HOME MORTGAGE

FINANCIAL PLANNING MORTGAGE	PEM MORTGAGE
15 year and/or extra principle payments mortgage	*30 year mortgage*
▶ Less cumulative* interest paid.	▶ Typically less actual net compound** cost.
▶ Lower interest rate.	▶ Higher interest rate.
▶ Shorter time, higher payment, less savings per month.	▶ Longer time, lower payment, more savings per month.
▶ Any additional cash flow applied to the mortgage builds home equity.	▶ Any additional cash flow applied to a “side fund” builds savings outside of the equity.
▶ Some inflation benefit.	▶ More inflation benefit..
▶ Some interest deduction.	▶ More interest deduction.

15 YEAR MYTHS	15 YEAR REALITY
▶ Equity increases the value of the house.	▶ Higher equity reduces the loan balance but does not affect the value of the house which is determined solely by the market.
▶ More equity increases the owners’ financial strength and provides more control.	▶ More equity also causes less negotiating strength with the financial institution. To access the equity, you must sell the home or qualify for financing to borrow against it.
▶ safer risk position from cash flow reduction issues (loss of job, disability, emergency).	▶ Extra equity can cause a loss of the property due to a reduction in the amount of available cash outside of the house for emergencies.
▶ Cumulative* interest paid is the cost of the mortgage.	▶ Total payments minus the tax deduction compounded** at a COM*** rate is the real cost.

*cumulative: simple addition of all payments
**compounded: payments grown by an interest rate over time

***COM: cost of money: a personal earnings rate based upon a weighted average of savings or investment earnings and financing rates currently experienced. ie 4%

