

What Everyone Should Know About Homeownership Accelerator By William Doom, CMPS

I've researched it up and down the river, and even spent over an hour with a good friend who sells tons of the CMG Homeowners Accelerator (HOA). He set up a presentation, and let me view his computer with all of the software, etc. on it. He had me make up a few scenarios, and showed me how quickly the loan would be paid off. Then, I did the same, using current rates and not using the HOA. In every case, the borrower could accomplish virtually the exact same thing with "traditional" mortgages, and sometimes the payoff was faster the "old" way (flat or rising rate environment). He made up some more examples, and again - no difference. Now we can argue whether or not they would actually apply all of their discretionary cash to their "traditional" loans, but they could. The HOA, however, has that as its core assumption.

What it boils down to is that the interest saved by applying all income towards the mortgage balance (which is real) is relatively miniscule. Rather, it is the positive cash flow that is responsible for paying the loan off so fast. That's why the product **REQUIRES** positive cash flow. And that is money applied to the mortgage that is not spent, saved or invested. So to say "you don't do anything different" is misleading at best, because most people don't take every spare dollar they have and send the mortgage company a check each month. They invest, expenses come up, they buy things, life happens.

If you're still confused about the positive cash flow thing, the best way for me to illustrate this is to assume for a moment that someone has "neutral" cash flow (I know, I know- the product isn't designed for that person, but it illustrates my point.) Say they take home \$5,000 a month and the HOA rate is 6% and they owe \$200,000. Even if you assume they deposit their \$5,000 take home pay on day one, and don't have to pay any of their \$5,000 in bills until day 30, they are only "saving" \$25.00 in interest per month. Work that through over time and it knocks about 19 months off the loan. Not a bad deal, but why wasn't it paid off in "half the time?" And since most people **DON'T** get to deposit all of their income on the first and pay all bills on the 30th, their interest savings are in reality much, much smaller.

So at the end, I asked him why do people do this again? After some umms and aahs, he started talking about interest savings, etc. So when I reiterated that we just went through 5 scenarios, and that in the end his HOA guy and my standard mortgage guy both had the exact amount of money left (zero) and mortgage balance (also zero) so how did his guy save anything again? He said that he would share some of his "real life" examples (still waiting) with me to show why it made sense for his customers, but after stammering for a bit, he came up with the fact that many people appreciate the "convenience" of not having to worry about anything.

Finally...the truth. People are lazy. I do get the convenience factor to a certain degree, but how lazy do we all have to be? I'd feel a lot better about the product if it weren't advertised the way it is. But then again, "spend every cent of your discretionary income and pay your loan off in 1/2 the time" doesn't quite have the ring of "Do nothing different and pay your loan off in 1/2 the time." Anyone else see any parallels with the way so many people sold option arms? "the **PAYMENT** rate is 1.25% but interest accrues at 7.5% and there is a 3-year prepay" doesn't quite have the ring of "the interest rate on this great new loan is 1.25%.

One thing always holds true; math doesn't lie a lot of sales people do!

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Contact William directly for a complimentary worksheet that highlights the fallacies of the Homeownership Accelerator Money Merge Accounts.