# Consumer and Mortgage Loans Summary

**Sudweeks** MBA620/Fin418 Day 9

2020

#  *Understand consumer loans, principles, characteristics, and how to calculate their costs*

##  We asked what questions should you ask when considering a loan?

###  We included Needs versus wants in the budget, pay cash, costs, closer to goals?

###  Consumer loans can keep you from your key goals

####  Debt is the enemy of growth

##  We discussed the principles of effective consumer loan use:

###  Principles:

#### 1. Know yourself, your values, vision and goals. Have the vision of your bigger “yes” in the future

#### 2. Know where you are, your spending and your income. Do not hide any liabilities or assets

#### 3. Resolve to not go into debt except for a modest home and modest education. Be wise in your expenditures.

#### 4. Pay as you go. Live within your means

###  If in debt add:

#### 5. Prioritize your debts if you cannot repay them all. Give priority to secured debts for house or car

#### 6. Develop a repayment plan and automate it

#### 7. Do not take on any new debt.

#### 8. Once you are out of debt, continue paying yourself

##  We discussed the different types of Consumer Loans?

###  These included secured, fixed/variable, single payment, installment, home equity, HELOC, student, auto, and payday loans

##  We explained each in detail, including the costs of consumer loans?

###  We showed how to calculated APR for single, installment, and payday loans

#  *Understand the types of mortgage loans, characteristics, and how to calculate their costs*

##  We discussed the different types of mortgage loans

###  We discussed fixed, ARM, Interest Only Option, Option ARMs

###  We discussed the types and Costs of each of these types of Mortgage Loans?

####  Traditional fixed, traditional variable, interest-only loans, option ARMs, FHA Loans, VA Loans

##  We talked on how do we reduce borrowing costs?

###  Don’t get into debt in the first place, Compare after-tax cost with after-tax lost savings, Maintain a strong credit rating, Reduce the lender’s risk

#  *Know the least expensive types of loans and how to reduce the cost of loans—the key relationships*

##  Cheapest: Bank of mom and dad first, then up from there.

#  We shared Plans and Strategies for:

##  Consumer, student, and mortgage Loans

#  We did Case studies on:

##  Case Study #1: Single payment loan

##  Case Study #2. Installment loan,

##  Case Study #3. The used car

##  Case Study #4. Payday loan

##  Case Study #5. Variable mortgage

##  Case Study #6. Traditional versus interest only mortgage cost

##  Case Study #7. Option ARM (86)

#  Key Formulas

##  APR = [(interest + fees) / Years]/ average amount, APR on calculator = normal calculations

##  Effective interest rates = (1 + APR/# periods)^# periods -1

#  Key Take Aways

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#  Final Thought

## I started with the story of my daughter who wanted to be an “evil investment banker” for Halloween. I close today with a quote from my good friend Jim Seaberg who also is an “evil investment banker.”

## Our Deepest Fear

As shared by my Investment Banking friend

Our deepest fear is not that we are inadequate.

Our deepest fear is that we are powerful beyond measure.

It is our light, not our darkness, that most frightens us.

We ask ourselves, Who am I to be brilliant, gorgeous, talented; and fabulous?

Actually, who are you not to be? You are a child of God.

Our playing small doesn't serve the world.

There is nothing enlightening about shrinking so that other people won't feel insecure around you.

We arc are all meant to shine, as children do.

We were born to make manifest the glory of god within us.

It's not just in some of us; it's in everyone.

And as we let our own light shine, we unconsciously give other people permission to do the same.

As we are liberated from our own fear; our presence automatically liberates others.

-Marianne Williamson, *A Return to Love: Reflections on the Principles of a Course in Miracles*, Harper Collins, 1992, pp. 190-191.