Money Merge Accounts (Published March '08)

One of the latest financial offerings that has come to my attention is called a Money Merge Account^{TM}(MMA). This system offers that "Qualified homeowners using the Money Merge Account system can now potentially pay off their mortgage in as little as 1/3 to 1/2 the regular time – with little to no change to their day-to-day spending habits and without increasing their minimum required monthly mortgage payments."

Now you should first ask yourself this; where will the money come from? When you sign up for this plan you are instructed to open a Home Equity Line of Credit (HELOC), and to tap it at the outset, making a principal payment to your mortgage. You then use that month's income to pay back the HELOC, but pay any bills due back out of the HELOC. By my math, you will be gaining a better return on your average balance, as most people are now getting about 1% or less on their checking. So if your monthly income is $7,000, you might have an average balance of $5,000. By paying the $7,000 on your mortgage you might save $420/yr (at 6%) but only need to borrow an average of $2,000 at 8% or $160/yr, so you've gained $260/yr. Now, that $7,000 against the principle will save you over $40,000 at the back end, but you are still paying off that difference over time.

Any further gains must come from extra payments, from paying down that HELOC faster and tapping it again to make a pricipal payment. In fact, this is what United First Financial shows in their video presentation. But, contrary to any claims of "no change to spending", the video offers these details in their example; A couple owes $200K at 6% on their mortgage, has $5000 take home pay, $1000 of which is discretionary income. The software (MMA) directs this couple to deposit all $1000 into the HELOC which feeds the additional payments against the mortgage. Now, the regular payment for a 30 year payoff would be $1199.10, but at $2199.10, a mortgage would be paid off in 10.13 years. The video claims to have this mortgage paid off in 10.1 years. I don't know if the system picked up that .03 years or 11 days through the slight HELOC savings or due to rounding, but they did nothing that you could not do on your own. Watch the video and decide for yourself.

There are many variations on this approach, using different words such as "Mortgage Acceleration" or other variations on this theme. I am not suggesting that these plans are a scam or in any way fraudulent, only that one may pre-pay their mortgage on their own with out paying for such a plan. If there is interest, I will create spreadsheets to download that can help readers understand how mortgages are paid, and how you can pay off early.

JOE

Money Merge Accounts (Published March '08)

My March feature article discusses Money Merge Accounts. This system came to my attention a few months back in the form of a question on a usenet newsgroup. Since then, I've gotten as much information as I've been able to uncover and am staying with my gut reaction, that if one has the money and desire to pay their mortgage off early, they would be best off doing it on their own. I've also spent some time and created an MMA spreadsheet which will let you enter your own number and decide for yourself. Add a comment to request a copy. If it helps you save $3500, please donate $35 to your favorite charity in my name.

In other feature articles, I've discussed Bi-Weekly Mortgages, and the general topic of pre-paying one's mortgage. The larger message here is that there are many approaches to take, but whatever you choose to do needs to be in the larger context of the rest of your financial situation.

Note: I've added a page linked from the sidebar with links to sites that discuss MMA in greater detail.

JOE

More on Money Merge (Published April '08)

Earlier this month, I mentioned the Money Merge Account program on my feature site, and, as frequently happens, I find a magazine article coming to a similar conclusion.

The May issue of Kiplinger's Personal Finance magazine has a brief article titled "Don't fall for this mortgage pitch." It's a pretty brief article which again questions whether even prepayingat all is a good idea, but concludes with this punchline; "Salespeople challenge whether you'll follow through on your own – as if spending $3500 for software will ensure that you'll use it. Tell that to couch potatoes whose high-end exercise equipment gathers dust." Amen to that.

I've also added links to highly trafficked discussions regarding this topic, and also written a stand-alone page comparing one MMA agent's example to my own approach using a spreadsheet. I don't know what surprises me more, that the shortcoming of such systems is so obvious, or that people are so desperate they'll pay $3500 for something they can do with a free spreadsheet. I am happy to send a copy of my MMA spreadsheet to anyone that requests it.

(updated 5/4 – I added the link to the article above as the May issue of Kiplinger is now accessible on the web.)

Joe

Money Merge Hyperbole!! (Published July '08)

In a post titled “Money Merge Account Evolution” we are subject to hyperbole, but no numbers. No proof. The latest version of MMA™ claims that if one has a mortgage along with ten other debts, they somehow need to consider 3 million possibilities before paying a dollar to any of these debts. Wow! Did he say 3 million? Is my rule “pay the highest interest rate credit card first, until it’s paid off” too simple? Should I spend even a millisecond deciding between paying my 18% credit card or prepaying my 5% mortgage? And do I really need software to help make that decision?
To be clear, I don’t suggest that MMA™ is a scam. It certainly is not. It does exactly what it claim it will do.* It also lags the math that a simple spreadsheet can offer. A beautiful site called “Discover Money Merge” offers an example, one that spans the just over 10 years that MMA™ will take to retire a 30 year mortgage. Please view their example, I won’t copy their image to avoid any copyright issues. Now look at the year end numbers from my simple spreadsheet (this is for a 30yr, fixed, 6% loan. Their assumption and mine is an extra $1000/mo is available to pay the mortgage.)

Year	MTG Bal	Tot Debt Pd	Total Int
1	185208.41	14791.59	11597.63
2	169504.52	30495.48	22282.94
3	152832.04	47167.96	31999.67
4	135131.23	64868.77	40688.08
5	116338.68	83661.32	48284.75
6	96387.05	103612.95	54722.33
7	75204.84	124795.16	59929.33
8	48835.45	151164.55	63829.87
9	28840.44	171159.56	66343.35
10	3492.10	196507.90	67384.23
11	0.00	200000.00	67408.24

Now compare this to the example linked to above. My spreadsheet – total interest paid, $67408.24, their example, $70,428.19. Where is the savings? Why didn’t the use of the HELOC they recommend along with the extra risk of borrowing funds short term at a higher rate provide any savings at all? If you are completely new to this topic please see the link list above for more details. More to come, I’m sure. If you’d like a copy of the full spreadsheet, please submit a comment with your email address and I’ll send it along.

Joe

* In the interest of disclosure, my view has changed. I left the post above in tact, but my research and reading of all the claims has led me to a different conclussion. The product is a scam, and will cost you far more than ‘do it yourself’ even if the software were free.

Of MMAs and HELOCs (Published July 21 '08)

A couple weeks back in a post titled Money Merge Hyperbole, I discussed the Money Merge product offered by UFF, and focused on the fact that in their published example, it's clear that the use of a HELOC doesn't provide any incremental savings. A kind reader points out on his web site, My Debt Elimination Calculator (update - Greg has taken his site down), that HELOC can provide some savings depending on a number of factors. Among them, the time of the month that income comes in, when bills are due, and the relative differences in HELOC interest rate, mortgage rate, and checking account interest. I agree with this. I'm from the "numbers don't lie" camp and Greg offers numbers to back up his comments on that post. In his examples, the HELOC system saves $2550 more than the prepaying method on a $100K mortgage. (This is for the more realistic example where the borrower doesn't have the (unrealistic) extra $1000/mo, but a more reasonable amount which will reduce the mortgage to 24 years from 30. In this case, Greg's software is capturing over $100/yr in extra savings by using the HELOC. I certainly can't knock a system that beats what I saw on official MMA sites but only costs $30. Take a look through the link above.
One point I must concede is this: It's easier to make a purchase (waste money) when it's from cash in the bank than when you are taking that money as a HELOC withdrawal. Maybe that's what the MMA people are trying to say, but that message is lost to me among all the hyperbole.

I will close with this question and thought. If UFF, with the chance to put their product in the best light, cannot provide an example with real numbers which shows any savings beyond that of the prepaying (which I can illustrate with a free spreadsheet) yet create this illusion of 'sophisticated algorithms' taking millions of dollars to develop, how do they justify a $3500 price tag? On the flip side, you have been introduced to Greg, (whom I just met via my blog) a Computer Scientist who was able to write code providing a solution that actually impressed me looking at his example. I'm sure this debate isn't over.

Joe

Money Merge Innumeracy

Finance, MortgageAdd comments

From Innumeracy.com:
Innumeracy: A term meant to convey a person's inability to make sense of the numbers that run their lives. Innumeracy was coined by cognitive scientist Douglas R Hofstadter in one of his Metamagical Thema columns for Scientific American in the early nineteen eighties. Later that decade mathematician John Allen Paulos published the book Innumeracy. In it he includes the notion of chance as well to that of numbers.

From "Money Merge Advantage", (please note, this blog was suspended by WordPress for TOS violations) an MMA agent's blog:
"In FACT… The software alone could still beat the 2nd scenario (putting the $300 discretionary to the mortgage each month)… WITHOUT using that discretionary income AT ALL. Yes, SERIOUSLY!"

If you have no idea what Money Merge Accounts are, or what I am talking about, please see my Money Merge Linkspage for references and then read on. In the blog I reference, the example starts with $250K, 30 yr, 6.5% mortgage. Then we are told a bi-weekly will provide some $75,800 worth of interest savings. No problem there, a bi-weekly is like paying 8% higher than the required monthly payment, usually in the form of a 13th payment snuck in once a year. The examples then offer that $300 more each month will cut the mortgage down to 19 yrs 8 months, which I still follow. But then the blog writer claims that with no extra money, beyond the $300, MMA will cut the mortgage to 14 yrs 4 months! This is beyond the wildest claims I've seen so far, and completely beyond reason.

Lastly, came the quote above, suggesting that with no extra funds available, the HELOC shuffle alone can produce savings greater than a $300 monthly principal payment would achieve. This raises new and troubling questions. The couple in the example have a net income of $3800/mo. If their HELOC were 0%, and they borrowed this $3800 at the beginning of each month, and paid it back at month's end, it would gain them just under $21 per month, nowhere near $300. And no HELOC offers a 0% interest rate. At best, the HELOC is a percent or two under the fixed rate mortgage. This is simple math, folks, and no "sophisticated algorithms" are going to change the fact that 1+1=2 or that the best one might squeeze out of their HELOC shuffle efforts is $20-$30 per month, certainly not $300.

Joe

Editor's note - we now begin posts from my site after the format changed to a more frequnt blog, and the MMA discussion became a bit of an obsession for me. This was the start of a weekly series that ran nearly a year.

Money Merge Account Analysis Pt 1

As I posted in July, I feel some continued discussion of the Money Merge Account is in order, as many people seem to be getting caught up in the hyperbole. But I am committed to a more general readership, and toward that audience I will keep my MMA posts to appearing on Thursdays. As the dialog regarding this product continues in the blogosphere, I've spent quite a bit of time studying the numbers and writing a series I introduce today. If this topic is of no interest to you, forgive me and please move on, but again, this will be limited to a once per week series until I've exhausted the topic, and my patience.
Joe

I've posted in the past on the Money Merge Account and thought it was time to do a deeper dive into the pros and cons of this program and how it [claims] to work. The first question we need to ask is "do I really want to pay my mortgage down aggressively?" But that question just leads us to more questions;

- Have I studied my monthly budget? Do I have extra money at the end of each month?
- Am I maximizing my retirement plans? Especially a matched 401(k) with either my employer or spouse's.
- Do I have any credit card debt or other revolving debt?
- Have I started saving for my child's college education?
- What is my current after-tax interest cost of my current mortgage?
- Do I believe that the stock market will offer a higher return?
- If my mortgage interest rate is above 6% or so, have I looked to see what a bank will offer me on a refinance?
- If I do refinance, can I afford the payments of a 15 yr mortgage instead of refinancing to a new 30 yr fixed?
- Do I have an emergency fund? If not, am I able to borrow at low interest from an equity line should I have a short term emergency?

You see, the same emotions that would have you feeling so good that you will pay your mortgage down super fast will have you feeling miserable when the furnace goes, and you realize you have to pay for it off your equity line as you have no cash savings at all. Those who cite the current subprime crisis as a reason to pay your mortgage off so fast actually have it backwards. If you bought a house 5 years ago, and found you now live in a house worth far less than the mortgage, you'd have a decision to make whether or not to walk away. But if you paid so aggressively that your mortgage is already half paid off, you've just watched as you poured money down the drain and lived on a fraction of your income to do so. Note: I don't recommend that anyone walk away from their house and mortgage obligations, I just want to make the point that the subprime situation is not a reason to pay one's mortgage faster than they need to.

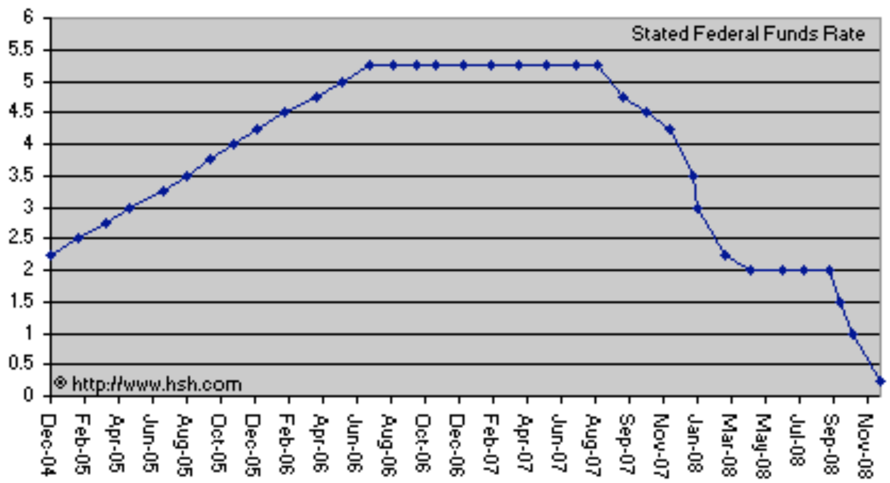
Next week – a closer look at the interest rates

Joe

Money Merge Account Analysis Pt 2

Last week I offered some discussion as to whether or not one would have any reason to pay their mortgage off early. This week I'll briefly focus on one aspect of this decision – the after tax cost of your mortgage vs what you'd expect to earn elsewhere.

Most of the MMA examples offered start with a 6%, 30 yr, fixed mortgage. Now, if one is in the 28% tax bracket, their after tax interest cost is 4.32%. In my state, (Massachusetts) the tax exempt fund now yields 4.2%. From the chart of Fed Funds Rate below,



does it look like rates can continue to fall? As rates creep back up, and you can earn more than your mortgage costs you, after tax, why would you choose to pay down the mortgage? If you lost your job, and the banks freeze further loans from your HELOC, would you rather have a paid off house or two hundred grand sitting in tax exempt muni bonds?

I also suggest you look at the Money Chimp site, and note that in the 10 year period 1998-2007 the average return of the S&P was 6.7%. Had you invested in a low cost (.1%/yr) index fund, you would have seen 6.6% during that period which contained the crash associated with the bursting dotcom bubble. If you are disciplined enough to send all of your disposable income to your mortgage (through the HELOC account) then I believe you are disciplined enough to use those same deposits into an S&P index and dollar cost average into the market for the long term.

Next week – the process of using an MMA account

Joe

Money Merge Account Analysis Pt 3

Finance, MortgageAdd comments

If you have not yet done so, please read part 1& part 2of this series first, then read on.

The classic Money Merge Account examplesuggests a $200,000 mortgage at 6% (normal payment = $1199.10), a monthly income of $5000, net, and $4000 monthly expenses including the mortgage payment. So there's $1000 discretionary income each month.

In the simplest explanation, one takes $5000 from their HELOC at the very beginning of the cycle, and sends it to their mortgage as an additional principal prepayment. At that moment, the software congratulates you for having 'canceled' $23304.42 worth of interest on your mortgage. But during the course of the month, you borrow back $4000 to live on from your HELOC, and pay a higher interest rate (their examples use 8%) than the mortgage. Since you live on $4000 each month, you use the extra $1000 to pay down the HELOC, until the software tells you the right time to borrow more from the HELOC and send it to the mortgage. In one agent's example, after a year of this process, one owes $185,486.95 between their mortgage and HELOC balances. But wait, when I run a simple spreadsheet, no HELOC, just paying the extra $1000 each month along with the mortgage payment, I show a year end balance of $185,208.41. I seem to be ahead by $278.54 even without taking the $3500 program fee into account. Hmmm. Seems that MMA, with all its 'sophisticated algorithms' just creates more work for the user than the simple rule "send your extra money as a prepayment of principal." Funny, one agent offers this as an example of how *easy*the MMA program is; "Your (sic) at the store and you see a great deal on steaks. Can should (sic) you buy them or will that mess up your budget. No big deal. Email or call the software from your mobile phone and it will text you back what you have in left in your budget for food and you can determine based upon what you have at home if you can afford it."
Wait a second. I net $5000/mo. After paying all my normal bills and saving for retirement, I still have $1000/mo, and yet I'm emailing software to tell me whether I can afford to buy steaks on sale? Hello? What's wrong with this picture?

Next week – do the example number make any sense?

Joe

Money Merge Account Analysis Pt 4

Last week, I discussed the classic MMA example. $5000 net income each month. How much income would it take to net $5000 each month? Ignoring state taxes, I calculate $81,000. Here's my math;

Gross	81000
401k	8100
Net	72900
Item	16000
Exemptions	7000
Net Taxable	49900
Tax	6683
SS	6197
Net Income	60021

The first point I'd make is this; $81K is an income that puts a family close to the top 20% of earners, it's not average by any means. Yet, this is the example that's out there. Second, I've been reading how our saving rate has gone negative, as a country. It's pretty convenient that the example chooses a couple who can manage after saving 10% to their 401(k) to still have 20% of their net income still available to pay down their mortgage. Of course, there is no budget offered in any example. Just observing the economy and human nature tells me that few people would be able to come up with that kind of money and actively choose to take all of it and apply it to their mortgage. Problem is, if they showed you an example using just $100 extra per month the savings wouldn't be so dramatic (a 24 year, 6 month payoff, hardly the 10.4 years! you can get by prepaying $1000/mo) and you'd be less inclined to part with your $3500. Agents will tell you there are qualifications for the client to pass before being sold the program, but I have yet to hear of one getting rejected. For that matter, one can become an agent by having the high credentials of a breath and a pulse, little more.

