The Mortgage Playbook

Unlocking Wealth at Every Stage of Life

A strategic guide for financial advisors to integrate mortgage planning into comprehensive wealth management strategies.

by John Thompson

Objectives

1. **Integrate Mortgage Planning**

   Understand how mortgage strategies fit into broader financial planning frameworks.

2. **Uncover Opportunities**

   Identify hidden mortgage-related opportunities in client conversations.

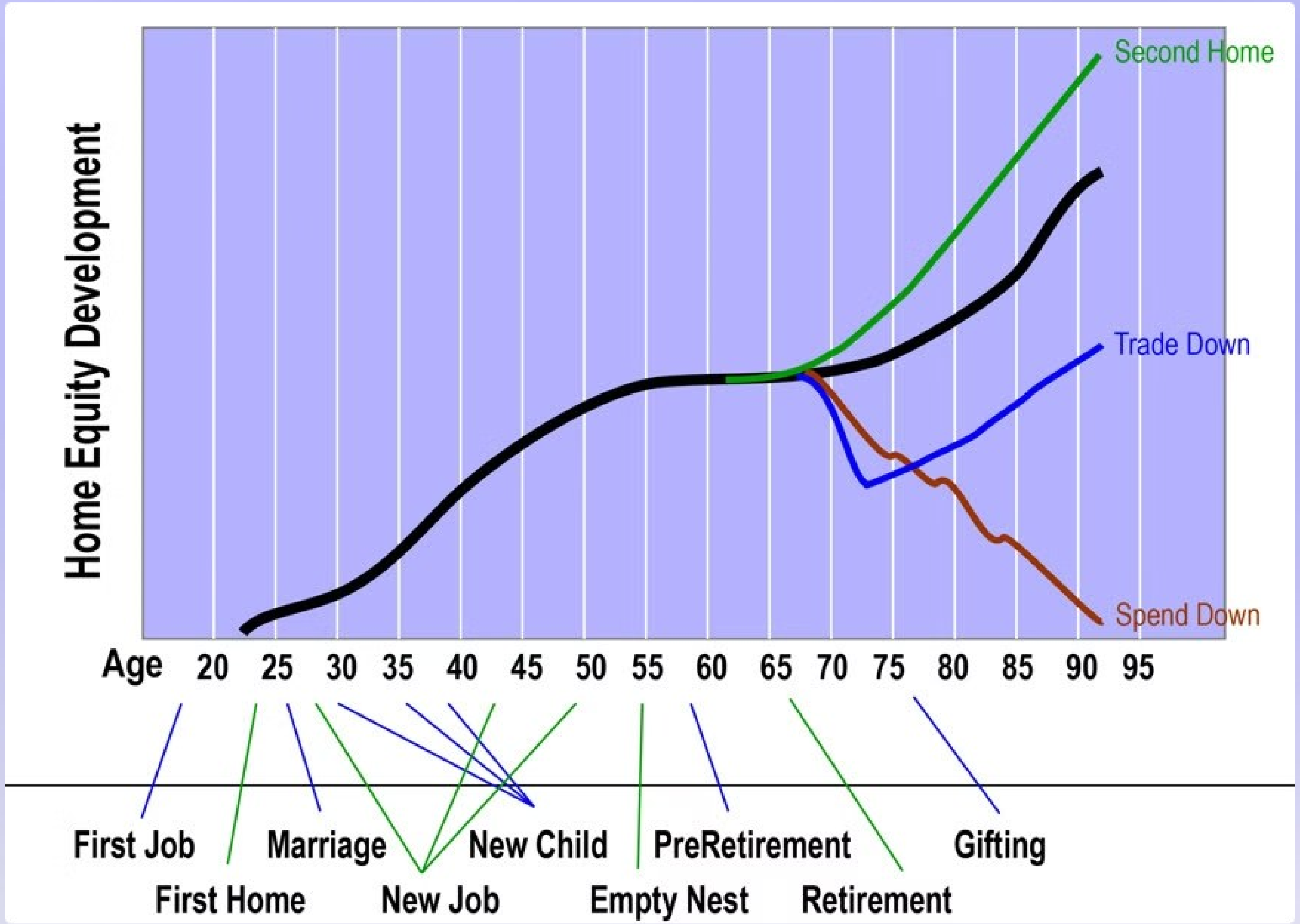
3. **Differentiate Your Practice**

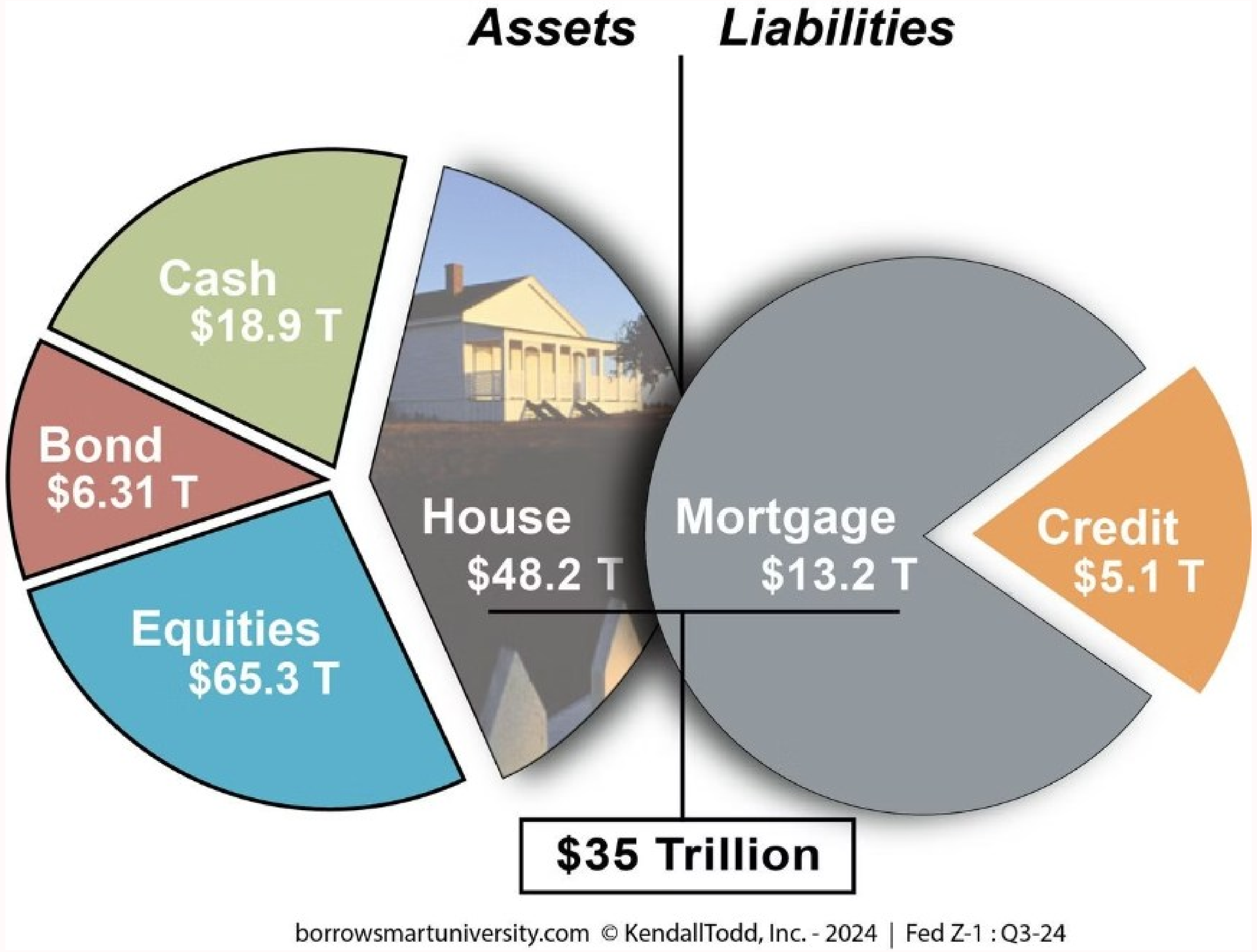
   Use liability strategies to stand out from other financial advisors.

