Q1: Why hasn’t an all-in-one type loan product been offered to the public before?
A1: There have been smaller institutions that have indeed launched similar type products. The mortgage products we use primarily today were actually developed during the Great Depression Era, lengthening the repayment terms for borrowers in an effort to making housing more affordable. Since then, there has been no substantial lobby for change and unfortunately, conventional products haven’t kept up with consumer demands and behavioral changes. In time, we believe mainstream lending institutions will eventually evolve too.

Q2: How does CMG Financial benefit by promoting a loan that saves borrowers interest?
A2: Although the vast majority of mortgages purchased in the U.S. are for 30 year terms, most are paid off every 5-7 years, historically, either through a refinance or by sale of the property. So in actuality, lenders only earn income on those loans for a short period of time. But the All In One Loan is different. It provides a variety of benefits not offered with conventional financing and therefore, less incentive to be replaced. The result is reduced risk for a lender, the potential to earn interest income for a greater period of time and the opportunity to develop “stickier” relationships with borrowers.

Q3: Will CMG Financial sell the All In One Loan after it closes?
A3: Yes. CMG Financial sells the All In One Loan note to an end investor or portfolio lender. CMG Financial may or may not retain servicing. Many of CMG’s lending partners choose to service the loan for their own clients.

Q4: Who provides the banking features that come with the All In One Loan?
A4: CMG Financial has partnered with regional deposit institutions, including community banks and credit unions, to provide servicing support for the All In One Loan. These institutions issue the secure access features, an online account, as well as all of the standard fraud preventive and protection services banking clients are accustomed to.

Q5: What are the credit terms of the All In One Loan?
A5: Technically, the All In One Loan is a line of credit. It provides financing for up to 30 years and takes first lien position over all other loans on the property. Much like a credit card, the line of credit represents the maximum borrowing amount; up to 80% loan to value for qualified customers. The line of credit maximum remains the same for the first 10 years and then reduce by 1/240th per month throughout the subsequent 20 year repayment period. That means that borrowers have much more flexibility with their principal loan balance, but are required to keep it at or below the limit throughout the term of the loan.

Q6: How many years can a borrower draw from their All In One Loan line of credit?
A6: Borrowers can draw funds from the line of credit for a total of 30 years as long as their principal loan balance is below their credit limit.

Q7: Is there a balloon payment due?
A7: No, there is no balloon payment due with the All In One Loan, nor is the loan balance ever forward amortized.

Q8: How is a principal payment made?
A8: Every time funds are deposited into the All In One Loan a principal payment is made, meaning, the loan balance reduces by the same amount the day of the deposit. Effectively, deposited funds help borrowers save loan interest at the same rate as the All In One Loan. As an example, if the interest rate is 4% and the borrower deposits their $5,000 paycheck into their All In One Loan with a principal balance of $200,000, the balance would lower to $195,000. Those dollars are now saving the borrower loan interest at a rate of 4% by lowering the balance versus earning near 0% in their regular checking account.

Q9: How are interest payments made?
A9: The billing cycles begin with each new month on the 1st and end with the last calendar day. Interest payments are due on or around the 25th for the previous month’s billing cycle. Any deposits made between the 1st and the 25th will be applied towards the interest payment due. If no deposits are made into the All In One Loan during that same period, or if an insufficient amount of funds were deposited to pay for the interest payment in its entirety, funds will be debited from the account automatically on or around the 25th to pay it in full and keep the account current.

Q10: How are monthly interest payments calculated?
A10: Each night at midnight, the principal loan balance is multiplied by the fully indexed interest rate and then divided by the days in the year (365). That provides a daily interest fee. Monthly interest payments are calculated by totaling each day’s interest once the month has ended.

Q11: Can a borrower make extra payments into their All In One Loan?
A11: Yes, that’s the point! Idle dollars not yet needed for other expenses are better utilized in the All In One Loan as they help lower the cost of monthly interest, but yet, remain accessible to the borrower.
Q12: Should a borrower put all of their idle funds into the All In One Loan?

A12: It’s never recommended to put every dollar into just one financial instrument. However, the All In One Loan leverages those dollars normally flowing through a checking account, prior to being spent. If you consider how much money your clients pass through theirs, you can begin to see how the All In One Loan can rapidly reduce loan principal without forcing a change to lifestyle or budget.

Q13: Why is the All In One Loan so effective at saving interest?

A13: Because it works like a checking account, cashflow positive borrowers save in four ways. First, regular deposits, such as income and short-term savings, drives down All In One Loan principal dollar-per-dollar.