Next week – a discussion of the "HELOC shuffle".

Joe

Money Merge Account Analysis Pt 5

As I discussed a couple weeks back, we are to believe that the use of a HELOC (Home Equity Line of Credit) can somehow help accelerate the paydown of our mortgage.

MMA 'magic' comes from turning one's idle cash at zero interest in their checking account to yield the same as their mortgage, right? And the HELOC shuffle is merely to make up the difference from 'average balance' to maximum balance in the checking account.

From there, the math is simple.
Following the standard 6% example, with a 10.4 year payback, the $3500 cost for the program is $37.77/mo or $453/yr. Since that fee becomes part of the debt, there's no disputing this, right? This is only $4713 for the whole time, not like I'm backending to pay the fee in the last months, in which case I'd claim $6415, or I could use the same math the agents do to show how $250 shoes really cost $1500, and show that the $3500 fee really costs $20,157. (But I'd never suggest that.)

Now, let's ask, what is the maximum money that can be extracted using this plan? Simple, right? $5000 is the monthly cash flow. If I concede that the sophisticated algorithms and precise monthly timing can simply make the $5000 earn 6%, well, that's $300/yr, no? And isn't that the [absurd] maximum that can ever happen? $5000 goes to the mortgage on day one. All bills are due on day 31, but by the time the checks clear, the HELOC has accrued no interest, and that $5000 has effectively earned 6% through the year.

So to summarize;
The logical, mathematical limit of HELOC gain is $300/yr.
The cost of MMA is $453/yr.

quod erat demonstrandum

(Note: the above post was the concept that grew into my guest post on Tracy Coenen's site, the Fraud File blog, if you wish, you can read the longer, more detailed, article there)

Next week – some more MMA hyperbole and obfuscation, not to mention the smoke or the mirrors.

Joe

(Tracy kindly gave me permission to reprint my HELOC shuffle guest post here. Thanks, Tracy!)

The UFF Money Merge Account money shuffle explained

Mon 29 Sep 2008

Pyramid Schemes & MLM, Scam Busting

Guest post by Joe Taxpayer

As I looked at multiple United First Financial agents' sites, I found the common thread was the claim that **one simply can't do this on their own**, that the shifting of funds from a checking account, to a HELOC, and then to a primary mortgage somehow needed such a level of sophisticated computer analysis that it was beyond the average consumer.

But let's dig a bit deeper to understand what savings may or may not be possible with the UFF Money Merge Account. In the classic MMA example (i.e. the one appearing on or linked from most agents' sites) we are looking at a 6% fixed rate mortgage, and $5,000 in net monthly cash flow.

I understand that there's something to be gained by using money that otherwise sits idle in one's checking account, perhaps earning 0% interest. MMA and the use of the HELOC "shuffle" claim to provide a return equal to your mortgage rate on that idle cash. Okay, that sounds like a great deal, buthow much is that worth?

It would be reasonable to assume that one's average daily balance would be about half their income, as they get a paycheck and spend it until the next check comes in. So on $5,000 income, one might run an average balance of $2,500.

MMA software then suggests you borrow another $2500 from your HELOC, and send the entire $5,000 to your mortgage as a principal payment. At the 6% mortgage rate, the $5,000 will save you $25 per month, but even if the HELOC were also 6% (*it's usually at an even higher rate*), half of that is lost, so **your net gain is only $12.50 per month**.

Let's go back to our mortgage calculator (my Texas Instruments BA30 or any calculator on the net) and see what the cost of the MMA software is: $3,500 borrowed at 6% (since it's money I'd otherwise send to the mortgage) and paid down over 10.4 years, the same duration the agents claim I will be done with my mortgage. I find the monthly expense on the software cost is $37.77.

Let's go back to my original math, and stack the deck in MMA's favor. Say I am paid on the first, and all my expenses are somehow due on the last day of the month. This is the logical extreme, is it not? So MMA will claim it's responsible for helping me capture a 6% return on my $5,000 idle checking account balance. This will gain me $25 per month. Even in this "best case scenario for UFF" I **still save less than the $37.77 expense of MMA**.

This simple reason is why one can and should simply make extra prepayments each month or each quarter, for that matter, without any fancy software. The constant reference to the software is simply not needed. It's a waste of time and energy to do multiple money shuffles that won't save you enough to even cover the cost of the software itself.

What many fall for is the confusion caused by most consumers' lack of understanding of the effects of the time value of money.

For instance, along with the first mortgage payment, MMA software might suggest sending $5,000 from your HELOC to the mortgage principal. They will claim you have just "canceled" $23,304 worth of future interest. Indeed you have, but you also have a HELOC loan for that same $5,000, likely at a higher interest rate. So at the outset, you are saving $25 on your mortgage, but paying $33 on the HELOC. You'd be far better off over time to use the money each month that you'd use to pay back the HELOC and just pay it towards the mortgage as it is earned.

On a closing note, keep this in mind – the current prime rate is 5%. Only a year ago, it was 7.75%. MMA salespeople maintain that there's no risk with this system. I believe the risk is high. There's a strong likelihood that you get caught with no liquid cash in an emergency account, instead relying on the HELOC, and you then find you need it when rates have gone back up. Even worse, you could find the HELOC frozen when you need to borrow funds for the broken furnace off a high interest credit card. Just something to consider.

Joe

Money Merge Account Analysis Pt 6

This week, I'll offer some of the exaggerated claims made by those who likely don't even understand what they are talking about.

*"This can be done on your current income, with or without a HELOC (or any other line of credit), regardless of current credit rating–using **proven**tools and banking systems. Again, **muchfaster than you can do on your own!**In fact **Jubilee believes you CAN'T do this on your own, and we can show you why, so let's compare notes**!"*

They can believe what they will, but I can show that a simple monthly prepayment beats their system. Whether you do it on your own is up to you, of course, but as Kiplingermagazine noted, "Salespeople challenge whether you'll follow through on your own — as if spending $3,500 for software will ensure that you'll use it. Tell that to couch potatoes whose high-end exercise equipment gathers dust."

*"Using **'factorial math'**, the new version squelches the challenge of 'I can do this on my own'."*

Factorial Math? Mortgages are nothing of the sort. They use simple arithmetic to calculate interest and payments. Craig Hansen guest posted on the Fraud Files blog and discusses "Factorial Math" in greater detail.

*""Unless you're going to stand there and tell me you can make over **3 million calculations**each time you decide to spend a dollar, it's just not possible to do this on your own." commented **Lee Bradshaw**of **The Jubilee Project**."*

No, I'm going to sit here and chuckle. It's pretty simple, you line up your debt, on an after tax basis. You pay the highest interest debt first. If you can use a 6% (or thereabout) HELOC to consolidate and reduce the rate of higher interest debt, you do so. Let's recall, the target client has an extra $1000/mo available, and with that much free money, they should have no debt other than their mortgage, so 3 calculations aren't needed let alone 3 million.

"Q. Why can't I make extra principal payments to my primary mortgage and achieve the same results?

A. Simply put, the mathematics behind MMA present a sophisticated process that has a substantial financial benefit over increasing your monthly payments. The algorithms in the proprietary MMA system are systematically programmed to create the highest interest savings possible in the least amount of time. The math engines programmed in the MMA system calculate the specific timing and dollar amounts required to produce the most optimum savings possible."

I've already shown (in prior posts in this series) that a simple spreadsheet can beat the MMA system, despite its sophisticated algorithms.

"Q. Is there any risk involved?

A. From a financial standpoint, there is very little risk. No stock market crash or extreme interest fluctuation can completely eradicate the expected outcome. Only homeowners that qualify to significantly reduce their mortgage payoff time and interest will be activated on the MMA *program."*

Really? Banks have recently sent notices out limiting and in some cases, canceling, access to further HELOC withdrawals. If you are caught in that cycle, you may find the next minor emergency goes right onto a 24% credit card.

"It is our pleasure to share with you the toughts (sic) on the Money Merge Account from G. Edward Griffin, author of "The Creature From Jekyll Island." G. Edward Griffin is not only an author but film producer and established political lecturer."

Who is endorsing this program? An author and film producer? Wow! Sign me up! Well known authorities such as [Dave Ramsey]and [Clark Howard], along with numerous legitimate financial publications and web sites have both come to the same conclusion as I have. You need to dig pretty deep to want to take financial advice from a science fiction author.

Next week – More smoke, more mirrors, more innumeracy.

Joe

(I received some interesting replies and decided to include them in this compilation, below)

9 Responses to "Money Merge Account Analysis Pt 6"

1. *Greg*Says:
   October 16th, 2008 at 1:17 pme

   Ah the marketing …. I find it interesting when anyone starts getting analytical about the MMA marketing. First of all – for those that don't know who I am, I am not a representative of UFF. I agree that paying $3500 (or really anything truthfully) for the MMA product is a waste of money. I say that without much knowledge of the product and service (because it has never been provided and I have never tried real hard to get it) that are provided for the price of $3500. And I really don't like being on the side of UFF with respect to anything; however, I have a point of view different about the marketing. I have written a piece of software that you can try out for free that does some of what the MMA is reported to do.

   Unlike Joe, I don't find the marketing egregiously exaggerated. They are just a company trying to sell a product. Some marketing that I have seen does seem to cross a line of being fraud at times, but the items listed here don't bother me and I'll explain.

   Item #1:
   "This can be done on your current income, with or without a HELOC (or any other line of credit), regardless of current credit rating–using proven tools and banking systems. Again, much faster than you can do on your own! In fact Jubilee believes you CAN'T do this on your own, and we can show you why, so let's compare notes!"

   When I analyze this item, I mostly see a statement designed to get a potential customer in the door with the important sentence being: "In fact Jubilee believes you CAN'T do this on your own, and we can show you why, so let's compare notes!"

   It is meant to generate a respone on the order of: "Wow! I can't do this on my own. Well, I guess I better come in and learn about it and decide for myself!" At this point Joe's point about comparing the system vs. regular extra payments should take over (assuming you have the financial intelligence to understand the situation.) IMO, the statement is designed to get someone in the door – not be the definitely word on the product.

I think the "Again, much faster than you can do on your own!" sentence is missing the "if you never make an extra payment" part of the sentence, but it is just marketing – eye candy to try to get your attention.

Items #2 and #3:
"Using 'factorial math', the new version squelches the challenge of 'I can do this on my own'."

""Unless you're going to stand there and tell me you can make over 3 million calculations each time you decide to spend a dollar, it's just not possible to do this on your own." commented Lee Bradshaw of The Jubilee Project."

I don't know if they use any "factorial math" or not. I think 3 million may a reasonable number to use for the number of calculations they perform. And I will absolutely tell you you can not do this yourself. Let me explain.

What is missing is the context. When they talk about the math and the combinations, I believe that they are saying that every time you enter spending or income information into their software they are making a lot a calculations with the new information provided to determine what the most cost effective amount to take out of the HELOC for the extra payment of the mortgage. This calculation is based on determining what is the least amount of interest you will pay on the mortgage and HELOC based on your currently entered or projected spending for the life of your mortgage. My softwaredoes this calculation – I call it the optimal injection amount. My software doesn't do it every time you enter information and I don't use any fancy formulas to compute it. I just brute force it. I have never counted how many calculations it does when finding that value but I suspect a number of a few million is quite probable. It turns out that this computation can save a fair amount of money if you get the injection amount right. The difference in total interest paid can be hundreds and even thousands of dollars in savings by using an "optimal" amount verses an suboptimal amount. But it is based on projected future income and expenses. I don't want to dismiss this number entirely but it is subject to unforeseen future financial events. So their marketing in there area is very defendable. The irony is that some of their strongest statements about their product gets lost and laughed at because some of the weaker statements (and the price) don't create a sound foundation.

Item #4: The first Q&A interchange

This is the weakest of their marketing items that Joe references. Yes, as I have just defended, their "mathematics behind MMA present a sophisticated process" and I show on my website that the "HELOC Shuffle" can (I repeat "can") save money over simple regular extra payments. I suspect that a situation can be created and shown that $3500 spent is recouped. But it is defendable. I have worked at several companies with marketing guys that love to take product features and make the sound like the second coming in the advertising. Does it sell products? Hell if I know. But at minimum if helps them justify their salary.

Item #5: The risk Q & A

The risk doesn't come from the use of the HELOC. The risk comes from financially illiterate people misusing the line of credit and from predatory banks granting lines-of-credit to financially illiterate people. If done in the right circumstances, there is not a lot of risk.

Those are my two cents about some of the marketing. It seems to me that a lot of the noise on the internet about the MMA marketing comes from people who have a very negative opinion about the $3500 fee to begin with and don't really start with an unbiased opinion when analyzing the marketing. (And I don't mean to put you that same category Joe.) They just don't express themselves in an objective manner. If they would start by showing the weakness of the MMA as a product with a bad price and then question what the impact of successful marketing of the product on the financially illiterate, I would have a higher opinion of their hyperbole. A real case can be made about the cost effectiveness of the product and whether the term "scam" should be associated with it.

Greg

2. *JOE*Says:
   October 16th, 2008 at 8:25 pme

   I believe you win the award for the longest comment on my blog. It's longer than any of my posts. I approved it, uncensored, only fixing minor obvious typos.

   There's too much here for me to offer a counterpoint to each of your points, which are well reasoned. I'd like to talk about the HELOC shuffle for a moment, though. I guest posted on Fraud Files Blogand went into this a bit more. I think I did a decent job admitting the value of the shuffle, but proving that it cannot create enough value to even pay the $3500 fee. The system which you sell (linked to your name in the comment) costs $30 as compared to the UFF product which costs nearly $38/mo. So, I'd suggest that your system, if it saves the user even a couple hours over the course of their mortgage, is certainly not overpriced. Fair enough?
   Joe

3. *Greg*Says:
   October 16th, 2008 at 9:39 pme

   Absolutely fair enough. Good series so far Joe. I'm looking forward to rest.

4. *Dave Shafer*Says:
   October 17th, 2008 at 4:49 pme

   Joe, as usual stellar thinking on this product. If you don't mind I am going to link to this post from my blog!

5. *JOE*Says:
   October 17th, 2008 at 5:04 pme

   Dave – thanks again for the kind words, a link is always appreciated, it helps me expand my audience. The series still has a number of posts to go, should wrap up by the new year.
   Joe

6. *Lee Bradshaw*Says:
   October 18th, 2008 at 4:11 pme

   Joe, It is very interesting that those "experts" that have a problem with the $3500, price tag never research the MMA any further. They are usually happy to make assumptions without any facts.
   I think that you will agree that most people out there in the market today are flying blind. One piece of evidence that proves this is the fact that the average mortgage holder in the U.S. refinances every three to seven years. The costs of refinancing is usually much more than $3500. So if we teach our clients to break this cycle and focus on getting their mortgage paid off, instead of starting over every three to seven years, we will save them thousands. This is not calculated in the MMA analysis. Most American don't see that there is a light at the end of the tunnel. Let alone that the tunnel could be a lot shorter that thirty years. Lets face it we are all creatures of habit. Unfortunately financially they are, in most cases, bad habits. The MMA does help our clients to realize that they have those bad habits.It helps them formulate an exit strategy. My average client has read all the negative garbage on the internet and still made up their minds that the MMA benefits greater than I had "hypnotized" them to believe.
   If this product is so terrible where are all of the disgruntled clients. One of the naysayers on one of these blogs says they are all idiots. My average clients save over $150,000. in interest and is on track to pay off their mortgage in one half to one third of the time.
   As for the factorial math. If a client has just a mortgage our product may be over kill. But the average household as thirteen open lines of credit.
   This is all I need to say for now. Remember monuments are never built to honor critics. If you build a better program I would be happy to look and compare it to what I offer my clients.To many times people act like a bunch of crabs in a bucket. Pulling the one back in as he is just about to escape.

7. *JOE*Says:
   October 18th, 2008 at 5:28 pme

   Lee, I am honored by your visit, as you are somewhat of a celebrity in these here parts. I agree that people are in trouble, the saving rate is low if not negative. If you start and end with MMA helping people see their spending habits clearly, I might not object so much. Still a hefty fee, but an important lesson to learn. Lee, most agents, Jubilee included, use hyperbole which borders on fraud. A fine line between marketing hype and simple lies. The discussions surrounding HELOC shuffle and its mechanics seems to only confuse the clients and are beyond most agents comprehension. The Jubilee site references a mortgage broker's recommendation and it's clear that he doesn't understand the difference between principal, interest, average balance or month end statement balance.
   There is no other word for the reference to the Factorial Math other than bullshit, plain and simple. One who has 10 credit accounts needs help of course, no argument there. They are least likely to qualify for a HELOC, but regardless, they need to pay off the highest interest debt first and work their way down. No software or person can give better advice than that, pay the highest rate debt off first. If they are able to get a HELOC, fine, they still should simply line up their remaining debt highest rate to lowest and pay according to the after tax rate on each debt. This is not rocket science.
   I'd be happy to understand how Nick's endorsement is anything but an approval of one very confused client.
   Respectfully,

Joe

8. *Mark*Says:
October 20th, 2008 at 2:02 pme

   Could you please send me your spreadsheet template?

9. *Greg*Says:
October 21st, 2008 at 9:07 ame

   Lee,

   I think everyone should have problem with the $3500 price. With a little education, anyone can figure out how to pay off their debt early. Whether you just make extra payments or implement some version of the HELOC shuffle, all it takes is understanding, commitment, and control of your finances. $3500 is superfluous. Now, if you want to provide the service of financial consoling for a fee to provide the education, no one would object (since it shouldn't cost $3500 for that education.)

