%
				Total Tax Returned	35,935

Vs. 5% down 30 years total interest paid \$170,690
Interest increases by \$26,951

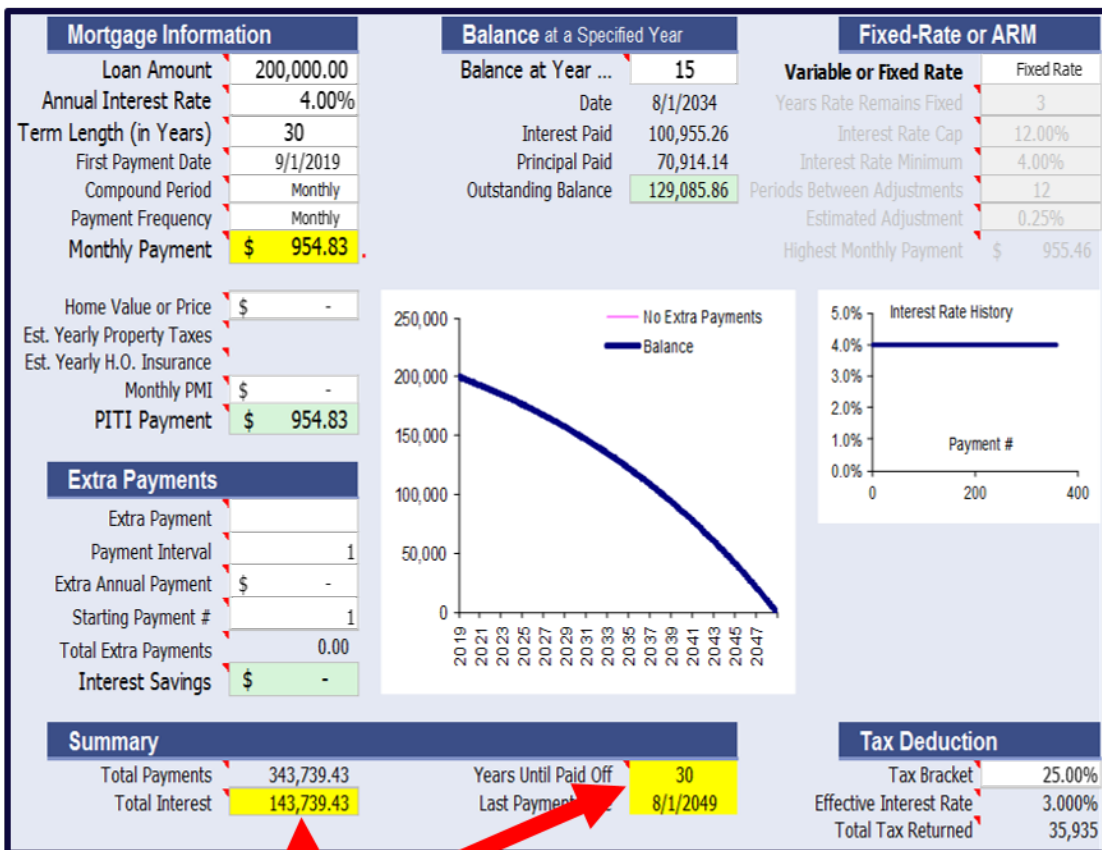
Mortgage Information		Balance at a Specified Year		Fixed-Rate or ARM	
Loan Amount	237,500.00	Balance at Year ...	15	Variable or Fixed Rate	Fixed Rate
Annual Interest Rate	4.00%	Date	8/1/2034	Years Rate Remains Fixed	3
Term Length (in Years)	30	Interest Paid	119,884.29	Interest Rate Cap	12.00%
First Payment Date	9/1/2019	Principal Paid	84,210.51	Interest Rate Minimum	4.00%
Compound Period	Monthly	Outstanding Balance	153,289.49	Periods Between Adjustments	12
Payment Frequency	Monthly			Estimated Adjustment	0.25%
Monthly Payment	\$ 1,133.86			Highest Monthly Payment	\$ 1,134.87
Home Value or Price	\$ -				
Est. Yearly Property Taxes	\$ -				
Est. Yearly H.O. Insurance	\$ -				
Monthly PMI	\$ -				
PITI Payment	\$ 1,133.86				
Extra Payments					
Extra Payment					
Payment Interval	1				
Extra Annual Payment	\$ -				
Starting Payment #	1				
Total Extra Payments	0.00				
Interest Savings	\$ 0.00				
Summary					
Total Payments	408,190.61	Years Until Paid Off	30	Tax Bracket	25.00%
Total Interest	170,690.61	Last Payment Date	8/1/2049	Effective Interest Rate	3.000%
				Total Tax Returned	42,673



