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For the Right Homeowner, an 'All-in-One' Loan Pays Down Mortgage Faster

I was reminded recently about a ***very*** non-traditional mortgage loan option that might interest you. The "All in One" has been available for many years but has been widely overlooked in recent years in favor of low fixed-rate loans. I asked **Jaxzann Riggs**, owner of **The Mortgage Network,** to explain how the loan works.

Let's Talk Home Financing

By JIM SMITH Realtor®

The "All in One" (AIO) loan is aptly named because it ties your mortgage loan and checking account together. They become one account. Dollars left in your checking account overnight reduce your mortgage balance for that day (and subsequently the interest due on the loan).

Typically, the money that you have in your checking account does not earn interest. When your money is sitting in your checking account, it's "working" for your bank, not you. Banks lend out the dollars that you leave in your checking account overnight to other banks, earning interest on those loans.

The AIO checking account (which is also your mortgage account) can be used just like your current checking account. You deposit your earnings into the AIO account and pay your monthly bills (including the monthly mortgage payment) out of the account.

Since the amount of interest that you pay on your mortgage loan is based upon your loan balance, any extra money that you store in your account lowers both your loan balance and subsequently your interest owed for that month.

Interest on your mortgage is accrued daily, so you will benefit even if money is moving in and out of your account frequently. For example, if you are paid on the first of each month but your bills aren't due until later in the month, your paycheck would be lowering your loan balance and interest payment just by sitting in your checking account for a few weeks.

Typically, an AIO borrower will store some portion of their emergency funds or savings into their AIO account. All funds in the account can be used whenever needed, but you will be reducing your mortgage balance by that amount if it's in your AIO account.

Some will ask, **why not just make extra payments to a traditional 30-year fixed mortgage?** While making extra payments on your mortgage will also have the same effect of paying down your principal balance quicker, you won't be able to access the dollars that you have prepaid if you need it in the future. To accomplish that, a borrower with a traditional loan must either refinance his or her current loan or obtain a HELOC to access equity. Also, while you will end up paying off your loan earlier, your monthly payments will always stay the same if you are in a fixed rate product.

Because the All-In-One loan is an adjustable-rate mortgage it is possible that you will be paying a higher rate for the AIO than a fixed rate option. The goal of the AIO is to utilize your excess cash to reduce your loan balance faster than a traditional loan. That is where the value lies.

The AIO can be used to refinance your current loan or to buy your next home, but it is not going to be the best option for everyone. The ideal AIO candidate has a history of having money left over each month after paying all bills. The requirements include a high credit score, and a lower debt-to-income (DTI) ratio than most mortgages allow.

If you are interested, Jaxzann, who is a licensed mortgage broker and certified to offer the AIO, will carefully analyze your current income and spending habits and create a personalized scenario for you. You can reach her at **(303) 990-2992**