4. **Apply Real-World Solutions**

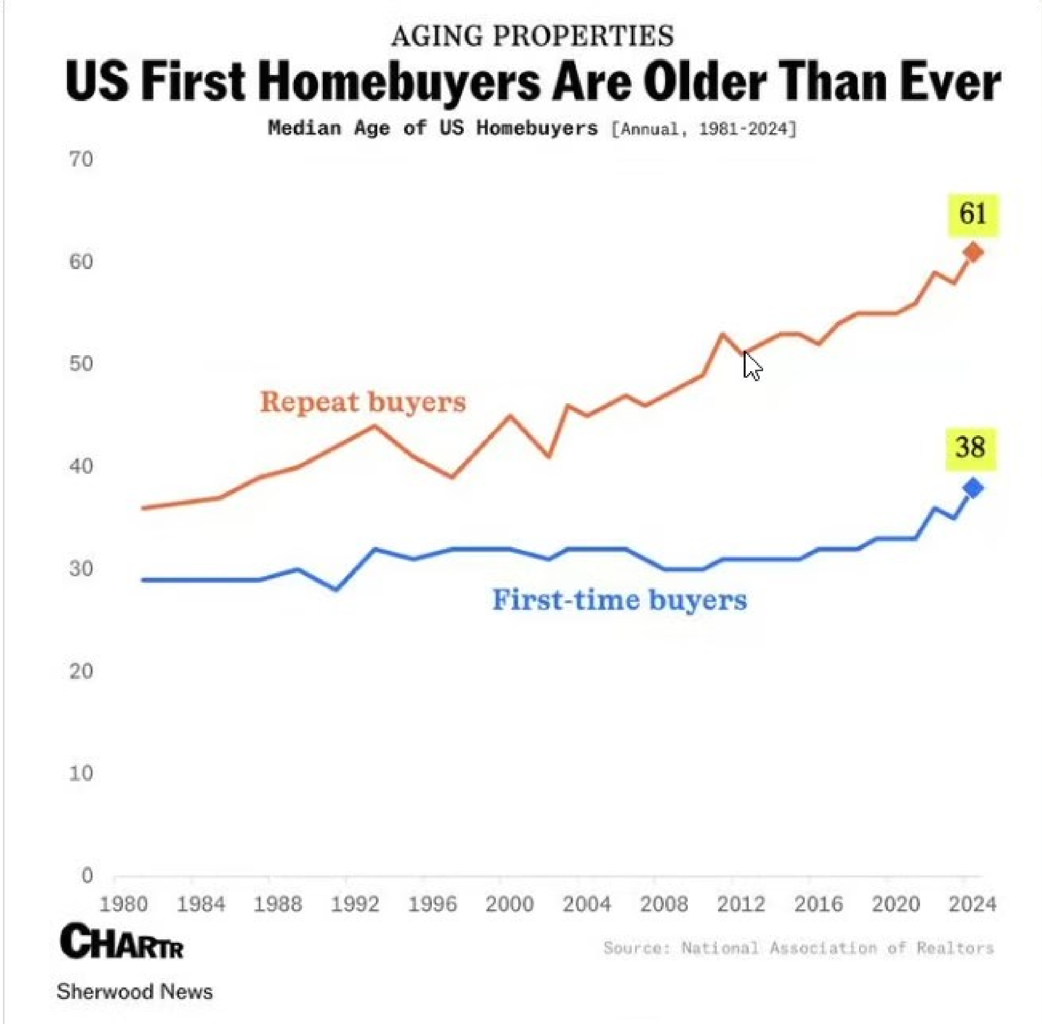
   Learn from case studies demonstrating successful mortgage planning strategies.

The 9 Life Stages





Wealth in America



buyer age is rising

First-Time Home Buyers

Income

Stable income is crucial for mortgage approval and long-term affordability.

Savings

Down payment and reserves determine loan options and terms.

Credit

Credit scores impact interest rates and loan eligibility.

Lock-in Effect

Current rates create reluctance to move once locked in.

Inflation

Life is just getting more expensive

The Millennial Homebuyer

28-43

Age Range

Millennials born between 1981-1996 are in prime first-home buying years.