BUY/SELL vs. SELL/BUY

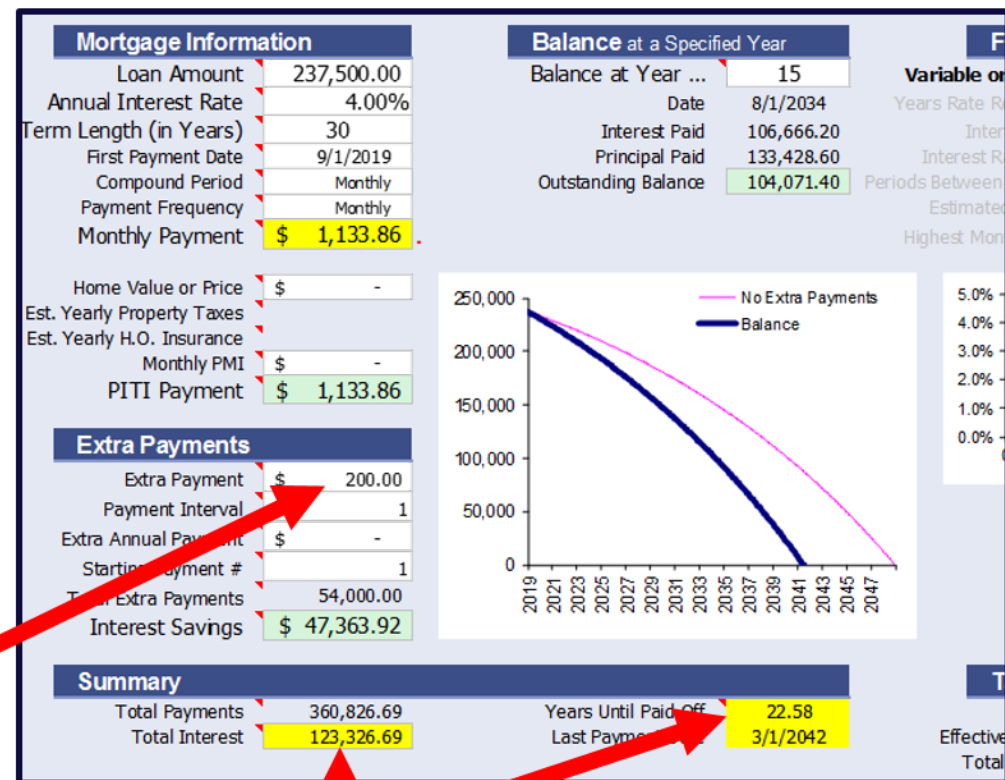
OWN A HOME AND WANT TO BUY ANOTHER

Lets go back to the **20% down \$200k** loan amount **30** years total interest paid **\$143,739**



Vs. 5% down- now add \$200 a month to principal from \$1,119 a month savings we have.

- Total interest paid- **\$123,326**. Interest savings of **\$20,413** over the 30 yr. **20% down, AND paid off in 22.58 years.**
- **No payment for 89 months or 7.4 years**
- **\$1133 principal and interest x 89 month = \$100,837 in additional savings. Total Savings of \$100,837 in payments + interest saved of \$20,413 = \$121,250**



BUY/SELL vs. SELL/BUY



OWN A HOME AND WANT TO BUY ANOTHER

- Now of the \$1119 monthly savings, we add \$200 to the principal each month and pay off in 22 years
- Leaves us \$919 in additional cash flow remaining
- \$519 a month goes into to a “disposable spending” for quality of life. Out to eat, out the movies, fun for the family etc.
- The remaining \$400 maybe invest in a Roth IRA, Mutual fund etc. \$400 a month for 22 year at 4% = \$168,884

The Results Are In

In 22 years, you will have \$168,884.90

The chart below shows an estimate of how much your initial savings will grow over time, according to the interest rate and compounding schedule you specified.

Please remember that slight adjustments in any of those variables can affect the outcome. Reset the calculator and provide different figures to show different scenarios.



Summary

- You have **paid off** your home in **22 years**
- You saved **\$121,250 in interest and principal** VS going with **20% down Strategy**
- You now saved and additional **\$168,884** investing in a retirement type vehicle from the cash flow we created by following this strategy
- Plus you have **\$519** a month in additional disposable income for Quality of Life for your family. That **\$519** in additional cash per month over 22 years equals **\$110,616 in spending cash** for the quality of life events for your family.

Rock On !

Sometimes putting 20% down could be the worst financial decision you ever make

BUY/SELL vs. SELL/BUY



AssistMyRealtor.com

SAVINGS
When utilizing this strategy

Principal & Interest	\$121,250
Invest @ 4%	\$168,884
Fun Money	\$110,616
<hr/>	
Total Savings 5% Down Vs. 20% Down with this Applied Strategy	\$440,750