Money Merge Account Analysis Pt 7

Whose money is it? By that I mean if you take $1000 and the MMA software tells you you just 'canceled' $4934 in interest off the back end of the mortgage, representing 5 months worth of payments, do you pat yourself on the back for prepaying your mortgage, or do you let someone convince you the savings was from 'sophisticated algorithms'? Let me offer you an example from The Jubilee Project, (this site is has been canceled, I believe Jubilee has moved on to other things) this is from a letter a satisfied client wrote;

*We invested in the **Money Merge Account**May of 2007 without completely understanding how our 30 year fixed mortgage and other debts were going to be paid in full in less than 7 years.*

Well, without getting too pedantic, this is simply not an investment, but that's a tangent I'll skip. One should never go down a path such as this without a complete understanding of what they are getting for their money. The claim that this guy's mortgage would be reduced to 1/4 of its duration should have him curious as heck how exactly this will happen.

*We began the month of June with a zero balance on our HELOC. Following the cues of our Money Merge Account we chose to withdraw **$ 28,538.81**of the banks money from our HELOC and send it to our 1st mortgage as a principle reduction. We then deposited **$ 20,687.17**that had been sitting for 15+ years in a low interest bearing savings account. You will see that our ending balance was **$ 7,851.64**at an interest expense of **$ 7.79**. That interest expense of **$ 7.79**was calculated off of our Average Daily Balance of*
***$ 1,266.39**. For the month of June we had the use of **$ 6,585.25**of the banks money interest free! We found that "A – B = free money" formula to be both counterintuitive and bazaar*(sic)*! Essentially, we leveraged the banks money through the HELOC resulting in what could be called a To-Good-To-Be-True interest savings for us on BOTH our 1st and 2nd mortgages. This simple math edified for us how we will be mortgage/debt free in less than 7 years!*

*1. HELOC: **$ 6,585.25**(leverage & float the banks money with no interest charged)*
*2. 1st Mortgage: **$ 74,073.23**(canceled interest = 10 years of canceled mortgage payments)*
*3. Total Interest Saved: **$ 6,585.25 + $ 74,073.23 = $ 80,658.48***

Now, you can also view that client's HELOC statement, (same site, also down) and you'll see two things. First, he draws a HELOC advance but takes his cash savings and pays it back the same day. Not really an issue, but $20,687 came from that client, and $7,851 from the HELOC. Second, he seems to be so fascinated by the minor interest charge for this shuffle, but it's nothing remarkable at all. The money is drawn on 5/29 and a statement is cut on 6/2. It's 4 days interest, not rocket science. And this client works for a mortgage company? To take this to an absurd extreme, if one borrows $50,000 off their HELOC just before the statement is cut, they may very well see no interest charge at all as none has accrued. But to suggest that it was borrowed at 'no interest' is simply wrong, and again, will be clear after a full month has passed. If he (and his wife) are comfortable to deplete their savings, preferring instead to use those funds to reduce their mortgage term, that's fine by me. He may have other assets to tap, or is comfortable relying on his HELOC if he has a short term need for funds. But don't let the smoke confuse you, he sent his savings to pay down his mortgage.

As far as his note (1) above is concerned, that $6585 is meaningless. He really owes $7851 on the HELOC and it's accruing interest at 7.24%, so unless he pays it down from income, it will be

$47.37 in interest for the (full) month. Not to be too unkind regarding this, the calculation of interest is an important thing to understand. Ending balance ($7851) and average balance ($1266) cannot be subtracted or added, the numbers simply reflect the number of days that loan was outstanding. The only time the client wasn't charged interest was when he had no loan, prior to 5/29. He never borrowed money at zero interest. In (3) his statement that the difference of $6585 was saved interest is <u>nonsense</u>, it's actually the average amount *not borrowed*though the month. Projecting out (3) that he just saved $74,073 due to the prepayment is something I won't dispute, but that was a choice he (or any client) had the day before signing up for MMA. Next month when his furnace breaks down, or transmission goes, or any other unexpected expense rears its head, he will have no savings to draw on, but he will have to tap his HELOC further at the 7.24% rate. I don't imagine the agents selling this software are too eager to discuss this twist.

I also note that since this client is in the business, one would think he'd be refinancing his mortgage to a lower rate, not using a higher interest (which should have dropped over the last year) HELOC to float that debt. The owners of Jubilee find this client's letter to be proof of MMA success? I think this proves nothing, except how easily people are confused, and even the so-called experts do not understand how mortgages work.

The client goes on to offer:

The interest canceled for our $ 3,500.00 investment in the Money Merge Account for the month of June '07 was $ 80,658.48.

Ok, let's think on this. I don't know what his mortgage balance was, or its rate. But I do know that his reference to the $6585 is misguided at best. He saved $74,073 but this just reflects the time value of money. Where does he account for the $3500 fee? Anyone can take their saving and throw it against the mortgage, can't they? And what of the $7851 HELOC balance? It's now costing him more interest than his mortgage was, as it has a higher rate. It's really easy to look at a spreadsheet or calculator and see that at the beginning of a 30 yr mortgage, if you make a lump sum payment of say, $10,000, you just reduced your balance by $53,624. If it's from your savings, you just got a return on those funds equal to your mortgage rate, nothing wrong with that. But if you borrowed it off your HELOC, at or above the rate you pay on your mortgage, you've accomplished nothing, and are worse off.

Next week, I take a step back and discuss the 'rule of 72′ and how mortgages work.

Joe

Money Merge Account Analysis Pt 8

I think we are at the point in this series where I should take a step back and offer a simple overview of how mortgages work. First, to show you how simple this topic is, I will offer you the "Rule of 72″. If you divide an interest rate (6% in most MMA examples) into the number 72, you get the number of years it takes money to double. 6 into 72 is 12. So at 6%, it would take money 12 years to double. Now, let's look at the first lines of an amortization table for a $200K 30yr fixed mortgage at 6%;

				Balance
Month	Payment	Principal	Interest	200000.00
1	1199.10	199.10	1000.00	199800.90
2	1199.10	200.10	999.00	199600.80
3	1199.10	201.10	998.00	199399.71
4	1199.10	202.10	997.00	199197.60
5	1199.10	203.11	995.99	198994.49

Here, we see that the monthly payment is $1199. What would we save at the end if we sent $100 more to the mortgage? Well, 24 years is twice the 12 it takes to double, so at 6%, in 24 years we'd have $400, another 6 years, and it should be worth close to $600, right? Well, back to the amortization schedule and we see that if we pay an extra $200.10 along with the mortgage payment due for month 1, we actually get a full month ahead on our schedule. Agents selling MMA use the word 'canceled' for this process, saying that "MMA canceled $999 in interest in just one month." And in a case that lies north of innumeracy, and south of hyperbole, they suggest that you got a 500% return on your money, instantly. You can see how on one hand, the math is pretty easy, you can get very close without even using a calculator, yet on the flip side, one who doesn't understand the numbers can be convinced of something not true. $200 today is the present value of $1200 30 years hence at 6%/yr. So, you can look at this 2 ways, the extra $200 payment pays the payment #360 in advance, as it knocks off the last payment due, or looking at above, you've just paid payment #2, and next month, you are on line 3 of the table. The amount you prepay against principal doesn't need to be any particular amount. If you have $100/mo extra, over one year's time you will have paid your mortgage ahead by about 6 months. To be clear on this last thought, using a spreadsheet on your computer will give you exact numbers, but even a printed spreadsheet you track with a pencil is all most people actually need to get the job done.

Next week, we will continue and conclude our discussion of mortgage math.

Joe

Money Merge Account Analysis Pt 9

Last week, we started to discuss how mortgages work, showing the effect of paying a small extra principal payment along with your mortgage. Now, I'd like to offer at a glance, the require payments for a $200K, 6% fixed rate mortgage for different lengths of time:

Years	30	25	20	15	12	10
Payment	1199.10	1288.60	1432.86	1687.71	1951.70	2220.41

We can see above that a small increase in monthly payments, $89, will drop the payoff from 30 years down to 25. Another $144, and it would drop down to 20 years. Again, this is simple math, not rocket science. MMA examples suggest that an additional $1000 per month and MMA will have you pay your mortgage off in 10.4 years. Look above, a 10 year mortgage has a payment $1020 higher than the 30 year mortgage. If you wish to pay your mortgage off in this amount of time, regular prepayments will achieve the same results as any expensive software.

It's important to note that shorter term mortgages always offer a lower rate that the longer term. Typically, a 15 year will be 1/2% lower than a 30 year mortgage. What does that mean to you? It suggests that if you are aggressively paying ahead you will find that when you show you are at the 12-13 year mark (i.e. about 17-18 years left) you may be able to refinance to a 15 year loan and see only a slight increase in required payments.
More important, this implies that if you have the ability to throw all this money at the mortgage, why not consider the shorter term in the first place? This is something the agents never seem to discuss, perhaps because they don't understand how mortgages work.

Next, let me offer another snippet of spreadsheet, this one similar to last week's but with some additional details:

Month	Payment	Principal	Interest	Extra Payment	Balance 200000.00	Months Remaining	Interest Cancelled
1	1199.10	199.10	1000.00	1000.00	198800.90	354.05	4933.75
2	1199.10	205.10	994.00	1000.00	197595.80	348.25	9696.10
3	1199.10	211.12	987.98	1000.00	196384.68	342.58	14295.90
4	1199.10	217.18	981.92	1000.00	195167.50	337.03	18741.31
5	1199.10	223.26	975.84	1000.00	193944.24	331.62	23039.90

What I added above were two additional columns, one to show remaining months until the mortgage is paid off, and next, the amount of interest that you will *not*pay due to prepayments. You can see, the first extra payment of $1000 reduces your mortgage by an extra 5 months, so after that first payment you have only 354 payments left (plus a bit). After those first two prepayments, you are now a year into your loan, with just 29 years to go. This is from a larger spreadsheet I offer my readers, one in which you can enter your mortgage amount and interest rate. You can then track your own progress on your loan and see what impact any prepayments would have on your payoff time.
Note: The spreadsheet I referenced is available upon request only. At this point, I still prefer to track how many times I've sent it out, and follow up with the people who have requested it, asking for comments and questions. Please add a comment if you wish to receive a copy.

Next week, more on the HELOC shuffle.

Joe

Money Merge Account Analysis Pt 10

I received a number of emails after part 5 where I mentioned the HELOC use, but didn't explain what MMAs claims are regarding this process. So let's review the claims of the MMA agents.

While an honest agent will acknowledge that the prepayment of principal mostly comes from the paychecks of the home owner, many have managed to exaggerate the saving due to HELOC use and suggest that one can't do this on their own. In the classic example, the client has $5000 worth of income, and $4000 in expenses. You'd imagine that during the course of an average month the client will see that their (0%) average monthly balance is as much as $3000, even though they may end the month with little sitting in checking. So what MMA claims to do is to borrow the difference ($2000) from the HELOC, depositing $5000 toward mortgage principal, and borrowing back from the HELOC as expenses arise. In theory, if the HELOC rate were the same at the interest rate on one's mortgage, this strategy would create a rate of return on that average $3000 equal to the rate on the mortgage. But as I reviewed in my part 5 in this series, even if we assume the entire month's income is available the whole month, the best we'd see from the HELOC use is $5000 x 6%, or about $300 per year. If we fall back to the $3000 average balance, the savings is just $180/yr. Not bad, right? But when we take the cost of MMA ($3500) and pay it off over the 10.4 year example, we find the annual expense to be $453/yr. For MMA to just break even would require an average checking balance (which for some odd reason is earning 0%) of $7,550. This would imply a monthly net income closer to $10,000 at a minimum. Nowhere else are these numbers discussed or disclosed. The latest version of MMA (V4) does take the claims to a higher level. The new software assumes another month's float from the client using a credit card to charge every expense for the month, and use that float to pay toward the mortgage. Don't fall for that either.
The agents promoting MMA manage to combine their own lack of understanding with a series of outrageous claims and take advantage of the average Joe not understanding how compound interest works. So far, in this series I have shown you the maximum amount you can possibly ring out of your 'idle' cash, and have shown how it's a tiny fraction (a thousand dollars, if that much, vs the $164,000 in interest one can save) of the savings simply created by prepaying your mortgage with that same $1000/mo free cash flow.

Joe

Money Merge Account Analysis Pt 11

When I was discussing Mortgage interest, I received a few emails asking to to spell out a bit more clearly how regular mortgages calculate interest vs how home equity lines of credit (HELOCs) calculate. Fair enough.

One disclaimer; before you act on my explanation here, confirm with your bank that your mortgage is as I describe. I share here my understanding and experience, but it's certainly possible that your bank follows different rules.

A standard fixed mortgage with a due date of the first of each month will often have a grace period allowing payments up to the 10th or even the 15th of the month with no late fee and no extra interest accrued to the account. On a monthly payment of $1200, this extra 15 days float is worth about $36 assuming a 6% mortgage. You see, it's money available 15 days per month or half the time, so half of $72 is $36. Not a huge sum, but if your bank has a grace period this generous, you can save a bit by taking advantage. Just as the bank may have a grace period, they will not offer you any savings by paying a week, two weeks, or even a full month early unless you specifically note the extra funds are to go to principal. In that case the next regular payment is still due on the upcoming first of the month.

A HELOC, on the other hand, charges interest to your account based on average daily balance. I know of no bank that will lend you money from the 1st to the 29th but if your balance is $0 on the 30th will charge you no interest. That suggestion is absurd, and repeated by people who are either very confused, or those trying to perpetuate a lie. Just because someone in the mortgage business believes he "borrowed the bank's money interest free" doesn't make it so. In fact, it undermines his credibility as well as the agent who uses such nonsense as "proof" and a testimonial. To be clear, whatever the rate is on your HELOC is multiplied by your balance at each day's end and accumulated over the course of the month. If you borrow money on the 1st and pay it in full on the 3rd, that's 2 days interest. If you run a small balance, this may just amount to pennies, but you are still being charged this interest each day.

MMA agents will confuse you with this even more easily than they confused this mortgage broker. They will suggest that there's some magic to the the way HELOCs calculate interest vs how the standard mortgage calculates. There may very well be a few dollars savings to be captured, but that's nothing compared to the $1000 you are prompted to pay each month from your own money. Don't be confused into believing the software creates this savings. In fact, when you ask an agent to run an analysis using as little discretionary income as possible, you'll find they offer you numbers that easily show the lack of value of this software. I'll discuss their analysis further in a couple weeks.

Joe

Money Merge Account Analysis Pt 12

It seems appropriate that I've reserved Thursdays to discuss the Money Merge Account and Thanksgiving is celebrated on Thursday. I know, I'm a bit predictable. Here it comes. MMA is a turkey. Happy Turkey Day.

I believe the Turkey is saying "the factorial math will save you a bundle, you can't do this one your own!".
Joe

Money Merge Account Analysis Pt 13

A reader sent me this analysis. He asked that I remove both his name as well as that of the agent who generated this.