$300K

Average Price

First-time buyers face significantly higher entry costs than previous generations.

44%

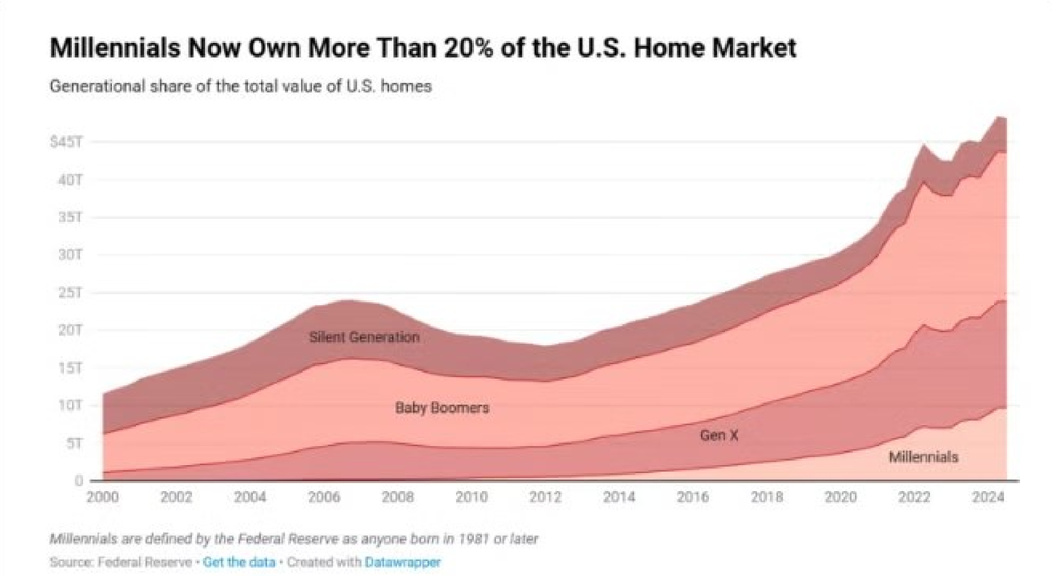
With Student Debt

Nearly half battle education loans while saving for down payments.

7yr

Delay vs. Parents

Millennials buy homes 7 years later than their parents did.



young un's up and coming house participants

First Time Buyer—Heard on the Street

Down Payment Myths

A 20% down is required, missing low down payment options.

Employment Concerns

Misconception that two years at the same job is mandatory.

Student Loan Burden

Education debt will disqualify mortgage approval.

Program Confusion

Overwhelmed by mortgage acronyms and specialized programs. And by a process that can seem complicated and expensive.

Credit History

Limited or poor credit from early debt usage impacts many.

Are there deals for First Time Home Buyers

Are there unique benefits, and how do we qualify?

Advisor Opportunities: First-Time Buyers

Strategic ways advisors can add value for clients entering the housing market

Budgeting Strategy

Help clients establish saving goals and cash flow management plans to prepare for homeownership.

Pre-Approval Planning

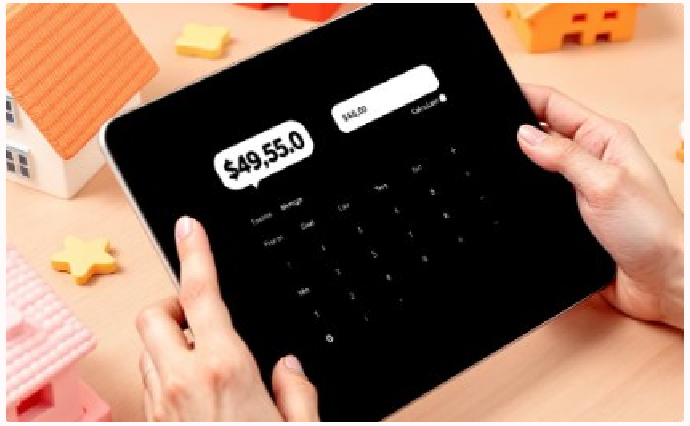
Create Home Loan Action Plans months or years in advance of purchase decisions.

Debt Restructuring

Optimize existing debt to improve mortgage qualification chances and maximize borrowing power.

