

## **Interest-Only Secrets Revealed !**

As of late, more and more people are opting for “interest-only loans”. But they are actually only appropriate for a small group of borrowers. And in some cases, they can be the equivalent of “financial death”.

Here is what you will learn in this report:

- What is an interest-only mortgage?
- How to know if you are a candidate for an interest-only loan
- How to determine if you qualify for an interest-only loan.

### **What is an interest-only mortgage ?**

An interest-only mortgage is a special type of mortgage loan which allows you the option of only making payments on the interest each month. If you have an interest-only loan, you are not required to pay principal and interest every month, as you are with a traditional mortgage loan.

You have the right to choose to only pay interest. Usually, the option to pay interest-only last for a specified period, usually 5 to 10 years.

**WARNING:** If you choose to pay only interest every month, you will never pay down your loan balance and your original loan amount will remain unpaid. (Example – if you obtain a \$125,000 mortgage loan and pay only interest and no principal for the first 10 years, your loan balance will still be \$125,000 at the end of year 10.)

### **How to Determine if an Interest-Only Loan is Right for You**

The first question you need to ask yourself is this: “Am I disciplined enough to pay into a quality investment when I’m not required to?” If the answer is no, an interest-only loan may not be right for you.

Many borrowers opt for an interest only loan to be able to afford a home they would not otherwise be able to afford with a traditional mortgage. We advise against this practice. Only purchase a home if you can afford to pay a full interest and principal payment every month. The consequences of purchasing more home than you can afford can be serious.

An interest-only loan may be right for you if you have a fluctuating income and need the flexibility of paying interest-only when you are strapped for cash. Consultants and other professionals love interest-only loans for this reason.

Additionally, an interest-only loan is great for people who want to invest the money that would have otherwise been paid toward principal into a higher-yielding investment. For this to succeed, your return on the investment must exceed the mortgage interest rate on your interest-only loan.

## **Common Interest-Only Loan Myths**

Myth # 1 – Interest only loans don't require mortgage insurance

Interest-Only loans having a down payment of 20% or less require mortgage insurance in many cases. Some interest only loans are insured by the lender as opposed to a traditional mortgage insurance company. This means that you will pay for the insurance, but it will come in the form of a slightly higher interest rate. Make sure you ask the mortgage broker if, and how, your loan is being insured.

Myth # 2 – Interest-Only Loans amortize faster than regular loans.

Interest-Only loans amortize no faster than a traditional loan. There is no magic connected to amortizing an interest-only loan. A borrower who takes an interest-only option but decided to make a full payment instead, will amortize their loan in exactly the same way as the borrower who chooses a traditional mortgage loan...

## **Do YOU qualify for an Interest-Only Loan?**

Did you know that most people can easily qualify for an interest-only mortgage loan? Although the interest-only option is not available to everyone, it is unlikely you will be turned down for a mortgage altogether.