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The 'All in One' Loan Links to Your Bank Account, Saving on Mortgage Interest

Let's Talk Home Financing

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Your home is most likely your largest asset and your largest liability. Selecting the right mortgage can save you hundreds of thousands of dollars over a 30-year period. I wrote about the "All in One" mortgage in December of 2022. I asked Jaxzann Riggs, owner of The Mortgage Network, to remind me how this unique mortgage loan works.

While a traditional 30-year fixed rate mortgage is what most homeowners choose, it takes over 20 years to reach the "tipping point" when more of the monthly payment pays down the principal instead of paying for interest. Someone with a $500,000 loan at today's rate of 6.875% will end up paying over $682,000 in interest.

The "All in One" mortgage, or AIO, combines an adjustable rate HELOC with a checking account. For the right borrower, an AIO mortgage loan will be paid in full in a fraction of the time of a traditional loan.

This is how it works… Your bank account tied to the AIO mortgage is debited nightly for the principal and interest due that day. Since the AIO calculates simple interest daily, the money that sits in your AIO checking/HELOC account lowers the interest that you owed on the mortgage loan. Moving "rainy day" savings to your AIO account can significantly lower your monthly interest payment while still being fully accessible. At the end of each month only the accrued interest is deducted from your account, keeping all equity available for use.

Let's look at the actual numbers. Jon and Sue are buying a home and will have a mortgage of $500,000. They have a combined take home pay of $15,000 a month and they normally save $3,000 monthly. They currently have $50,000 in their savings account. A 30-year fixed mortgage at 6.875% would have a principal and interest payment of $3,285 per month, with $2,867 owed in interest in the first month of the loan. Even though the AIO mortgage has a higher interest rate of approximately 9.19%, they can still pay off their mortgage in under 10 years with their current finances. Moving their $50,000 "rainy day" funds from their savings account to the AIO account will lower their balance to $450,000 saving them $375 per month in interest right off the bat.

During the first two years of the AIO mortgage they will be paying more towards interest in the AIO — about $5,000 more the first year and $3,500 the second year, but by the end of the third year they will begin paying less. Since their expenses are less than their income, their mortgage is quickly reducing.

By the end of the first year their balance will be $414,000, whereas the conventional loan balance would still be almost $495,000. After 5 years they will have built about $270,000 in home equity compared to $30,000 on a traditional loan and are paying almost $900 a month less in interest.

By the start of the 8th year, only $951 is taken out of their account for the monthly interest charge compared to $3,285 for principal and interest with a traditional mortgage. When their account reaches $500,000, no monthly payments will be required and they can divert funds to other investments, growing their wealth at an even faster pace.

In addition to paying significantly less in interest, the homeowners have full access to the equity in their home through their checking account.

Jaxzann Riggs, owner of **The Mortgage Network** is an experienced mortgage broker who is well versed and certified to offer the All in One loan. Reach her on her cell phone **303-990-2992** anytime for more information.