Family Assistance

Facilitate gifting strategies from parents or relatives for down payments and closing costs.



DIY - Calculators and Affordability Tools

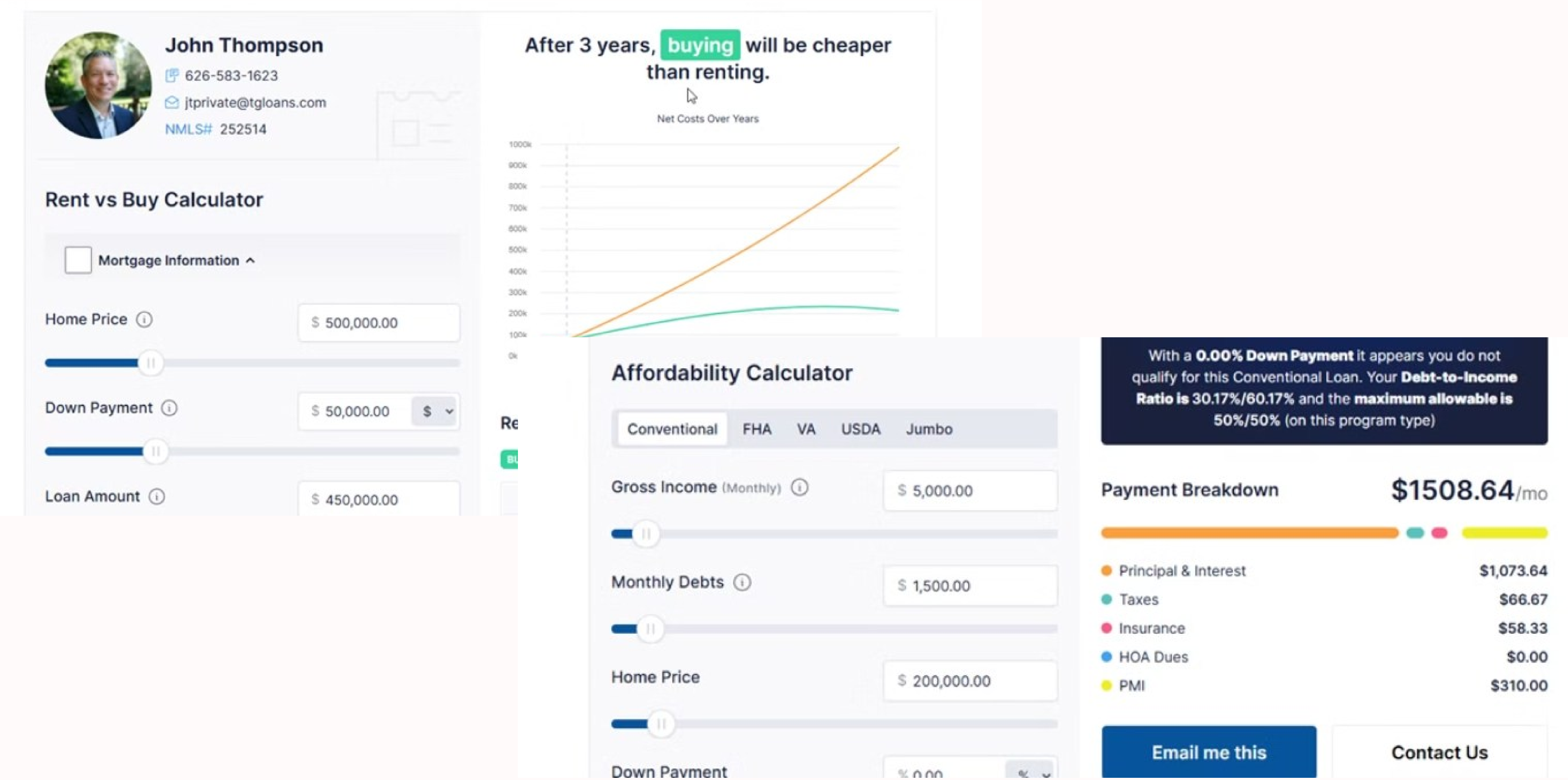
Provide access to self-service tools that help clients understand their purchasing power.