Amortization Comparison 25 October 2008

Prepared by:

1111 any street any town, AK
UT0001-30557

Current Debt Schedule

Debt Amount:	$200,000.00
Remaining Term:	361
Principal Payments:	$200,000.00
Interest Payments:	$231,677.03
Total Payments:	$431,677.03

Year	Principal Paid	Interest Paid	Total Paid
1	$2,456.01	$11,933.19	$14,389.20
2	$5,063.50	$23,714.90	$28,778.40
3	$7,831.80	$35,335.80	$43,167.60
4	$10,770.87	$46,785.93	$57,556.80
5	$13,891.20	$58,054.80	$71,946.00
6	$17,204.00	$69,131.20	$86,335.20
7	$20,721.13	$80,003.27	$100,724.40
8	$24,455.19	$90,658.41	$115,113.60
9	$28,419.54	$101,083.26	$129,502.80
10	$32,628.40	$111,263.60	$143,892.00
11	$37,096.85	$121,184.35	$158,281.20
12	$41,840.91	$130,829.49	$172,670.40
13	$46,877.58	$140,182.02	$187,059.60
14	$52,224.89	$149,223.91	$201,448.80
15	$57,902.02	$157,935.98	$215,838.00
16	$63,929.31	$166,297.89	$230,227.20
17	$70,328.35	$174,288.05	$244,616.40
18	$77,122.06	$181,883.54	$259,005.60
19	$84,334.76	$189,060.04	$273,394.80
20	$91,992.34	$195,791.66	$287,784.00
21	$100,122.24	$202,050.96	$302,173.20
22	$108,753.57	$207,808.83	$316,562.40
23	$117,917.27	$213,034.33	$330,951.60
24	$127,646.17	$217,694.63	$345,340.80
25	$137,975.11	$221,754.89	$359,730.00
26	$148,941.13	$225,178.07	$374,119.20
27	$160,583.51	$227,924.89	$388,508.40
28	$172,943.97	$229,953.63	$402,897.60
29	$186,066.78	$231,220.02	$417,286.80
30	$200,000.00	$231,677.03	$431,677.03

Money Merge Account

Debt Amount:	$203,500.00
Projected Payoff:	345
Principal Payments:	$203,500.00
Interest Payments:	$224,424.68
Total Payments:	$427,924.68

Year	Principal Paid	Interest Paid	Total Paid
1	$2,684.25	$12,544.95	$15,229.20
2	$5,564.61	$24,893.79	$30,458.40
3	$8,659.18	$37,028.42	$45,687.60
4	$11,986.95	$48,929.85	$60,916.80
5	$15,573.40	$60,572.60	$76,146.00
6	$19,443.49	$71,931.71	$91,375.20
7	$23,626.94	$82,977.46	$106,604.40
8	$29,123.18	$93,667.89	$122,791.07
9	$33,502.54	$104,015.31	$137,517.85
10	$38,152.00	$114,092.63	$152,244.63
11	$43,088.23	$123,883.18	$166,971.41
12	$48,329.07	$133,369.28	$181,698.35
13	$53,893.00	$142,532.13	$196,425.13
14	$59,800.11	$151,351.80	$211,151.91
15	$66,071.54	$159,807.15	$225,878.69
16	$72,729.96	$167,875.67	$240,605.63
17	$79,798.90	$175,533.51	$255,332.41
18	$87,303.82	$182,755.37	$270,059.19
19	$95,271.64	$189,514.33	$284,785.97
20	$103,731.05	$195,781.86	$299,512.91
21	$112,712.08	$201,527.61	$314,239.69
22	$122,247.02	$206,719.45	$328,966.47
23	$132,370.04	$211,323.21	$343,693.25
24	$143,117.59	$215,302.60	$358,420.19
25	$154,527.86	$218,619.11	$373,146.97
26	$166,641.90	$221,231.85	$387,873.75
27	$179,503.10	$223,097.43	$402,600.53
28	$193,157.71	$224,169.76	$417,327.47
29	$203,500.00	$224,424.68	$427,924.68

Saving Summary

Payoff	Months Paid	Months Saved	Years Paid	Years Saved	Interest Paid	Interest Saved
July 2037	345	16	28.8	1.3	$224,424.68	$7,252.35

Note: you may right-click the image to open it in to a larger size for easy viewing.
The potential client asked the agent to run the standard scenario ($200K, 6%, 30yr fixed) but with no extra payments. She (the agent) insisted that the software would not go that low, and said she put in $25/mo extra. OK, do the math. Total paid = $427,924. Months paid = 345. Well, that divides to $1240.36 which is $41.26 more than the $1199.10 required payment, and not the $25 she claimed to enter. Further, in her example, she claims to have saved $7252 in interest which may be, but at a cost of $3500. When I enter $25 into my own excel sheet (or any mortgage calculator) as an extra payment I find the mortgage over in month 341, and total

interest saved to be $14966. This is with no HELOC shuffle, no sophisticated algorithms, or factorial math for that matter. The most important question you must ask is where did all the claimed savings go? MMA saves you $7252 (since I can't see the calculations behind it, I'll take her number at face value) vs straight prepayment saving you $14966. So as I hope to get close to the end of this series, I again state how I fail to see any value at all in the MMA process. The numbers here show that if it were free, it would still bring you up short $7714. The month end prepayment takes no time at all, just add what you will to you mortgage check. MMA requires you to consult it daily so it can perform billions of calculations. All that math, and what do you get? You get to pay $3500 to come up short $7714. By the way, when the potential client asked the agent about the monthly extra payment looking higher, the agent replied to him "*The $50 a month is technically only $25 because the program thinks you're being charged $25 a month for a service that is now included. The analysis software is still showing this charge, which is why I added the extra discretionary income. However, it is canceled out by the $25 charge in the analysis, so it is really only working with $25 a month when it shows $50. Sorry that is so confusing. Have your friend run your numbers with $25 a month to compare apples to apples.*" Huh? Ok, I used $25, and MMA lost. Badly. The agents like to say "it's math, not magic." Amen to that.

Joe

(I invite any agent to correct the analysis sent to me. In fact, I invite any agent to write a guest post which I will publish unedited, aside from obvious typos. I will not even comment on it until the next Thursday, if at all.)

Money Merge Account Analysis Pt 14

In the spirit of the exaggerated claims made by the proponents of the money merge account, this is a fictional story. I could easily claim it to be true, a sad tale written to me by an MMA client, but that isn't my style. With that disclaimer in place, please read on.
MMA agents have for years claimed that a large portion of the saving is due to the HELOC Shuffle. In fact one popular agent's site states "Because much of the savings of this program come from homeowners repositioning the unused money that they normally do not spend and leave sitting in their standard checking or savings account, little to no lifestyle changes are needed." (For this post I'm ignoring how anyone can claim that no change in lifestyle is experienced by one who is prompted to sent all their discretionary money to their mortgage. 'Discretion' implies choice. If that choice is pulled from me, it's no longer discretionary money.) So, the premise we are left with is that MMA utilizes the shifting of money between paycheck, HELOC, and bills due to capture some savings.
From a cleverly titled article "When a HELOC freezes over" (among others), I find that more and more banks are reneging on their HELOCs, not extending any further credit. Now for my story:

An MMA client (we'll call him 'Steve') signs up for the program. The classic example almost followed with one minor exception. He has a $200,000 6% mortgage, but instead of $1000 per month discretionary income, he's closer to just $500. As honest agents warn, you must have some extra funds for this program to work, and $500 should have a nice impact on a mortgage that only had a $1199 monthly payment due. (and the agent rightly projects a 15 yr payoff, saving him $129K in interest). The first thing Steve does after signing up is to log in and see that the $20,000 sitting in his 2% saving account will knock not just 10% of the time off his mortgage, but a full 6 years 9 months, saving him $77K in interest! Wow! He sends this sum from the HELOC to his mortgage, and pays the HELOC back the same day from savings (don't ask me why – this is just how MMA wants you to do it, so you think the software created all the savings.) He then brags to his friends how he's beat the system and found the next best thing to the holy grail. He adopts phases such as "become our own bank" and starts to tell his coworkers about "factorial math."
Then, within the same month, his HELOC is frozen, his furnace needs replacing ($10K) and his son needs braces ($5K). He now has just one place to go, his credit card. Now, at 20% interest, it will take Steve 3.5 years to pay back these expenses. 3.5 years of not being able to pay one cent extra towards his mortgage. With the economy in such dire straights, his raises don't even keep up with inflation, and his older daughter is looking for the car she was promised when she got her license. From having $23,500 in the bank, Steve now has a snowballing level of high interest debt and no way to tap his own home equity. Is he supposed to sleep better knowing he only has 23 years left on his mortgage?

To add insult to injury, by the time he finds a bank liquid enough to consider offering Steve a new HELOC, his credit score (FICO) has dropped 150 points for the fact that his available credit percent utilized has shot up dramatically, as he's floating balances greater than 50% of available credit.

As I stated in my introduction, this is fiction. But no greater a fiction than the rosy scenario agents paint of someone who has 20% of their net income available to throw at their mortgage, and leads a life that contains no obstacles for a full decade. Do such people exist? I'm sure some do, but they are not common, and the example most agents offer is quite unrealistic.

Joe

Money Merge Account Analysis Pt 15

The agents for the Money Merge Account are focused on one thing, to sell their product. Here is one agent's list of benefits and my response to each:

Here are the main benefits of the Money Merge Account for American home owners as I see it:

-They will easily be able to take 10,12 sometimes 15 years or more off their mortgage,

Ok. This is actually less dramatic than the claims of most agents who offer to cut a 30 year mortgage down to 9 or fewer years. And it's as true as the fact that any aggressive prepayment of principal will offer similar dramatic reductions in the term of one's mortgage. Once you understand the math, you find that at 6%, a 30 year mortgage is paid off in 15 by paying about 40% more, e.g. pay $1400 vs the $1000 that's due each month.

-They will usually be able to save 100,000K or more in interest that's robbing them of retirement or their life's dreams,

Well, by paying more principal sooner, you save interest. The question is whether that choice is right for you. Are you swimming in cash at the end of each month? Most of us aren't.

-They don't need to raise their payment or alter their budgeting to do it!

This is the most blatant lie told by any agent. No, you don't raise your payment, per se, but each month, you are directed to send money to the bank to pay down principal, it can't happen any other way. Of course you alter your budgeting, it's just masked as deposits used to pay back a HELOC (home equity line of credit).

-They don't need to refinance their mortgage to do it!

Wow, great news, but nor does simply prepaying.

-In general they will increase their cash flow through an emergency reserve fund

Fine line between ignorance and a lie, I suppose. The agent may believe this, but think about it. You increase your cash flow by increasing your income (wages) or by reducing expenses. An 'emergency reserve fund' is credit, not cash flow. Having a line of credit to tap is not the same as an emergency account.

-In general they will see their FICO score improve (mine has gone up 60 pts!)

Really? I see nothing in the description of how FICO scores are calculatedto suggest this. In fact, by using credit cards to float one's monthly expenses (as suggested by V4 of the MMA plan) one can find their score drops even if they pay in full each month.

-The software program will always figure out for them the shortest and safest way to being completely debt free, integrating every piece of their specific financial picture.

This is great. The premise in the classic MMA example is that one has $1000 left at month's end from $5000 net pay. Now to show how sophisticated the software is, they will assume multiple credit cards, loans, etc. They can't have it both ways. One with 20% of their net available each month doesn't have all this other debt, and someone who racks up that debt doesn't have the income to hack away at their mortgage. Either way, the approach is quite simple, pay your debts with extra payments going to the highest rate debt until it's paid in full. This is so simple, you don't need a pencil or paper just an understanding of how to line numbers up smallest to largest. Example – you should pay off your 18% credit card in full before paying extra principal to your 6% mortgage because 18 is larger than 6. Agents shout "you can't do this on your own" but we all know better. Note – if it's not clear to you that 18 is larger than 6, then MMA actually may be for you.

-*They learn how to use banking products to their advantage, how to leverage the bank's money at reduced interest, and how they can grow their wealth*

From all I've seen/read/heard MMA teaches you nothing, it merely accepts inputs of income and expenses, and directs you how to shift money around. The examples I've seen that show any detail within a given month make it clear that MMA does not choose the most effective route to paying off debt, as it often carries a HELOC balance from month to month. The use of one's HELOC can be beneficial, I'll concede, but only if it cycles close to zero balance each month.

-*With the software they also have a budgeting tool, and a financial planning tool (true cost feature) in their hands.*

Excuse me – from United First Financial – "United First Financial does not provide financial or investment advice. Please consult your licensed financial planner." Isn't it strange that they offer a hard sell for a product presumed to help you financially, but they offer a disclaimer like this?

-*Homeowners, will have a financial gauge or a financial dashboard for the first time in their lives, and will be able to see how their everyday transactions will affect the eventual payoff of their mortgage. This is why our clients are consistently 15-25% ahead of schedule across the board.*

Prove it. The only clients I see offering an endorsement are those who just start and are prompted to send their entire cash savings account to their mortgage (making a stop in the HELOC, of course). They marvel at how their mortgage dropped by so many years and brag about the savings. But we don't hear from that same person years later, why is that?

-*This program is virtually risk free and comes with a money back guarantee!*

Risk free? Hardly. See my post from last week. What happens when the HELOCs are frozen?

-*We teach people how they can become debt free and create wealth on their current paycheck!*

No, you take their $3500, and lag what they can do on their own. What the average person can save from the HELOC use isn't enough to pay for the program, and without the HELOC, the program falls apart. It's simply amazing to me that innumeracy is a problem so much greater than illiteracy in this country. Few agents really understand the very program they are pushing, and when confronted, will resort to a combination of name calling (I am a 'nay-sayer' in their lingo) and offering anecdotes unrelated to the math behind this product.

Until next time,
Joe

Money Merge Account Analysis Pt 16

First, I'd like to wish my readers a Happy Holiday Season, whichever specific holiday you plan to celebrate.

That said, today is also Thursday and I thought it appropriate to offer my new readers who happened upon my blog in search of information regarding the MMA account a copy of my MMA spreadsheet. Until now, I've made it available only upon request and sent it via email. I did that both to track interest in the sheet and to follow up with the recipient to see if they made a decision. Now that I've given it out to well over 100 people, with only 3 telling me they still chose to buy into the MMA software, it's time to make it available with no hassle.

			30 YEAR AMORTIZATION				
Loan Amount		**200000**		Tot Interest now projected		67408.24	
Interest Rate		**6.00%**		Tot Interest Cancelled		164268.14	
Payment		1199.10					
Tot Interest original		231676.38					
				Extra	Balance	Months	Interest
Month	Payment	Principal	Interest	**Payment**	200000.00	Remaining	Cancelled
1	1199.10	199.10	1000.00	**1000.00**	198800.90	354.05	4933.75
2	1199.10	205.10	994.00	**1000.00**	197595.80	348.25	9696.10
3	1199.10	211.12	987.98	**1000.00**	196384.68	342.58	14295.90
4	1199.10	217.18	981.92	**1000.00**	195167.50	337.03	18741.31
5	1199.10	223.26	975.84	**1000.00**	193944.24	331.62	23039.90
6	1199.10	229.38	969.72	**1000.00**	192714.86	326.31	27198.72
7	1199.10	235.53	963.57	**1000.00**	191479.33	321.12	31224.30
8	1199.10	241.70	957.40	**1000.00**	190237.63	316.04	35122.73
9	1199.10	247.91	951.19	**1000.00**	188989.72	311.05	38899.70
10	1199.10	254.15	944.95	**1000.00**	187735.56	306.17	42560.52
11	1199.10	260.42	938.68	**1000.00**	186475.14	301.37	46110.16
12	1199.10	266.73	932.38	**1000.00**	185208.41	296.67	49553.30

Above is a snippet from the sheet. Note, it follows the original MMA example, where the mortgage was a $200K, 6%, 30 year loan, and the client has $1000 in extra funds per month to shuffle through the system. The MMA agents brag about the dashboard putting everything you need at your fingertips. What I offer for $3500 less is to lose the graphics but allow the same important information to be updated in real time. The MMA system takes credit for a huge savings in the interest on your mortgage loan. It also requires you to enter your spending on a nearly daily basis. As you can see above, by putting your extra $1000 per month toward your mortgage, I show you that, by the end of just one year, you can save yourself nearly $50,000 of interest and have just under 25 years left on the mortgage. This is without the risk that the HELOC (Home Equity Line of Credit) may bring, and without the headache of daily attention to any program. Note, if you wish to refer to the sheet during the month, it's certainly there for you. Change that $1000 to whatever number you wish, as the sheet performs the same function and will show you the impact on your mortgage of the $495 grill purchase or $200 pair of shoes. If that exercise helps motivate you, by all means, check the sheet.

There seems to be a bit more to say about this program, as there is no no end to the claims made by agents. So this series will continue into the new year. Again, a safe and happy holiday season.
Joe

(Note: I am happy to receive comments or questions regarding the sheet. I spent some time on it but I also respected the Einstein quote, "Everything should be made as simple as possible, but not simpler." The agents, having very few, if any, respected advocates of their system, resort to using the quotes of famous people, Einstein included, to try to add credibility to their program. It's not working.)

Money Merge Account Analysis Pt 17

Today, I'd like to focus on one thing. The disclaimer that appears on most MMA agents' web sites:

"*United First Financial, its agents and subsidiaries provide Internet web based software and support services. United First Financial does not provide accounting, tax, legal, real-estate, mortgage, or investment advice. Interested parties should seek and consult with persons or entities licensed and qualified in those areas for advice relating to those matters. United First Financial is not liable or responsible for claims or representations made by any party which are not included in the Money Merge Account™ Limited Guarantee.*"

Let's look at this to really understand what they are saying here. They provide web based software. Ok, got that. But, they do notprovide "mortgage or investment advice." Now that's really interesting. They sell an expensive, hard sell, product to reduce your mortgage (and perhaps other debt), yet they hide behind the claim of not providing advice of any kind. The good news about this is that it's an honest declaration that their agents have no credentials, and in fact, should not be providing advise of any kind.

When we read the rest of the disclaimer, we get to the Money Merge Account Limited Guarantee. Reading through it, it simply states that if one follows the plan, that they've done the math right. In other words, thry guarantee that their amortization table, if the buyer follows the payments exactly, will be accurate. Of what value is such a guarantee? No more than if I guarantee you that if you put one dollar on your night table for 10 days that you will have 10 dollars at the end of that time.

I'll close will this thought – the agents are fond of using an endless stream of analogies, including the fact that one seeks a professional such as a doctor and doesn't attempt to perform surgery on themself. I'll agree with this, but I'd be sure when I need a doctor I don't find one who has no real MD, no medical schooling, and a large disclaimer stating that he does not actually offer medical advice.

Until next week, Joe

Money Merge Account Analysis Pt 18

One thing I continue to run into are the post of people who claim to use the Money Merge Account, and clearly don't understand simple math regarding money. When one is paying off their debts, to do it as quickly as possible, extra payments (beyond the minimum) should be made to the higher rate accounts. This is a truism, period. It's true regardless of what the minimum payment was or what the total balance was. This is "the fastest was to zero."
Now, I'll say, financial celebrity Dave Ramsey offers his 'debt snowball' method, which suggests that the extra payment goes to the smallest balance, regardless of interest rate. I've discussed this, and been told that since this method gets rid of account balances, reducing outstanding accounts to pay, that the psychological impact is beneficial. Ok, if you save the $3500, and want to use Dave's method, I'd not argue too much.
This brings me a quote from an MMA KIA (know it all) who states;

Sorry to the "high interest debts first" cultists, but in my case, you're simply wrong. It would have taken me more than 2 1/2 years longer to pay my credit card first! Why? When I pay my car off first, that's another $387 that goes to other debt every month, vs. only about $60 from my credit card being paid off. My mortgage with 26 years left will be paid off completely in about 8 years. And all my other debt at the same time. AND I'm not paying any more than I was before. As a matter of fact, I'm paying LESS now than I was before because I'm not paying a (so-called) financial advisor anymore to tell the wrong way to get out of debt and build wealth.
By the way, who cares if you don't agree with halfcircles point? Your opinion was invalidated here as soon as made the "pay higher interest debts first" argument.You're simply wrong. Admit it and get over it. Are you taking the time to make sure I get out of debt faster? Nope. But my software is. Just like I'm willing to invest a few bucks in a GPS systemto get me where I'm driving faster, I'm more than willing to invest a few bucks in financial software that gets me to financially free faster, and so far is much more sound than your incorrect advice.
By the way, a $1000 debt at 10% with a $20/mo payment should NOT be paid before a $1000 debt at 5% with a $200/mo payment. It will take longer to pay off the debt that way and cost more in the long run. Some financial genius you are… You only look at part of the "algorithm".

