

HOME OWNERSHIP ACCELERATOR®



FREQUENTLY-ASKED QUESTIONS

1. Why hasn't this loan been offered to the public in the past?

It's simple. Banks have historically dominated the mortgage market, and they make money by paying small interest rates on deposits, and then loaning that money back out in the form of mortgages, earning a profit on the "spread" between their loan rates and deposit rates. If banks offered this to their customers, their spread would disappear, and with it, considerable profits.

2. How does CMG make money on this loan, then?

CMG is a mortgage banker, making money on originating the loan and marketing the underlying financial asset to investors in the secondary market.

3. Will my loan be sold? Who will service it?

CMG works with its servicing partner GMAC Bank, who will service the loan and power the transactional aspects of the product (the ATM card, checks, electronic transfers, etc.).

4. What is my "credit line"?

Your credit line is the maximum amount you can borrow under the terms of the agreement. This is usually higher than your first draw amount, which will typically be used to pay off an old mortgage (in a refinance) or complete a purchase transaction. Your credit line will remain the same throughout the 10-year interest-only period, and then it will decline by 1/240 per month throughout the subsequent 20-year repayment period, reaching zero at the end of the 30-year term. You'll need to keep your principal balance below this line throughout the term of the loan, meaning that you'll at least need to be making progress against paying down principal during the final 20 years.

5. How do I make payments?

Every time you make a direct deposit of your payroll, or add funds from another account, you're in effect making a payment. Then at the end of each monthly statement period, we add a charge for interest based on your daily principal balance. This charge is simply added to your principal balance. You actually only owe interest-only for the first 10 years; after that you'll be in the "repayment period", where your credit line starts to decrease regularly (1/240 per month) so that you do pay off in 30 years, and you'll need to be making progress against both principal and interest during that period.

6. Can I make extra lump-sum payments in addition to my payroll deposit?

Anytime, and this can be beneficial. Moving funds from low-interest deposit accounts or poorly-performing assets into your account will reduce your principal instantly, and save you even more interest, allowing you to pay off even sooner. And, you have access to the additional equity this creates.

7. Should I put all of my available cash into the mortgage?

While we do not recommend putting “all of your eggs in one basket,” if your cash is earning less than your loan’s interest rate, it could be an excellent idea to move a portion of it into the account. Instead of “earning” 1-2% on your deposits, for example, you’ll “save” 5-6% on your interest costs. In effect, you get the same advantage the banks now enjoy with your money. Again, you have access to your available credit line if you need it.

8. Should I close my old checking and savings accounts?

To maximize the effectiveness of the product, you will want to flow as much of your cash finances through the account as possible. The more funds you “park” in the account, the lower your daily principal balance, and the more interest you save.

9. Are my payments FDIC insured?

No. This is a line of credit, not a savings account, and therefore not FDIC insured. You are paying down your home loan, not making a deposit in the traditional sense. Years of traditional banking has trained us to think we need to have a “pile” of money somewhere, when in reality, the banks are using it to loan money to others. In this new approach, you access your wealth in a completely new way — it’s in your real estate investment.

10. How and when does my payment change?

The interest due on your loan may change monthly, based on the 1-month LIBOR interest rate index published by Fannie Mae at the end of every month.

11. What is the LIBOR index?

The London Interbank Offered Rate Index (LIBOR) is an average of the interest rates that major international banks charge each other to borrow U.S. dollars in the London money market. It is one of the most common indexes on which to base mortgages.

12. What happens when I pay off the loan EARLY?

If you pay off the loan early, you still have access to the accumulated equity, up to your credit line amount, until your 30-year term is complete. If you continue to make deposits into the account, and your loan is paid in full, those deposits can be transferred into a money market account online, and your account will still remain open.

13. What happens if my home loses value?

Just like any mortgage, you owe the amount you’ve borrowed, regardless of what happens to the value of your home. The problem some people have when their home devalues is that they end up owing more on the house than the house is worth. However, since the CMG Home Equity Accelerator allows you to pay down principal faster, you’ll stand a better chance of avoiding being “underwater” on your loan as compared to a traditional loan.