Second, borrowers don’t spend all of their money on living expenses on the same day. Instead, much of their deposited cash remains idle waiting to be spent for days, sometimes weeks. While cash waits to be spent in the All In One, it keeps their loan balance lower, for longer. Interest is calculated nightly on the lower principal balance which results into less daily interest.

Third, the money normally budgeted for a traditional monthly mortgage payment no longer needs to be spent. Those dollars are automatically used to keep the All In One Loan balance even lower.

And finally, extra cash that simply wasn’t needed as part of the borrower’s regular budget, also remains in the account, helping to keep the balance lower for even longer. The lower principal balance along with the interest saved, rolls over into each new month as a lower starting loan balance, which has a compounding effect on interest savings.

Q14: What is the value of All In One Loan fully indexed interest rate?

A14: The value of the All In One Loan fully indexed interest rate is the total of the current 1-month LIBOR index plus a margin of the borrower’s choice. Margin options and index values are displayed on the CMG Financial daily rate sheet. Margins are fixed once locked.

Q15: Aren’t adjustable rate loans more expensive and risky than a fixed-rate mortgage?

A15: That is a common misconception. It truly depends on the borrower’s financing resources, behavior and goals. Adjustable rates, like the 1-month LIBOR index, may move up or down, but the reality is, its value has less impact on a loan’s interest cost than the amount being borrowed and the length of time its borrowed for. Put simply, the longer a borrower remains in debt, the more costly that debt becomes, regardless of a low interest rate. A great example of this is to compare a $400,000 15-year fixed loan at 7% interest and a $400,000 30-year fixed loan at 4% interest - the 7% interest loan is less expensive by about $40,000 not to mention pay-off sooner. This is the entire principle of the All In One Loan. Borrowers no longer need to worry about changing interest rates and spend more time benefitting from a loan that focuses on lowering the balance faster.

Q16: What is the LIBOR index and how is it used?

A16: There are hundreds of indices used around the globe by lenders but in 1984 it became apparent that an increasing number of banks were trading actively in a variety of relatively new market instruments and bankers worried that future growth would be inhibited unless a measure of uniformity was introduced. Officially adopted in January 1986, the London Interbank Offered Rate (LIBOR) index, became the standard benchmark rate among the world’s leading banks and is now regulated by the Intercontinental Exchange (ICE). LIBOR rates are calculated for 10 different currencies and 15 borrowing periods ranging from overnight to one year and are published daily at 11:30am (London time) by Thomson Reuters. Today, more than $350 trillion in financial products are tied to the LIBOR including the All In One Home Loan.

Q17: What is the historically monthly average value for the 1-month LIBOR index?

A17: Since January 1986 the 1-month LIBOR index has averaged roughly 4%, while the Freddie Mac 30-year fixed rate has averaged about 7%.

Q18: Is there a direct relationship between the 1-month LIBOR index and rates here in the U.S.?

A18: Absolutely. The 1-month LIBOR tends to move evenly with the Fed-Funds rate, the overnight rate used by banks in the U.S. to borrow from each other (LIBOR’s “cousin”). Because the 1-month LIBOR and Fed Funds rates are the most influential in the world, these indices move methodically in value, consistent with the global economic environment. The Federal Open Market Committee within the Federal Reserve System (the Fed) is charged by U.S. law with overseeing the nation’s open market operations and may impact the Fed-Funds rate either by changing the capital reserve requirement policies for the nation’s banks or by changing the “target” rate value by which banks use as a benchmark for lending to one another.

Q19: How fast does the 1-month LIBOR index rise or fall historically?

A19: Historically, there have been only 3 major rising and 4 falling rate cycles since January 1986. During those rising rate cycles, the 1-month LIBOR has moved upward at about an average of 18 basis points per month, lasting only about 27 months. During those falling rate cycles, it has moved downward at an average of about 32 basis points per month lasting about 46 months. History speaking, the 1-month LIBOR index has spent more time falling, than rising.

Q20: Are there limits to how much the All In One Loan interest rate can adjust?

A20: Yes. The All In One Loan comes with a lifetime floor, generally set at or near the initial fully indexed rate (1-month LIBOR + Margin) and a lifetime cap set at 6% over the greater of the floor or initial fully indexed rate as described on the note. There are no adjustment rate caps. However, an option may be available to “fix” the fully indexed rate for an intermediate starter-period. Check the CMG Financial daily rate sheet for availability.