So here is a satisfied customer who has convinced himself that the numbers any mere mortal would show him cannot be right. So I didn't bother to create a 1 year spreadsheet showing the difference in payout using the right method vs what he suggests. Why bother? Funny thing about his (and other's) GPS analogy; In the past 3 months I had a GPS take me miles from my intended destination one time (it confused similarly named streets), and into a private office park which offered no back exit. The GPS believed it to be a through street. For my blindly following my GPS, I lost a total of 30 minutes over those two instances. How much money are you willing to lose using this so called "financial GPS"?

Until next week,
Joe

Money Merge Account Analysis Pt 19

It's nearly a year since I first became of the Money Merge Account and ten or so months since my first post on this program. One aspect of MMA that I've not discussed is the fact that the program is part of an MLM (Multi-Level Marketing) sales structure. Why does this matter, you may ask. It would appear that this is the origin of the claim that there are no/few complaints on file with the Better Business Bureau or government agency. Most users have been coaxed not only into buying the program, but into becoming agents themselves. Considering the $3500 cost of the program itself, what's an extra $175 to sign on as an agent? Clients are sold on the fact that they can 'help others' and after selling 5 or so more people into the program can pay off their original investment. One reader of my blog told me that when he wrote an agent for an analysis and advised a very tight budget, she offered to include $450/mo as the income he could make selling just one new client every two months, and proceeded to include that in the projections. As Tracy Coenen offers on her Fraud Files blog, United First Financial broker numbers and earnings, the number of sales of MMA is barely twice the number of agents, so each agent has an average of one sale, enriching those at the top, but making little for themselves. Twice scammed, unfortunately.

Money Merge Account Analysis Pt 20

In a recent dialog on The Simple Dollar, I focused on the fact that MMA appears not to address whether or not one receives any type of matching funds in their 401(k). First, let's talk a bit why this is so important.

Many employers offer a match of your contribution, as high as dollar for dollar on the first 5-10% of your income deposited. In dollars, this can mean $8000 company match when you put in your $8000. But remember, the 401(k) is funded with pre-tax dollars, so you see about $6000 (I assume a 25% tax bracket) less in your pocket, but now have $16000 in the 401(k) account. You can see that over a few years, the money adds up quickly.

Yet, there are those who oppose even something that would seem so obvious. The poster whom I was engaging with offered, "*Do you guys not realize that there are people today who have less money in their 401(k) investments than they did 3 years ago even with matched company funds? That's less net money. Got it?*" Yes, I got it, alright. I got the fact that most MMA users are so fixated on their one and only goal, to pay down the mortgage as fast as they can, that they will ignore what we all view as 'free money.' As I discussed on Tuesday, one should not confuse the tax deferred account with the potential investment choices contained inside it. Those who were properly diversified are certainly ahead, when the match is included.

Until next week.

Joe

Money Merge Account Analysis Pt 21

UFirst Financial published this letter to its agents sometime in 2008, I offer it, in full:

Dear Agents,
2007 has been nothing short of phenomenal in UFirst™ growth, sales and promotion. This is due to the undying and unwavering efforts of the field force, which stands second to none in the industry and is a shining example of what can be done when people share a common desire, goal and purpose.
American homeowners of tomorrow will have greater opportunities and the possibility of a brighter future because of your individual and collective efforts as Agents selling the Money Merge Account™ system.
There have been challenges to be sure, but the focus has always been on the solutions and moving forward with a resolve to stay a leader in this industry. One such challenge has been negative influences surfacing on the Internet as an attempt to turn the heads of homeowners researching for a better way—a better way to free themselves from their current financial situation of debt.
These influences have not been able to maintain the attention of the public, yet some are distracted enough to turn to other, less effective (or opposite) avenues, placing a bandage on the broken arm of their mortgage. In the attempt to educate these investigators, many good-hearted Agents have made the effort to offer their views with a valiant desire to convert others to our program.
We commend many of you who have done so, within the confines of policies and procedures, to spread the word to the country, as well as the world (yes, we get e-mails from around the globe asking questions). However, we also found this effort to be a twoedged sword.
While seeking to make both side of the coin known to all who inquire about the Money Merge Account system, Agents have also been limited to posting on competitors' Web sites/blogs/message boards. This has only increased the popularity and search engine rankings of those who would like to see our program fade into the sunset never to return—in other words, it puts the naysayers on the first page of Google. In short, good intentions have fueled the very sites opposed to us, giving them an advantage over us on the Web. In other words, we must stop giving them an advantage by posting on their sites.
At the same time, UFirst has seen a need to provide a vehicle online, where our qualified Agents can respond in full to comments made against us and our program, in a professional manner—and in full, without the fear of deletion. We see that it is imperative to address 'both sides of the coin' to educate the public, and to provide complete information on all issues concerning our program.
So it is our pleasure to announce a new set of official UFirst Blogs, created to address the online challenges made by less than savory opposition. We are confident this tool will allow our combined intelligence, experience and views to dominate the search engines, possibly increase your personal and team sales, as well as lend official credibility across the board. We also feel this will allow those who have built a professional image online to 'pull' their sites to the front of multiple search engine listings once these blogs dominate the existing front page results.
To eliminate confusion and to keep all comments professional, guidelines will be established, regulated and enforced by an independent moderator who has been trained in compliance and the dynamics of this program. This is to prevent 'bashing' or inappropriate language and/or comments being made in an attempt to defend the company and product.
Therefore, all comments must be reviewed and approved before being posted. This will apply to

both UFirst Agents as well as those who may desire to challenge us, which will no doubt happen as time goes by and their own sites lose momentum due to a lack of UFirst Agent participation.
The advantage you now have is the ability to answer comments made, in full, without fear of deletion or improper modification.
Another advantage all Agents will have is the ability to leave a signature with a link to your own site and contact information, which will open the possibility of sales by those interested in your own point of views. This will also increase the rankings of your own Web site in search engine queries. UFirst is very excited to provide this service for our field force to take advantage of.
It is our hope and desire each and every Agent will take time out and engage in topics of interest, or even start topics that will change the perspective and views of the American homeowners, as well as convert professionals to the business opportunity. United in purpose, we can change the financial landscape of America and create a niche in history that will affect families for generations.
We look forward to hearing from each of you at:
www.ufirstforum.com
and its related links:
The Whole Truth
Both Sides of the Coin
ProViews
What You Should Know
Answers from the Source
- UFirst Executive Team

I visited their forum, the traffic there is virtually nil. As it becomes clear to the folk at UFirst that the numbers show they fail to provide any value, they can only move their focus to their Google ranking and increase their marketing.

Joe

Money Merge Account Analysis Pt 22

Today, I'd like to share with you the MMA dashboard, a snapshot taken from an official demo video.

Action Plan

Date	From	To	Amount	True Cost
July				
07-01-2008	*HELOC	*1st Mortgage	$7,149.76	$0.00
07-01-2008	John	HELOC	$1,300.00	$0.00
07-01-2008	HELOC	1st Mortgage	$1,199.10	$0.00
07-05-2008	Rebecca	HELOC	$1,200.00	$0.00
07-05-2008	HELOC	Cell Phone	$135.00	$226.71
07-15-2008	John	HELOC	$1,300.00	$0.00
07-20-2008	Rebecca	HELOC	$1,200.00	$0.00
07-20-2008	HELOC	Auto Loan	$460.41	$0.00
07-25-2008	HELOC	Variable Expenses	$415.00	$696.67
07-28-2008	HELOC	Living Expense CC	$1,790.49	$3,012.06

Note: You may click on it to see a larger image.
First, I'd note that it's pretty convenient that the living expenses credit card has a due date right at month's end. The main card I use happens to cut a bill toward the end of the month with a mid-month due date. That's okay, it's their example, I understand they wish to put the system in the best light possible. Let's look more closely at the first month, July. There are a total of 10 transactions, 4 pay checks coming in, and six payments made from the HELOC. Seems pretty simple to me that for all the "sophisticated algorithms", MMA can be summed up in two rules; (1) Pay all your bills with the HELOC and (2) deposit your paychecks directly to the HELOC. Is this the best they can come up with? What we don't know, however, is the internal workings of MMA, specifically how it calculated that first mortgage paydown of $7149.76. A very precise number, why not $7000 even or one month's income of the sample clients ($5000)? Funny, when you add up the HELOC withdrawals and payments, the July ending balance is $6149.76, and average daily balance which is used to calculate interest, $5542. Here's where it gets interesting. In the classic example, the mortgage rate is 6% and the HELOC rate is 9%. The interest saved in one month by making that prepayment on July 1 is $7149.76 * .06 = $428.99 per year or $35.75 in the first month. But – the interest on the HELOC is $5542 * .09= $498.85 /yr or $41.57 that same month. In this example, it's clear that MMA cannot even calculate the best first prepayment/HELOC withdrawal. As I've stated in other posts, I agree it's possible for the HELOC shuffle to provide some benefit, but not enough even to pay off the cost of the MMA program. If this is MMA watching every last penny at every moment, I'll be sure to watch my dollars myself, and I'd suggest you do the same. (Any agents care to comment on this?)
Joe

Money Merge Account Analysis Pt 23

Last week, I shared a view of the MMA dashboard. As Greg commented, we should be able to calculate the optimum initial transfer from HELOC to mortgage, using the sample numbers given. Well, a bit more simple arithmetic, and I have it. From the example cash flow, we simply strike a running balance showing the amount owed on the HELOC (now, why don't they show that right on the dashboard?). The lowest HELOC balance is -3483.86 if we use the order of flow shown, but there are multiple transactions on the same day, and for HELOC calculations we should only look at end of day balances. For the month of July, I calculate the lowest balance (owed) to be -4359.27. So the conclusion is that the initial withdrawal be 4359.27 less than suggested, or only $2790.49.

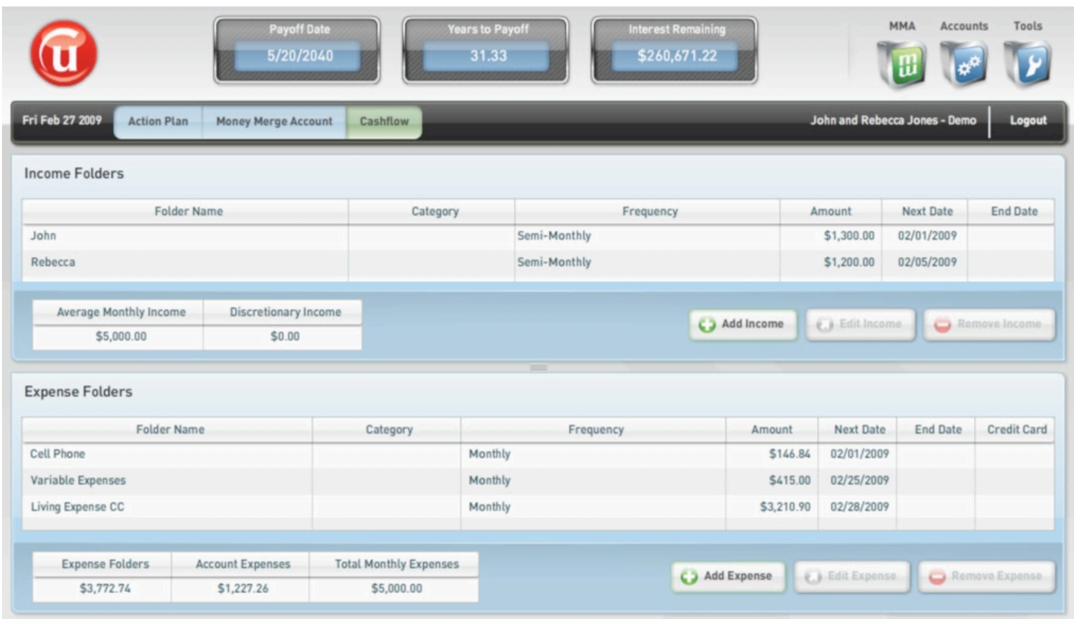
Again, in the example from the UFirst video, the HELOC shuffle has you spend $41.57 (HELOC interest) to save $35.75 on the mortgage, for a net loss of $5.82 per month. A bit of real intelligence to this process, targeting a HELOC monthly low balance closer to zero, and you will actually save about $5, net. (Pause on this fact alone for a moment. Using UFF example numbers, adjusted to their benefit, you still only gain $5 per month. $60 per year saved for your $3500 "investment")

What remains most remarkable to me is not that people so want to believe in some magic solution that they'll pay $3500 for such trash, but that what is so obvious to me after a bit of simple arithmetic, is even open to discussion. No agent can go head to head with me and prove the value of this program as there is none. What's worse though, is that the most basic aspect of their system, the first transaction to start the process, is incorrect. But, if you view the whole video, you'll find that when over $7000 is sent to the mortgage, the "interest paid" (or on my spreadsheet "interest saved") jumps a huge amount, over $30,000. They conveniently kip the fact that you are now paying off $7000 at 9% instead of 6%, pulling out a BS explanation of how that $7000 gets paid off in 7 months vs 30 years. Well, of course it does, it's your money. Why not just borrow the $2700 and optimize your results? Why not ask the next agent trying to extract $3500 from you while not adding a penny to your net worth? As always, comments welcome.

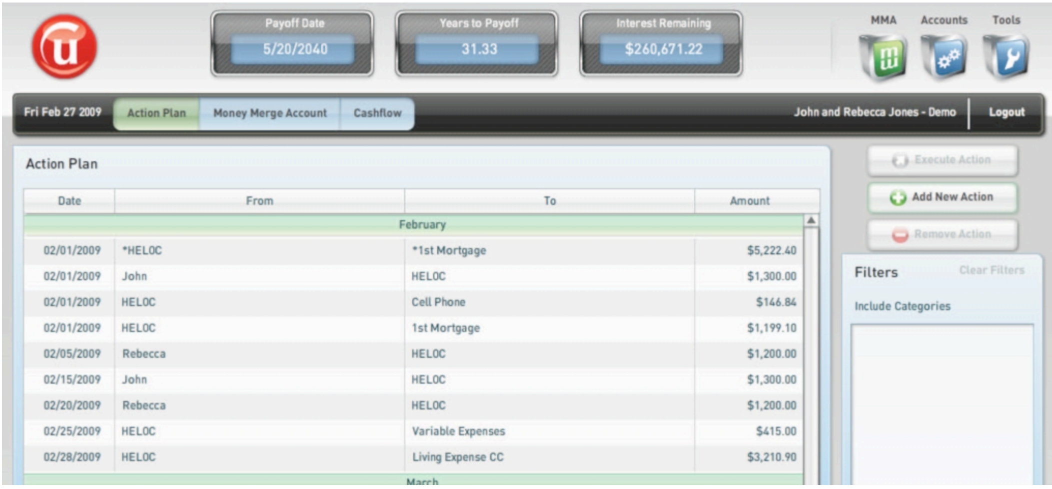
Joe

Money Merge Account Analysis Pt 24

I recently had the rare opportunity, thanks to a rogue agent, to view the V4.2 software and took a few snapshots of my scenarios. For me, the most difficult scenario to get any agent to model and email to me was for when the client has no extra money. Since UFirst, through a combination of “Sophisticated Algorithms” and “Factorial Math” claims for this product to be the “Financial GPS” which is the fastest way to pay off your debts, one can only see the impact MMA and the “HELOC shuffle” has by isolating these variables from the use of your own money to pay down your own mortgage. So let’s see what the MMA system tell us the impact it can have when we don’t have extra money to add each month. First, the cash flow:



This is the standard scenario, with $5000/mo income, and a $200,000 Mortgage at 6%. You can see the total monthly expenses are $5000, which includes the mortgage at $1199.10, and the monthly cost of funding the MMA software at $3500, 9% with a 30 yr payoff, $28.16 per month. Perhaps not so remarkably, the years to payoff is 31.33. Huh? What happened to fastest way to zero? What in the world did MMA do that could possibly be worse than simply ignoring the software and just paying both the mortgage and HELOC for exactly 30 years? It’s very simple. The software is broken. As I started to discuss a couple weeks back, the whole MMA system is based on lies, deception, and obfuscation. Let’s look now at one month of transactions based on the details above.



Now, you can easily see why it takes an extra 16 months to pay off the mortgage. Despite the fact that we told the program there is *no* extra money, it still decides that the optimum amount to send to the first mortgage from the HELOC is $5222.40. This balance cycles up and down within the month, but on average, increases month to month, and takes 16 months worth of full mortgage payment to pay it off in 30 years. Now, you know that no agent will be able to explain this, they should say that if you truly have no extra funds, you should not use the program. In reality, they will start to ask you where you can cut back, even to where you have $100 available to get the program going, and then project future raises and other income. After all, you got that far and they have a sale on the line. Now, instead of buying MMA and paying it off over the life of the program, how about taking that $28.16 and just putting it toward the mortgage. Here is my spreadsheet view.