14. Do I have to pay off my loan early?

No. You can pay off over the full 30 years if you wish.

15. How do I find out how fast my loan should pay off?

To get an advance estimate of your payoff timing, interest costs, and to evaluate different interest rate environments, visit www.homeownershipaccelerator.net to use our interactive calculator.

16. What happens if I miss a payment?

The loan is ideal for people whose income might vary. During the first 10 years, you only owe interest, which is automatically added to your principal balance monthly, so there's really no "payment" to make as long as your principal balance stays below your credit line amount. The only payment you need to make is to stay below your credit line amount.

17. How do I access the equity my account for expenses?

Just like you access your bank account. You have online access to view your account balances and transactions, and you can access funds via unlimited checks, ATM/Visa P.O.S. card (at any Star or Cirrus network ATM, with 8 surcharge-free visits per month), EFT, ACH and bill-pay.

18. Do I need to change my spending habits?

No. Generally that will not be necessary, and since more of your income will be going towards principal, you'll likely come out ahead even then. However, you'll find that if you can find a way to trim expenses even more, you'll pay off even earlier.

19. Is there a maximum amount you can draw from the account?

You can draw up to your credit line; the amount you have available is the difference between your principal balance and the line amount.

20. Isn't access to all that equity a bit dangerous?

As with any of your finances, you need to be disciplined. You probably get several credit card offers each week, and can easily open a home equity line of credit to access your home's available equity. Any of which offer you the same ability to get into financial trouble.

21. Can I use this loan as a platform from which to make other outside investments?

Absolutely. Sophisticated investors will see it as an opportunity to "borrow" money from their available equity and "reinvest" it in an outside investment at a higher rate of return, netting the difference between the two. Bear in mind that you are borrowing against your home equity to make outside investments, and you should consult your financial advisor as to the risks associated with such investments.

22. What portion of the interest I pay is tax deductible?

According to IRS publication 936, interest paid on a mortgage loan used to purchase, construct, or substantially improve a home is deductible to the extent that the "acquisition debt" does not exceed \$1 million. In addition, if tax law requirements are met (and where state law allows), interest on home equity indebtedness of up to \$100,000 may be deducted in full for income-tax purposes. This means that the interest on the amount of your initial

draw (e.g., to purchase the property) and any substantial improvements would be completely deductible, plus up to \$100,000 over that amount regardless of how the latter proceeds are used. Consult your tax advisor for more guidance.

23. Won't paying less mortgage interest reduce my tax deduction?

Yes, and this is good, because you've eliminated your interest burden. We believe that "interest is not in your best interest." Paying \$3 in interest to get approximately \$1 in tax deductions is not a good long-term strategy. Think of it this way: would you want to pay higher interest rate so that you got a larger deduction? Of course not! So getting rid of your mortgage quickly is prudent. And, of course, while you're still paying down your balance, the interest you do pay IS deductible (see question 22).

24. The loan is based on the LIBOR index – what if rates go up and why is the margin slightly higher than other loans?

Here is where we're changing the way mortgages are viewed. It's no longer about the rate. It's about how many dollars of interest you pay on a lower principal balance. With this loan, your principal balance is continually forced down by your direct deposits, and this can offset the effect of higher rates because you're paying interest on a lower balance. This effect actually compounds as time goes on. The best way to observe this is to use the Interactive Simulator, which can be found at www.homeownershipaccelerator.net. You'll see why the slightly higher margin on this loan, which is required due to its highly transactional nature, can have such a minimal effect on the overall payoff timing.

25. Why is there an annual fee?

Most mortgages do not have the ability to do transactions, and traditional home equity lines of credit only let you write a low number of checks (often with a minimum draw). This is a line of credit which gives you full transactional capabilities, which is what the annual fee helps offset. Compared to the amount of interest you'll be able to save, it's a relatively small fee.