Q21: What tools are available to measure borrower suitability and their ability to repay the loan?

A21: Borrowers with great repayment history, positive monthly cashflow and a low debt-to-income ratio make great candidates for the All In One Loan. To measure a borrower’s ability to repay the loan, guidelines take a conservative approach and require the payment used to qualify is based on an interest rate 2% over the fully indexed rate (1-month LIBOR + Margin + 2%), amortized over a 30 year period by the loan amount. To test short and long-term financial benefit, the real test is done by running the All In One Loan Interactive Simulator. Users are prompted to enter incoming net deposits, and outgoing debt payments and regular expenses and in a matter of moments, can view and compare their potential savings. If the All In One Loan isn’t suitable, the Interactive Simulator will make that clear.

Q22: What is the primary benefit of the All In One Loan?

A22: Although it comes loaded with features which provide unmatched flexibility, such as access to home equity dollars, the primary benefit the All In One Loan provides borrowers is the opportunity to save thousands of dollars in mortgage interest. Many consumers simply don’t recognize how much interest comes with a conventional mortgage, and more importantly, how that cost can impede other financial goals. The All In One Loan was developed to help borrowers reduce their mortgage interest expense, by using money they already have, through an instrument they already know how to use, to save interest. Saving interest means having more money left over for the more important things in life.
Q23: Does saving mortgage interest negatively impact a borrower’s taxes?

A23: While the mortgage-interest deduction outlined by IRS publication 936 offers borrowers a benefit, it may not be a good reason to pay more interest than is necessary. The mortgage-interest deduction eliminates only a percentage of a borrower’s tax liability, equal to about 30 cents for each dollar spent on mortgage interest. Therefore, it generally is not logical to keep a mortgage or pay higher interest only because of the tax deductibility benefit. If it was, wouldn’t borrowers seek out the highest interest rate versus the lowest interest rate in order to maximize their deductions? But, every borrower is different. As always, they should consult their CPA or tax advisor for clarity.

Q24: Are deposits into the All In One Loan protected?

A24: Yes, deposits are protected through a homeowner’s insurance policy that a borrower puts in place. In addition, in the event fraudulent account activity were to occur, the selected loan service provider offers measures to safeguard equity dollars from theft.

Q25: Is every household suitable for All In One financing?

A25: No. Although everyone should know about the All In One Home Loan product, it is not a product that will benefit every household in America. That’s the point. Conventional products have their place and help millions of homeowners afford buying a home, but those products may also set other families back who have much more control of their budget. Those borrowers with expenses that are nearly equal to their income are least suitable for All In One Home Loan financing and are potential candidates for other mortgage products.

Q26: Which countries host banks and lenders that have previously developed similar products?

A26: Arguably, America is behind much of the world when it comes to innovating home financing. Products similar to the All In One Home Loan, commonly referred to as Money-Merge Accounts and Offset Mortgages, have been offered throughout Western Europe, Canada, New Zealand and Australia for many years and even decades already. The development of these products is a result of those lenders realizing the importance of building deeper relationships with their customers by allowing them more control and flexibility with their borrowings. The All In One Home Loan represents a change, long overdue, to the way Americans manage their mortgage debt and maintain a deeper relationship with their lender or bank.

Q27: What happens if your borrower spends up to their All In One Loan credit limit?

A27: If your client withdraws funds and their balance reaches their credit limit, they have no more available credit and will not be able to withdraw additional funds until they make a deposit. Checks written will not clear after they reach their credit limit and may be returned by CMG Financial’s banking partner due to insufficient funds, just like a regular checking account.

Q28: What happens if your borrower pays-off their All In One Loan?

A28: The great news is, that’s exactly what the All In One Loan was designed to help your client’s do; pay off early. If that is accomplished before the 30th year, they will retain access to home equity dollars without refinancing for the balance of the 30 year-term, through the line of credit. There is no early pay-off fee or pre-payment penalty.

Q29: Is there an annual fee?

A29: Yes. The annual fee your client can expect is about $60 dollars, charged directly to the borrower by CMG Financial’s banking partner servicing the loan. This fee covers the costs incurred by the bank for your client’s transactional banking activity throughout the year.

Q30: How much does it cost to get the All In One Loan?

A30: It’s truly no different than obtaining any other residential home loan, EXCEPT, that it is designed to reduce the amount of interest your client has to pay throughout the life of the loan. Upfront costs are dictated by the margin your client selects and origination fees if applicable, as well as third-party closing fees.

Geographic restrictions apply. Contact your loan officer for details.