	THIS SPREADSHEET COURTESY OF			HTTP://WWW.BLOG.JOETAXPAYER.COM			
			30 YEAR AMORTIZATION				
Loan Amount		**200000**		Tot Interest now projected		214974.97	
Interest Rate		**6.00%**		Tot Interest Cancelled		16701.41	
Payment		1199.10					
Tot Interest original		231676.38					
				Extra	Balance	Months	Interest
Month	Payment	Principal	Interest	**Payment**	200000.00	Remaining	Cancelled
1	1199.10	199.10	1000.00	**28.16**	199772.74	358.86	140.95
2	1199.10	200.24	998.86	**28.16**	199544.34	357.72	280.95
3	1199.10	201.38	997.72	**28.16**	199314.80	356.58	419.99
4	1199.10	202.53	996.57	**28.16**	199084.12	355.44	558.08
5	1199.10	203.68	995.42	**28.16**	198852.27	354.30	695.24
6	1199.10	204.84	994.26	**28.16**	198619.28	353.17	831.46
7	1199.10	206.00	993.10	**28.16**	198385.11	352.03	966.74
8	1199.10	207.18	991.93	**28.16**	198149.77	350.89	1101.11
9	1199.10	208.35	990.75	**28.16**	197913.26	349.76	1234.56
10	1199.10	209.53	989.57	**28.16**	197675.57	348.63	1367.09
11	1199.10	210.72	988.38	**28.16**	197436.68	347.49	1498.72
12	1199.10	211.92	987.18	**28.16**	197196.61	346.36	1629.45

You can see the interest saved vs original projection is nearly $17,000, and the mortgage is cut down to 338 months or 22 months earlier than 30 years but a full 38 months sooner than UFirst's own forecast. MMA costs you $45,696 more in interest than my 'do it yourself' method. As the agents say, "it's math, not magic". Indeed. Just for laughs (yes, I have a strange sense of humor) I told the software to adjust the HELOC interest rate to 2.5%, which is my current rate happens to be. This is the new forecast, below.

Two points to note on the new scenario. First, even with access to 2.5% money, the total interest is still more than $2,000 higher than my projection. Second, why in the world did the software use even less HELOC money, now that it's so cheap? It only sent $549.23 to the first mortgage as a prepayment? Yet, when the HELOC was 9% it sent nearly ten times that amount? This is software you'd trust? This is what they mean by "watching every penny"? I must admit they are right about one thing, I can't do this on my own. I'm not that stupid.

Note: for easier viewing, you can click on the images above and open full size.

If I can access the site again, there are a few other scenarios I'd like to run for a future post, I've shared what I have so far. If an agent tells you to talk to a happy user, remember that user is likely an agent as well, just helping to make a sale. Send them both my way, by the time I'm done, they'll go home crying.

Joe

Money Merge Account Analysis Pt 25

Today I am going to take a breath from the numbers and suggest something radical.
You don't need MMA (you knew that). You don't even need my spreadsheet.
Neither adds value, and really just wastes your time.
You need to follow the very simple process; (A) At the end of each month, send any extra money you have to your highest interest debt. (B) there is no 'B'.
For the pennies to be gained by the HELOC shuffle (see last week's post, it's $5 per month using UFirst's income/expense example) you are best off simply avoiding it, and merely going with my rule above.

I very much enjoy all the analogies, the MMA is like a (fill in the blank). My favorite is the GPS one. How often do you really have no idea where you are going? What if I told you I'd sell you a $3500 GPS whose volume could not be turned off and it announced exactly where you were every 30 seconds? And it bolted to your car so you could not leave it home. You couldn't pay me to take such a device. MMA (and my spreadsheet) will let you obsessively track your exact balances every night and projected mortgage payoff with every cent you send to the bank. So what? There's no value in that, just a waste of your time. What is your time worth? Instead of spending the time with MMA, have weekly/monthly family meetings, to discuss how you can spend more wisely. Don't use the word budget, it's has too many negative connotations.
Until next week,
Joe

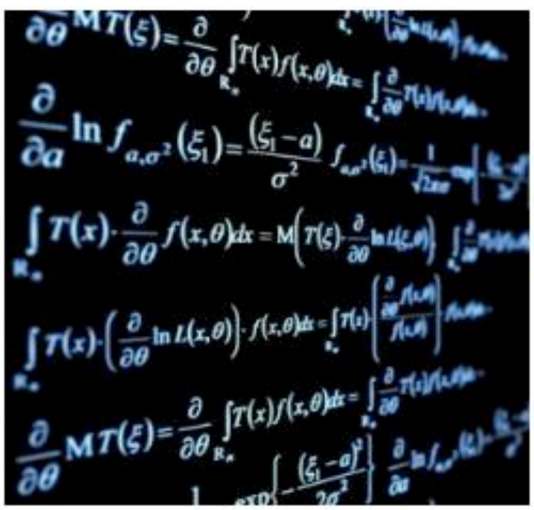
Money Merge Account Analysis Pt 26

Finance, MortgageAdd comments

A couple random thoughts today. I continue to observe that when discussing MMA, it's difficult to find an agent who will actually discuss numbers. Indeed, a couple weeks back, when I posted an actual snapshot of the MMA dashboard doing its thing and showed how poorly it performs, did I get an agent writing to question my assumptions? No, because the numbers don't lie, and the dashboard betrays its own failure. What I did get was a list of supposed supporters of MMA, a combination of paid speakers and magazine publishers. Magazines you've not heard of as they are published on demand and passed along as an advertising tool. But that was all agent Terry Goffwas able to offer. She suggested that if I disagreed with the esteemed people on her list, that was tantamount to my calling them all "dumbasses", her words, not mine.

This leads me to discuss logical fallacies. First, is the one Terry is guilty of, above. "*Argumentum ad verecundiam*" or appeal to authority is what one does by avoiding the topic at hand and instead citing a person that commands some respect, either because of their celebrity status or job title. This is how you might be convinced to buy a certain brand of aspirin from a star in a white lab coat, but this is not how you want to make a financial decision. Next is "*post hoc ergo propter hoc*" which means "after the fact, therefore because of the fact." The agents toss around some pretty wild numbers, funny how this program has only been around a few years, but every user is on track to save $178,000 in interest, and always more than originally thought. Even if any user is actually saving money, this proves one thing, that prepaying your mortgage works to save you some interest. I can tell you that 100% of the people who take their $3500 and simply sent it to the bank as a prepayment will be ahead far more.

There is likely a coined phrase for another fallacy regarding making as issue that's trivial far more complex just to confuse the listener. If there's no term for this, I propose "*MMA fallacy*" and I offer an image from another agent's site;

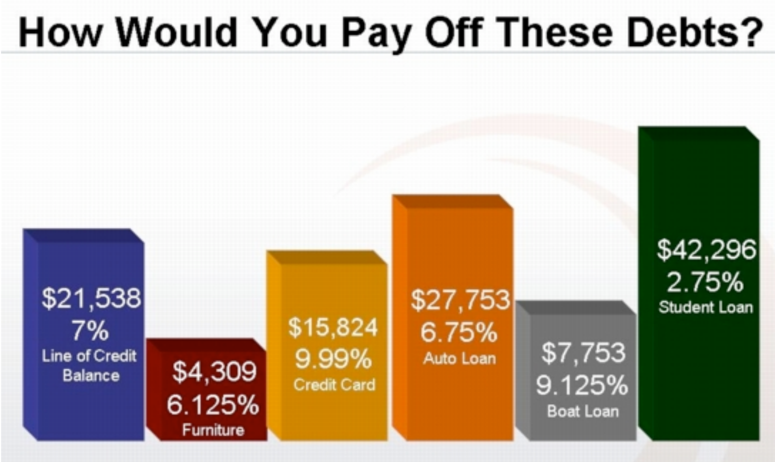


Wow! Is the math really this tough? I better spend $3500 to avoid this, 'cause math frightens me!! The very simple truth is that mortgage math is simple. Very simple. A 6% mortgage (The classic MMA example) accrues 1/2% interest each month. You look at your balance, shift over two decimal points (that's like dividing by 100) and take half. Of course, 6% is easy, your mortgage might be 6.25% in which case you might want to consult a $4.99 calculator. Regardless, there is no higher math involved, just fourth grade arithmetic. Another bit of hyperbole from Sue Edward'ssite which I never tire of is the claim that "there has been virtually no change to their family's standard of living or budget." Come again? If you are fortunate enough to have 20% of your net income available to you to prepay your mortgage, month in and month out, and this truly will not impact your budget, well, then you're not likely to be seeking out such a program in the first place, are you now?

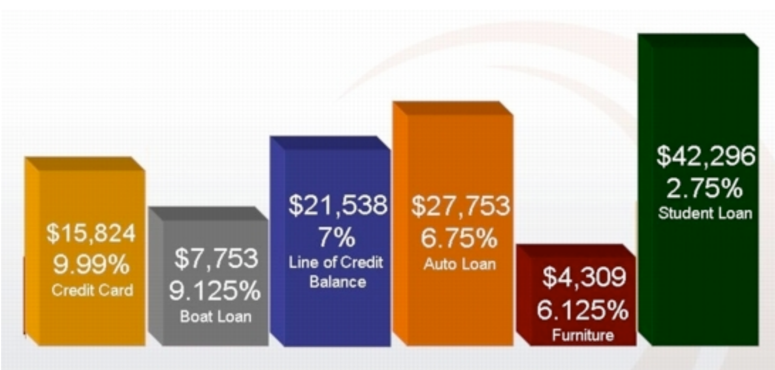
Enough for one day, until next week.
Joe

Money Merge Account Analysis Pt 27

Today, let's look at one particular claim by those pushing the money merge account.



Is it really so complicated? Do I really need to spend time pondering the 720 ways to line these up? (If you don't know where 720 comes from see this great post on Factorial Math.) Do I need to spend $3500 to figure this out?



Well, that wasn't too bad, a bit of cut and paste and I lined them up by the rate on each debt. Maybe that's the correct order. What I don't know is whether that 7% line of credit is a HELOC loan that 's tax deductible, and if so, if the user is able to itemize and take advantage of that deduction. In the 25% bracket, that 7% rate needs to be adjusted to 5.25%. Maybe that's worth $3500. Wait, MMA doesn't ask for your tax bracket, and wouldn't take this simple issue into account anyway. So, again, one of the advantages of MMA is really a nonstarter, trying to create value where there is none. I do have one rhetorical question to ask here. Student loan, ok. Car loan, I understand. These people went on to finance a boat and furniture on payment plans, and then went on to rack up nearly $16,000 in debt on credit cards. Are these same people capable of stopping their spending cold turkey, and putting all their discretionary income toward debt repayment? Maybe they should just start by throwing every extra cent they have toward that credit card debt, and sit at the kitchen table to discuss their budget. Me, instead of fancy bar charts which I admit look pretty, I am a spreadsheet guy.

Interest Rate	Balance	Annual Interest
9.990	15824	1580.82
9.125	7753	707.46
7.000	21583	1510.81
6.750	27753	1873.33
6.125	4309	263.93
2.750	42296	1163.14
	Tot Ann Int	7099.48

By lining up one's debt in this manner you can easily see the impact of a payment on the interest you will pay each year. This can be done on a late model computer you can buy for $250, and a free copy of Open Office. Take another $100, and find a guy who will carve the words "pay your highest interest debts first" into a nice piece of wood to hang in your kitchen. That's all the motivation you need.

Joe

Money Merge Account Analysis Pt 28

I'd like address two related topics today. First is Affinity Fraud. (<< If you haven't caught on by now, the underlined words are a link to an article) From the SEC site I linked to; "Affinity fraud refers to investment scams that prey upon members of identifiable groups, such as religious or ethnic communities, the elderly, or professional groups." Why do I bring this up in my MMA series? Simple – because, due to the nature of MLM (multilevel marketing) sales, most sales tend to be made to a friend, relative or co-worker. No, I don't have precise data on this, the evidence for me is intuitive. Every single agent that has written about happy customers of MMA refers to his/her parent, sibling, friend, co-worker, etc. purchasing the system and liking it. Making a sale of this nature cannot be easy, thus the claimed 100,000 sales made by a total of 50,000 agents. This implies an average sale of "one" as each agent is also a user, and first sale of another agent. On one hand you can suggest it natural that one would try to sell such a product to the people they do, but this is exactly how frauds (such as the recent Madoff Ponzi scheme) was perpetrated. For now, that 's my brief though on this topic.

Next, I'd like to offer what I find to be a very strange mix of God and MMA. I recently had a dialog with a woman on Bargaineering.comand the conversation quickly took a strange turn. She offered "Go look up Jesus Christ on the internet and see what "Experts" say about him. So many people and so called experts will say he is not the Son of God and will really say some really ugly untruths about him, but we all know the Truth. So I don't care what Kiplingers says, just like I would not base me continuing or deciding to be a Christian on if people on the internet (Same as reading junk on a bathroom wall of people's opinions) and magazines and experts said there is no God or Jesus Christ was only a teacher and not the Savior." Well, first, religion is a very private thing, and I shy away from trying to convince anyone of my views. I do know that many religions rely on faith to accept things that cannot be proven. On the other hand, the concept of a "Faith Based Mortgage Accelerator" seems a bit strange to me. The woman I dialogged with asks me "Did God anoint you to build a mission based company like UFF? No, he did not. He choose someone else.. Does that bother you? If it does then all you need to do is submit your plans for creating a better solution that will help America get out of the bondage of debt." Wow, I'm sorry, it's tough to criticize someone anointed by the Big Guy Himself.

So for my religious readers, I'd have to ask how to reconcile "judge not, lest ye be judged" with "love thy neighbor as thyself." Am I guilty of judging when outing what I know (not believe, but know) to be a scam, or is it my obligation to use my knowledge to protect my neighbor from such scams. In all of my writings, I've done my best to avoid ad hominem (personal) attacks, although I'm sure I've slipped now and again. I've also tried to stay away from the ridiculous lists of references, those who approve or disapprove the program, trying to let the numbers speak for themselves.

In another post to me she writes "The real scam I believe in America is the 30 yr fixed mortgage with all front loaded interest for the 1st 10 yrs or more and people like you and your sources are probably in one and going to be in the bondage of debt and servant to the lender until they die." Front-loaded? Interest is charged on the balance outstanding, and that's just how it works, there's no deal with the devil here, just math, and the time value of money. "Bondage of debt"? My mortgage payment is about 15% of my gross income, it's a bill to pay, right there with property tax, gas, electric, summer camp, etc. In biblical days (and pardon my ignorance, I think today the Amish, too) a group would gather and raise a new house in a few days for the newly married couple. Today, with homes costing multiples of one's annual income, the mortgage is needed, a necessary evil.

Joe

Money Merge Account Analysis Pt 29

Finance, MortgageAdd comments

With the time demands of tax season, for today I’ll offer one bit of advice on the Money Merge Account. Just Pass Over it.
Back next week with some more substantial MMA observations.
Joe

Money Merge Account Analysis Pt 30

Finance, MortgageAdd comments

Part 30? Wow, it seems like yesterday that I started this series. The good news from where I sit is that UFF has a defector problem. You see, any MLM (multilevel marketing) sales requires a serious dedication to recruiting new salespeople. I guess it's tough to sell a $3500 piece of software that has you in debt a bit longer than simply prepaying on your own.
Back in October I wrote about a mortgage broker who was a client of Jubilee(Jaime Buckley's company) and he was happy with his purchase, but didn't understand how interest worked, despite the fact that he is a mortgage broker himself. If a broker doesn't understand, what chance do most people have but to believe the claims of a scam artist? Funny thing, though. Jaime and his friends at Jubileehave already moved on to their next deal. I don't have all the details, but instead of MMA (Money Merge Account), it's now a MCA (Mortgage Checking Account.) I trust it has 'factorial math', 'sophisticated algorithms', etc, but is different than the UFF product. As Jaime owned and moderated the UFirst Forum, I wonder if he's going to pass the torch.

It will soon be time to move on, I believe I am close to exhausting all my thoughts on this topic. The math is simple, the product is a waste. The arguments in its favor quickly turn away from numbers and logic, to long rants about anything but. Until next time.

Joe

Money Merge Account Analysis Pt 31

Last week, I hinted that it was time to move on, and this will be my last regular post regarding the Money Merge Account scam sold by UFirst agents. A few reasons. After 30 weeks of non-stop analysis, there's simply not too much left to say. I believe I've covered most aspects of the (bad) math used, the tactics agents use to promote the program, and the alternate ways to pay down your mortgage if that's what you're goal is. Those who seek an alternate not so objective view, the opposite of the agents pushing it, are welcome to read through my postings or download the PDF summary, which I will bring up to date. I'll continue to discuss my thought on mortgages in general and take questions on the topic. I realized over the last few weeks that my time was better spent bringing articles to my blog for a more general readership, and to focus less on just one scam. For more discussion on MMA, there are a number of ongoing comment threads, including at The Simple Dollar, The Fraud Files, Bargaineering, and ActiveRain. So long as there are desperate people seeking solution to some kind of problem, there will be those who are happy to separate them from their money. The battle continues, I hope I helped save some readers from throwing their money away.

If something major happens which is worth sharing, or if someone offers an interesting guest post, I'm open to posting another installment in the future. Caveat emptor.

Joe

Money Merge Account Analysis Pt 32

Finance, MortgageAdd comments

My regular readers will recognize this is a post regarding the Money Merge Account, an expensive mortgage accelerator I consider to be a scam. New readers should note, this was part of a series confined to a weekly Thursday post, and today this series ends as my intent is to provide a variety of articles well beyond this one issue. Now for the last MMA post…….

Well, I found this in my draft folder, seemed a waste to delete it:

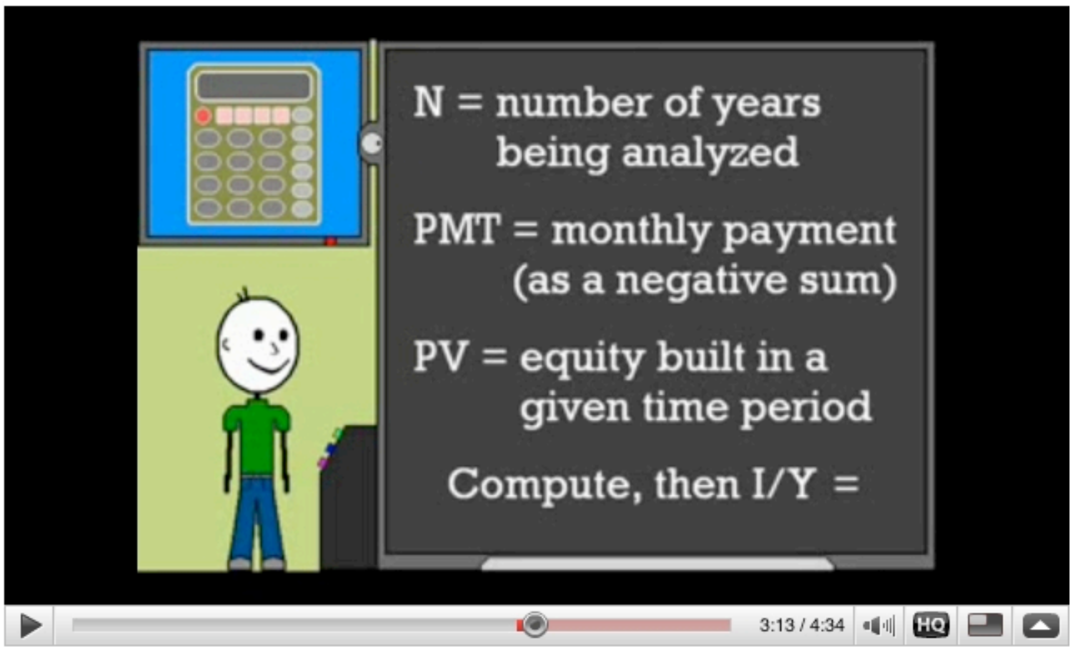
I offer one agent's rants, and my response:
"Yes, you might be able to do this kind of interest cancellation without the use of the software only IF…
1. you have the financial discipline and mathematical skill
2. you have the right kind of ALOC
3. you are willing and able to account for every penny at all times
4. you can tally all the variables and refigure your financial position each and every day
5. you can do this day in and day out for 5 to 10 years
6. you can do this without personal support if something goes wrong or you get confused
7. you are willing to forfeit tens of thousands of dollars in monetary gains–in addition to doing all the work–all by yourself."

My response:
1. One need to write the checks regardless, the discipline is no different with or without this program. There is no mathematical skill required. If you can balance your checkbook, you're all set.
2. The right kind? The "HELOC shuffle" provides little benefit and more risk than any agent understands.
3. Every penny? Hardly. This is just a scare tactic. You see, MMA with all its claims falls short by many dollars per month, adding up to quite a bit over the years. Skip MMA entirely, and now you're watching those pennies.
4. Paying off your mortgage early is no more complex than paying extra toward your principal each month. The secret is…. there's no math involved, just those payments. A spreadsheet or calculator will let you calculate the days until it's paid in full, but MMA doesn't add any value any more than a tape measure helps your child grow taller by frequent measurements.
5. I have better things to do with my time, so do you. It will take you a few seconds to make the extra payments at month end. You decide, do you really want to have to report every penny every night to your computer, and achieve worse results than you can on your own?
6. Per UFF disclaimer, they will not offer you any mortgage or financial advice, you want support, UFF isn't going to be much help.
7. MMA costs you both time and money, doing it yourself will save you both.
Now, I think I'm done, the draft folder is empty. I will update the PDF to include the last set of articles in this series.
Joe

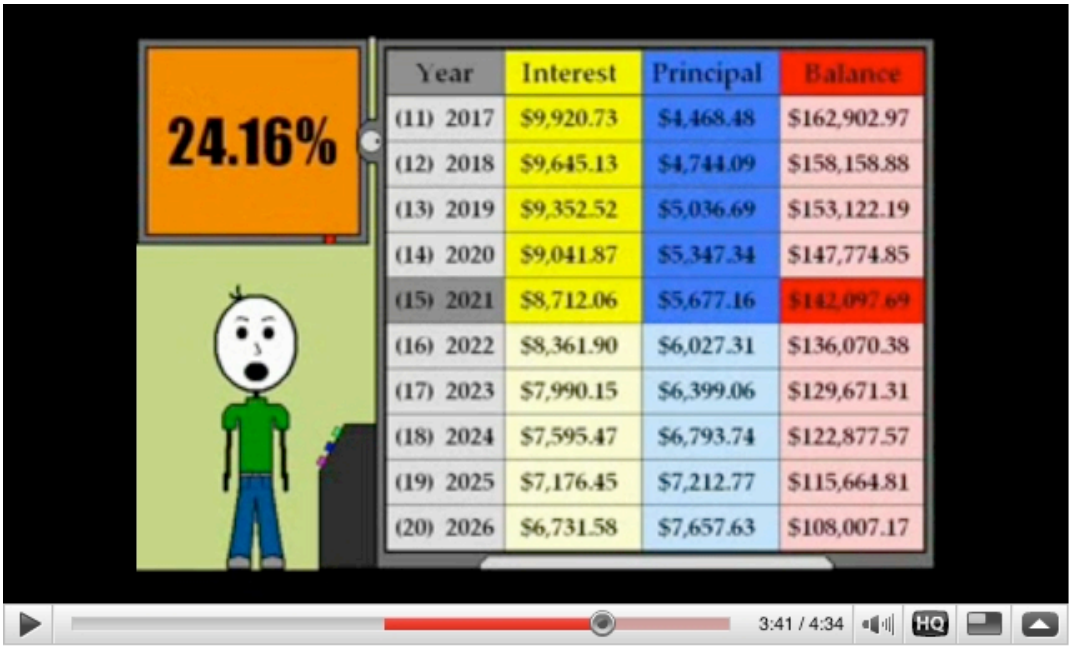
Money Merge Account Analysis Pt 33

I've used the term *Innumeracy*here to describe the equivalent to numbers what illiteracy is to reading. However, I now seek a stronger word or phrase to describe the egregious claims I've run across. I'm leaning toward "numerical blasphemy," but am open to suggestions.

A Money Merge Account agent sent me a link to a You Tube video titled Truth in Lending. The author wanted to illustrate the concept of "front-loaded" interest on a 30 year mortgage. I've never seen a post that started with that idea end in anything that made sense, this video was no different. The video itself was well done, nice animation and voice over, but the numbers soon fall apart. I'll offer two screen shots that show this.



As this slide came up, it seemed innocent enough,unfortunately it ends incorrectly. When working with a financial calculator you need to be very specific. N is not the number of years but number of payments, in the video's example, 360. PMT, the payment, can be positive or negative depending on the calculator. Excel looks for it to be negative, a classic TI BA-35 calculator, positive. PV is not the equity built, but the present value of the mortgage, starting at the borrowed amount, and of course, ending with a FV (future value) of zero. He then says *Compute*, but there are two variable missing, %i (the interest rate) as well as FV. So, while I have no idea what his intention was, he now suggest taking I (the interest rate, I suppose) and dividing by Y (years, but why?) to produce a number which is admittedly large but meaningless.



Here, you can see that he author suggests that somehow the interest rate over 15 years is over 24%. But, back to a calculator or spreadsheet, we can see that PV = $200K (original loan) i = .5% (monthly rate or 6%/12) N=360 months (30 years) FV = 0 (after 30 years it's paid to zero. If we enter these numbers we can comput the missing variable, the payment, which is $1199.10. Then it's simple to set N to 180 (year 15) and compute the new future value, $142,097.69, as he shows above. On the other hand, we can enter PV =$200K, i = .5%, PMT = $1199.10, N=180 and FV = $142,097.69, and ask to calculate the rate, which of course comes back as .005 or 6% per year. By the way, it's easy to look at the interest column above and divide say, the 2021 interest into the prior year ending balance and see you get under 6%. A couple hundred video views and no one saw how silly this all was?

As far as front loading is concerned, there's nothing diabolical in how mortgages are calculated, you owe interest on the principal outstanding at any given time. Since you owe far more in the early years, more of your payment is interest. On this example $200K mortgage, in the first month the interest is $1000, but the principal paid is only $199.10. Pay more if you wish, that's your decision. But don't fall for an abomination of bad math. What does this have to do with the Money Merge Account? Only that every time I see numbers abused this badly I'm reminded of my friends at UFirst and the MMA.

Joe

Appendix:

1) Factorial Math explanation
   This is copied, with permission of both the Author, Craig Hansen, and owner of the website ‘the Fraud Files blog’, Tracy Coenen, where this first appeared.

2) The original ‘Classic MMA example’ I frequently refer to.
3) The HELOC statement I referenced in my post of October 23.

“United First Financial’s new math (It’s still not worth $3,500.)”

The fine folks at United First Financial (UFF) have come out with a new version of their Money Merge Account (MMA). It’s version 4, and it’s marketed as something that uses… factorial math! And promoters are saying the software does over 3 million calculations each time you use it to analyze a purchase.

Consumers are being tricked into thinking UFF has a magic bullet, and are plunking down $3,500 for the “chance” to use the software!

“Factorial math” is really just a useless bit of new marketing-speak. Factorials are the basis of combinatorial (finite) math. If you took finite math in school, you would start with factorials. They are expressed as “n!”, where ‘n’ is any non-negative integer.Some factorials:

1! = 1
2! = 2_1 = 2
3! = 3_2_1 = 6
5! = 5_4_3_2_1 =120
And, just for a loop:
0! = 1

By now, you get the picture. Factorials are just the product of all the integers less than or equal to ‘n’. They come in handy when computing permutations and combinations.

Why the mini math lesson? Promoters of MMA say “Someone with a mortgage and only 10 debts will have 3.6 million ways to pay off that debt. No, you can no longer do this on your own.”

In your example, a person has 10 debts. For some reason, you want to know how many different ways he could approach retiring all debts, in order. It’s a simple permutation:

nPr = 10P10 = 10! / (10-10)! = 10! / 0! = 3628800 / 1 = 3628800

Look familiar? 3.6 million different ways to pay those 10 debts. But reality is so much simpler!

For example, I'm about to head to lunch. It's just down the street. I could just walk one block north, but I could also walk one block south, then two blocks north. I could walk past the diner and turn around. I could walk down multiple streets and eventually end up at the restaurant. I have infinite paths available to me, but the most obvious one is staring me in the face. Just like the most obvious way to pay down a debt is to curtail spending and send all extra money available to service the debt.

If the question is simply in what order to attack the debts, then retire the higher interest small debts first. But the problem is even more simple than that, because someone with 10 debts should probably consolidate a number of (probably high interest credit card) debts into a lower interest loan. Maybe even a HELOC, so long as you don't let the MMA software anywhere near it.

That "3.6 million ways" claim is one more example of a UFF agent (and now an agent group calling themselves The Jubilee Project) using math to confuse potential clients and make mortgages seem like rocket science.

The math behind a mortgage is not particularly hard. Paying down a mortgage as quick as your finances will allow is exceptionally easy. I'm 36 and debt-free with a nice house and 2 nice cars. Have been for a year. I paid off my mortgage by sending any extra money directly to the principal. There is no easier way, no faster way, and no cheaper way to do it.

But that was obvious to me, my Chartered Accountant (and mother-in-law), and everyone I knew back when I bought my house.Given the same money to work with, the MMA will pay down your mortgage slower than simple prepayments. That analysis has been done to death, and UFF agents won't accept or have failed in the challenge to prove otherwise, so let's move on to the "habit-changing" aspect of the MMA.

Compare these two statements:

"At the end of the month, I pay my bills, and everything over $X in my bank account is applied to the mortgage principal."

"At the end of the month, I pay my bills, and log into the UFF software to enter my new financial information. The UFF software tells me if I should make a transfer from my HELOC this month, and how much. I then go back to my bank and make any requested transfer."

The MMA is twice as much work as simple prepayments. If it is good habit-forming, it's not because it is easier.

So, let's look at bad habits. Assume the homeowner is a shopaholic. One of the first actions in setting up the MMA is to get a secured line of credit for tens of thousands of dollars. Now we've given someone with poor impulse control easy access to a new entertainment system, a vacation, a complete set of 1967 baseball cards, new golf clubs, etc. The MMA has created a "kid in a candy store" problem.

The MMA is just a bad deal on multiple levels. In addition to the reasons above, it exposes the homeowner to fluctuating HELOC rates and the potential of having their HELOC frozen by the bank. It's ridiculously expensive and handcuffs the client with more debt. From published examples, the MMA is not even close to efficient with the HELOC transfers it recommends.

Mathematically, the banks have all the angles covered. The typically higher interest rates on HELOCs almost negates the timing advantages of the HELOC shuffle. If someone comes along with a product that actually accelerates a mortgage better than one can easily do on their own, I'd be all for it. The MMA isn't that product.

Debating this issue with UFF agents typically goes nowhere. They duck their heads in the sand whenever math is brought up. Finance IS math. I've demonstrated quite clearly that the "factorial math" claim by The Jubilee Project is a smokescreen.

Their reply was to dismiss me, and say, "I sure don't claim to do the math". This is who you believe in this discussion? The group that wants to sell you a $3500 debt-reduction strategy, but doesn't do math? They'll have no problem doing the math to divide the commission from the sale, I promise you that.

Further, one doesn't have to jump off a bridge to know it will kill you. This is simple math. The MMA approach will cost a homeowner money versus what they can do themselves, much easier, for free.

The MMA will pay off the mortgage, but will do so more slowly and with more work and more risk than simply applying extra money to the principle yourself. So it will work, but not well. I'm sure many people believe it is working for them. It's just not working as well as it should, and the cost is insane.

The above first appeared at
http://www.sequence-inc.com/fraudfiles/2008/08/30/united-first-financials-new-math/
My thanks to both Craig and Tracy for reprint permission.

ABC Lender	
Current Amount	$200,000.00
Interest Rate	6%
Remaining Term	360
Interest Payment	$1,000.00
Principal Payment	$199.10
Escrow Amount	$0.00
Total Payment	$1,199.10

Current Debt Amortization			
Year	1st MTG Balance	Total Debt Paid	Total Interest
1	$197,543.99	$2,456.01	$11,933.19
2	$194,936.50	$5,063.50	$23,714.90
3	$192,168.20	$7,831.80	$35,335.80
4	$189,229.13	$10,770.87	$46,785.93
5	$186,108.80	$13,891.20	$58,054.80
6	$182,796.00	$17,204.00	$69,131.20
7	$179,278.87	$20,721.13	$80,003.27
8	$175,544.81	$24,455.19	$90,658.41
9	$171,580.46	$28,419.54	$101,083.26
10	$167,371.60	$32,628.40	$111,263.60
11	$162,903.15	$37,096.85	$121,184.35
12	$158,159.09	$41,840.91	$130,829.49
13	$153,122.42	$46,877.58	$140,182.02
14	$147,775.11	$52,224.89	$149,223.91
15	$142,097.98	$57,902.02	$157,935.98
16	$136,070.69	$63,929.31	$166,297.89
17	$129,671.65	$70,328.35	$174,288.05
18	$122,877.94	$77,122.06	$181,883.54
19	$115,665.24	$84,334.76	$189,060.04
20	$108,007.66	$91,992.34	$195,791.66
21	$99,877.76	$100,122.24	$202,050.96
22	$91,246.43	$108,753.57	$207,808.83
23	$82,082.73	$117,917.27	$213,034.33
24	$72,353.84	$127,646.16	$217,694.64
25	$62,024.90	$137,975.10	$221,754.90
26	$51,058.88	$148,941.12	$225,178.08
27	$39,416.50	$160,583.50	$227,924.90
28	$27,056.04	$172,943.96	$229,953.64
29	$13,933.23	$186,066.77	$231,220.03
30	$0.00	$200,000.00	$231,677.04

Money Merge Account	
Current Amount	$3,500.00
Note Rate	9%
Available Amount	$40,000.00
Program Start Date	2/1/2008
Monthly Expenses	$2,800.90

Money Merge Account Amortization			
Year	1st MTG Balance	Total Debt Paid	Total Interest
1	$188,945.68	$14,554.32	$11,834.88
2	$173,472.30	$30,027.70	$22,750.70
3	$157,044.57	$46,455.43	$32,712.17
4	$139,603.60	$63,896.40	$41,660.40
5	$121,086.90	$82,413.10	$49,532.90
6	$101,428.13	$102,071.87	$56,263.33
7	$80,556.86	$122,943.14	$61,781.26
8	$58,398.29	$145,101.71	$66,011.89
9	$34,873.02	$168,626.98	$68,875.82
10	$9,896.79	$193,603.21	$70,288.79
11	$0.00	$203,500.00	$70,428.19
12	$0.00	$0.00	$0.00
13	$0.00	$0.00	$0.00
14	$0.00	$0.00	$0.00
15	$0.00	$0.00	$0.00
16	$0.00	$0.00	$0.00
17	$0.00	$0.00	$0.00
18	$0.00	$0.00	$0.00
19	$0.00	$0.00	$0.00
20	$0.00	$0.00	$0.00
21	$0.00	$0.00	$0.00
22	$0.00	$0.00	$0.00
23	$0.00	$0.00	$0.00
24	$0.00	$0.00	$0.00
25	$0.00	$0.00	$0.00
26	$0.00	$0.00	$0.00
27	$0.00	$0.00	$0.00
28	$0.00	$0.00	$0.00
29	$0.00	$0.00	$0.00
30	$0.00	$0.00	$0.00

Citizens Bank
P.O. Box 42002
Providence, RI 02940-2002
1-800-708-6680
Call anytime for account information, current rates and answers to your questions.

EQUITY LINE OF CREDIT STATEMENT

Page 1
Closing Date
JUNE 02, 2007

SUMMARY

Account Number	
Credit Limit	
Available Credit	
Days in Billing Cycle	31
Average Daily Balance	1,266.39
Daily Periodic Rate	.01983561%
ANNUAL PERCENTAGE RATE	7.24%
FINANCE CHARGE	7.79
New Principal Balance	7,851.64
Current Payment	7.79
Past Due Amount	0.00
Total Late Fees Due	0.00
Minimum Payment	7.79

Payment Due Date 06/22/07

BALANCE SUMMARY

Previous Total Balance	-	Payments/ Credits	+	Advances	+	Finance Charge	+	Insurance	+	Other Charges	=	New Total Balance
0.00		20,687.17		28,538.81		7.79		0.00		0.00		7,859.43

TRANSACTION DETAIL

Date	Description	Check No.	Amount	Principal Balance
05/29/07	ADVANCE		28,538.81	28,538.81
05/29/07	PRINCIPAL CREDIT		20,687.17	7,851.64

IF YOU HAVE ANY QUESTIONS ABOUT YOUR STATEMENT, PLEASE CALL OUR 24-HOUR PHONEBANK AT 1-800-708-6680. THANK YOU FOR BANKING WITH CITIZENS. NOT YOUR TYPICAL BANK.

ON THE DUE DATE YOUR PAYMENT WILL BE DEDUCTED FROM ACCOUNT #

↓ Please see reverse side for important information, then detach here and return the bottom portion with your check payable to Citizens Bank. ↓

Citizens Bank
Payment Address:
PO Box 42008
Providence RI 02940-2008

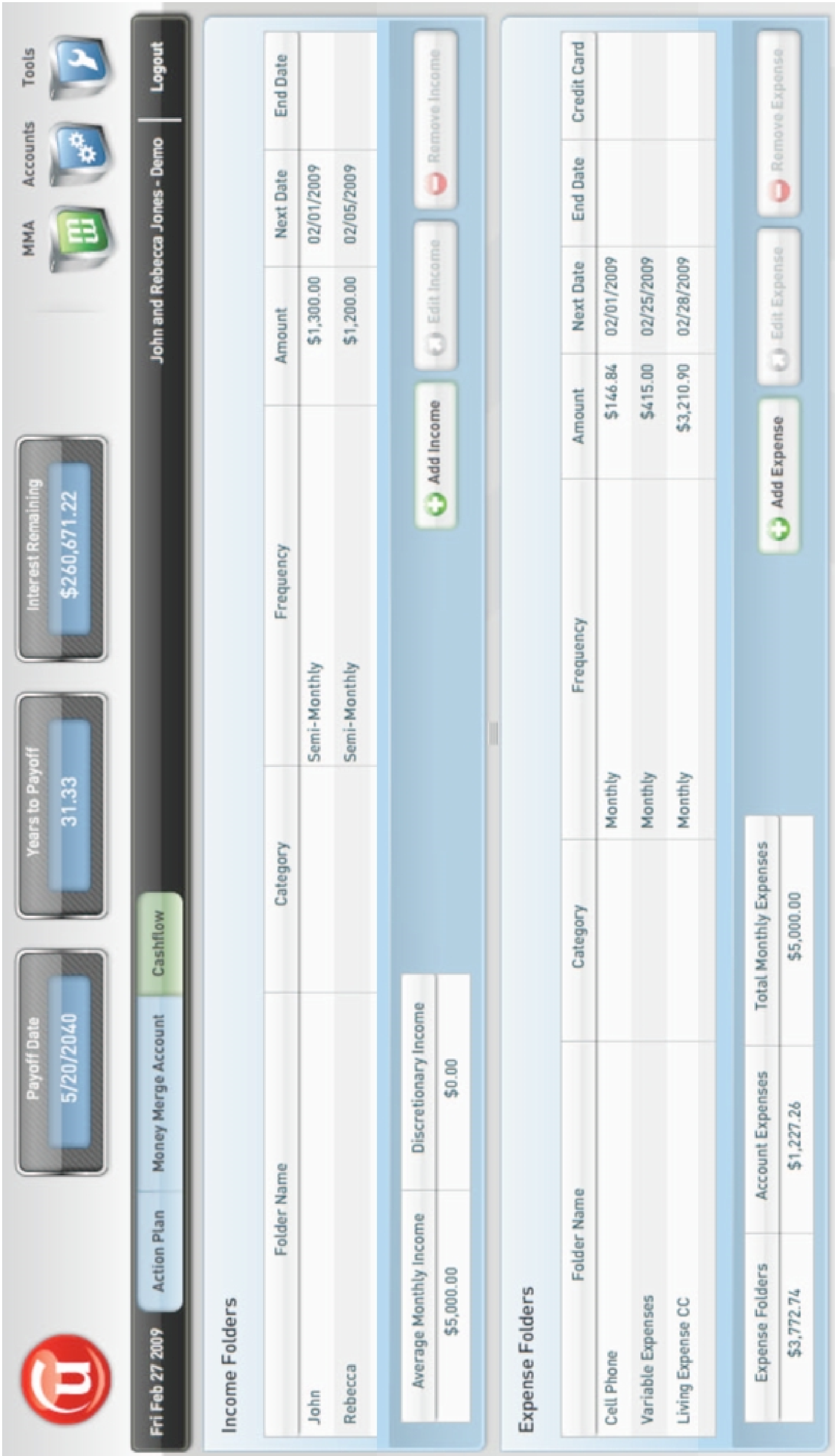
☐ Please check this box if change of address or personal information completed on reverse side.

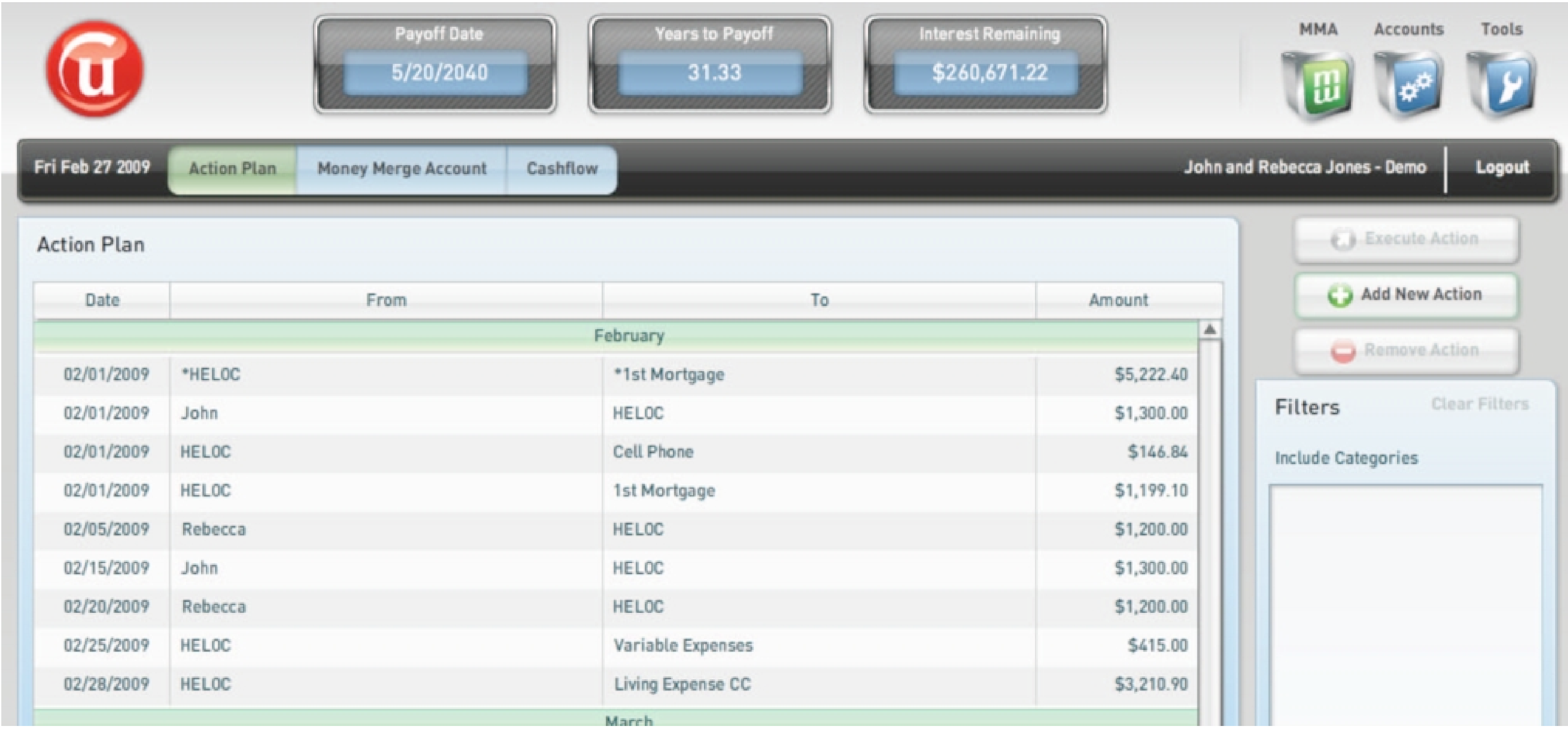
EQUITY LINE OF CREDIT

Account Number	
Payment Due Date	06/22/07
Minimum Payment	7.79

Amount Enclosed
$

Images for Part 24;




Payoff Date
5/20/2040
Years to Payoff
31.33
Interest Remaining
$260,671.22
MMA
Accounts
Tools
Fri Feb 27 2009
Action Plan
Money Merge Account
Cashflow
John and Rebecca Jones - Demo
Logout
Action Plan
Date
From
To
Amount
February
02/01/2009 *HELOC *1st Mortgage $5,222.40
02/01/2009 John HELOC $1,300.00
02/01/2009 HELOC Cell Phone $146.84
02/01/2009 HELOC 1st Mortgage $1,199.10
02/05/2009 Rebecca HELOC $1,200.00
02/15/2009 John HELOC $1,300.00
02/20/2009 Rebecca HELOC $1,200.00
02/25/2009 HELOC Variable Expenses $415.00
02/28/2009 HELOC Living Expense CC $3,210.90
March
Execute Action
Add New Action
Remove Action
Filters
Clear Filters
Include Categories

	THIS SPREADSHEET COURTESY OF			HTTP://WWW.BLOG.JOETAXPAYER.COM			
			30 YEAR AMORTIZATION				
Loan Amount		**200000**		Tot Interest now projected		214974.97	
Interest Rate		**6.00**%		Tot Interest Cancelled		16701.41	
Payment		1199.10					
Tot Interest original		231676.38					
				Extra	Balance	Months	Interest
Month	Payment	Principal	Interest	**Payment**	200000.00	Remaining	Cancelled
1	1199.10	199.10	1000.00	**28.16**	199772.74	358.86	140.95
2	1199.10	200.24	998.86	**28.16**	199544.34	357.72	280.95
3	1199.10	201.38	997.72	**28.16**	199314.80	356.58	419.99
4	1199.10	202.53	996.57	**28.16**	199084.12	355.44	558.08
5	1199.10	203.68	995.42	**28.16**	198852.27	354.30	695.24
6	1199.10	204.84	994.26	**28.16**	198619.28	353.17	831.46
7	1199.10	206.00	993.10	**28.16**	198385.11	352.03	966.74
8	1199.10	207.18	991.93	**28.16**	198149.77	350.89	1101.11
9	1199.10	208.35	990.75	**28.16**	197913.26	349.76	1234.56
10	1199.10	209.53	989.57	**28.16**	197675.57	348.63	1367.09
11	1199.10	210.72	988.38	**28.16**	197436.68	347.49	1498.72
12	1199.10	211.92	987.18	**28.16**	197196.61	346.36	1629.45


Payoff Date
5/20/2037
Years to Payoff
28.33
Interest Remaining
$217,133.04
MMA
Accounts
Tools
Fri Feb 27 2009
Action Plan
Money Merge Account
Cashflow
John and Rebecca Jones - Demo
Logout
Action Plan
Date
From
To
Amount
February
02/01/2009 John HELOC $1,300.00
02/01/2009 HELOC Cell Phone $146.84
02/01/2009 HELOC 1st Mortgage $1,199.10
02/05/2009 Rebecca HELOC $1,200.00
02/15/2009 John HELOC $1,300.00
02/20/2009 *HELOC *1st Mortgage $549.23
02/20/2009 Rebecca HELOC $1,200.00
02/25/2009 HELOC Variable Expenses $415.00
02/28/2009 HELOC Living Expense CC $3,210.90
March
Execute Action
Add New Action
Remove Action
Filters
Clear Filters
Include Categories

Money Merge Account Math Example:

The following math example is derived from the Money Merge Account overview video presentation as provided by United First Financial. To watch the video, click here and use the link on the bottom of the page entitled "Money Merge Account Overview". United First Financial has requested that we not link directly to the video from independent web sites.

These examples are offered as a courtesy only. Individual results will vary based on each persons specific financial situation and their ability to follow the Money Merge Account program. To find out how the Money Merge Account program will work specifically for you, request your own analysis using the links below or by filling out the form at the end of the presentation video. Also, if you have questions or would like to join one of our live web presentations, which include the Money Merge Account program, click on the "Event Calendar" link.

Month	Expenses	Income	Funds Transfer From ALOC	ALOC Month Ending Balance	ALOC Average Daily Balance	ALOC Interest
1	$4,000.00	$5,000.00	$11,983.86	$10,983.86	$10,617.73	$75.05
2	$4,000.00	$5,000.00	0	$10,058.91	$10,091.71	$73.71
3	$4,000.00	$5,000.00	0	$9,132.02	$9,164.88	$66.94
4	$4,000.00	$5,000.00	$2,784.30	$10,983.86	$10,922.33	$74.63
5	$4,000.00	$5,000.00	0	$10,058.49	$10,090.75	$73.70
6	$4,000.00	$5,000.00	0	$9,132.19	$9,165.62	$64.79
7	$4,000.00	$5,000.00	$2,786.88	$10,983.86	$10,926.22	$79.81
8	$4,000.00	$5,000.00	0	$10,063.67	$10,097.00	$71.37
9	$4,000.00	$5,000.00	0	$9,135.04	$9,167.30	$66.96
10	$4,000.00	$5,000.00	$2781.86	$10,983.86	$10,983.86	$79.81
11	$4,000.00	$5,000.00	0	$10,063.67	$10,097.00	$71.37
12	$4,000.00	$5,000.00	0	$9,135.04	$9,167.30	$66.96
Totals			$20,336.90	$9,135.04		$865.10

As a result of using the Money Merge Account program, this example client has achieved the following results through the first 12 months:

- Beginning Balance on 1st Position Mortgage was $200,000.00
- Ending Balance on 1st Position Mortgage is $176,319.65.
- Ending Balance on ALOC is $9,167.30.
- Total Combined Loan Balances at the end of the first year is $185,486.95 ($176,319.65 + $9,167.30 = $185,486.95)
- Total Interest Paid on ALOC was $865.10.
- Total Future Interest that can never be charged on the 1st position mortgage is $77,524.00
- Months remaining on 1st Position Mortgage is 267 (total # of payments are 279)

Some people who don't understand the mechanics of the Money Merge Account program argue that the system has you transfer all of your discretionary income to your primary mortgage which one could easily do on their own. As we can see above, that is simply not the case. In the first year of this example, the 1st Position Mortgage principle balance was reduced by $20,336.90, or $8,336.90 more than the $12,000 of discretionary monies this client had.

How could that be possible? What really happened is the software used its advanced math engine to create leverage on this client's real-time income, expenses and discretionary monies. This leverage was used to minimize future mortgage interest. The reduction in principle balance on the first mortgage came from transferring closed-end debt (held in a long-term 30 year note) to open-ended debt (held in a short-term instrument), where the interest rate could then be minimized on a daily basis. These "Funds Transfers" were then paid down using a portion of the discretionary income. It should also be noted that in this example UFirst has purposefully shown a worst case scenario for the interest this client will pay on the ALOC. This example assumes this client pays all of their bills and deposits all of their income on the same day, which is the first day of each month. This assumes the least amount of benefit possible from the "interest cancellation" effect.

If we compare the above example to the one below, where all of the discretionary monies ($1,000.00 each month) are paid toward the 1st position mortgage, we find the following:

- Beginning Balance on 1st Position Mortgage was $200,000.00
- Total of additional principle payments made to the 1st position mortgage was $12,000.00
- Ending Balance on 1st Position Mortgage is $185,208.41 at the end of the first year.
- Total Future Interest that can never be charged on the 1st position mortgage is $49,552.64
- Months remaining on 1st Position Mortgage at the end of the first year is 297 (total # of payments is 309).

Comparing the two examples we find that the Money Merge Account client is 30 months ahead in mortgage payoff (279 total payments vs. 309 total payments) and has already canceled $27,106.26 more in future interest by using the Money Merge Account service.

$77,524.00 - $865.10 - $49,552.64=$27,106.26

This is true even though the Money Merge Account client has paid a total of $278.54 less in principle debt. Here is a basic explanation of why. It's called effective interest rate. On a 30 year mortgage, the interest rate (in this case 6%) is really only that interest rate if each loan payment is made on time and the loan is carried for the full term. On the other hand, by using the ALOC the effective interest rate can be minimized each day our money is sitting in our ALOC waiting to be spent. In the example, the Money Merge Account client transferred $20,336.90 of mortgage debt to the ALOC but only paid $856.10 in interest. Because of the interest cancellation effect, they paid an effective interest rate of 4.25%.

To achieve these results, the Money Merge Account client lived life as they normally would, with the exception of telling the software once a month how much money was deposited (payments) into the line of credit and how much was spent (withdrawals) from the line of credit. They also followed occasional prompts from the software which directed them when to do the “funds transfer” and how much each transfer should be, which maximized the power of their money.