Research

Local city, county and state homebuyer assistance programs that can provide additional

Professional Partnership

Do a deep dive interview process! Education and designations usually mean something.


John Thompson
626-583-1623
jtprivate@tgloans.com
NMLS# 252514
Rent vs Buy Calculator
Mortgage Information
Home Price
$ 500,000.00
Down Payment
$ 50,000.00
$
Loan Amount
$ 450,000.00
After 3 years, buying will be cheaper than renting.
Net Costs Over Years
1000k
900k
800k
700k
600k
500k
400k
300k
200k
100k
0k
Affordability Calculator
Conventional
FHA
VA
USDA
Jumbo
Gross Income (Monthly)
$ 5,000.00
Monthly Debts
$ 1,500.00
Home Price
$ 200,000.00
Down Payment
With a 0.00% Down Payment it appears you do not qualify for this Conventional Loan. Your Debt-to-Income Ratio is 30.17%/60.17% and the maximum allowable is 50%/50% (on this program type)
Payment Breakdown
$1508.64/mo
Principal & Interest
$1,073.64
Taxes
$66.67
Insurance
$58.33
HOA Dues
$0.00
PMI
$310.00
Email me this
Contact Us

Young Couple buys a home

CASE STUDY

Case Study – First Time Home Buyer

Client Profile: Married Couple – Early 30's
Children – Soon

Income: $91,000 combined annual

Real Estate: Renting from family: $1500/mo.

Assets: Cash/Savings: $13,000
401(k): $106,000
Gift from Parent: $80,000

Liabilities: Mortgage: NA
Credit Cards: $3,000 / $121 mo.

Challenges: Buying a first home in Los Angeles. Limited savings but parents are willing help with down payment

Objective: Get affordable payments as they plan to start a family soon. Husbands' income is expected to rise soon and ideally would like the wife to have job flexibility. Plan to put down 20% to keep payments as low as possible.

Results: Consulting with parents and kids, we determine that it would be better to put 5% (rather than 20%) down and use a 1/1 buydown to keep payments low, while increasing liquidity for safety and pay off the credit cards. The additional funds from the gift can be used for a recast/refi later if/when rates drop.

	THEIR PLAN	OUR PLAN	NET BENEFITS
PRODUCT:	30Yr 20 % Down	30Yr 1/1 Buydown	$67,600 Liquidity
PAYMENT:	$3,018 Amortizing	$3,290 (Yr 1) Amortizing	($272)
AVAILABILITY:	Top end of Range	Top end of Range	NA
AMOUNT:	$360,000	$427,500	$67,000 invested/saved in side fund
CASH FLOW:::	NA	PO Cards – pull payment difference from savings	$272 - $121 = $151 from $67,000 new assets
MANAGEMENT:	NA	Advisor and CLA	Annual Reviews
PROTECTION:	NA	Liquidity – HELOC later	$67,000 Liquidity
DISCIPLINE:	Self-Directed	Advisor and CLA	Growing wealth and plan

IMPACT:

The challenge for many young people looking to get into real estate is cash and cash flow. How do you balance the funds needed to purchase a home, the desire for affordable payments and to grow a family.

In this case, the parents were open to the idea of directing their investment for their kids into whatever would make the most sense financially. Sometimes there is resistance to paying off debt or using the funds to create a side fund for protection and other goals.

While the payment today is at the top end of their affordability, once his next job promotion comes in, the payment will be manageable, and they will likely be able to add to their savings and investment accounts.

Part of the plan is built on the assumption of lower rates and the end of the first year buydown. If rates do not fall then the side fund can be used for a recast, resulting in an immediate lower payment or they can continue to draw from the side fund for the cash flow difference to the original 20% down payment they wanted.

Assuming that the $67,000 is earning 5%, they can draw the cash flow difference from those funds for 22 years before it runs out. If rates do fall and they can refinance at the buydown rate or lower, the side funds become a pure investment.

The Sandwich Generation

Facing financial pressures from multiple directions simultaneously.

Peak Earning Years

Maximum income potential

Competing Priorities

College, retirement, aging parents

Cash Flow Management

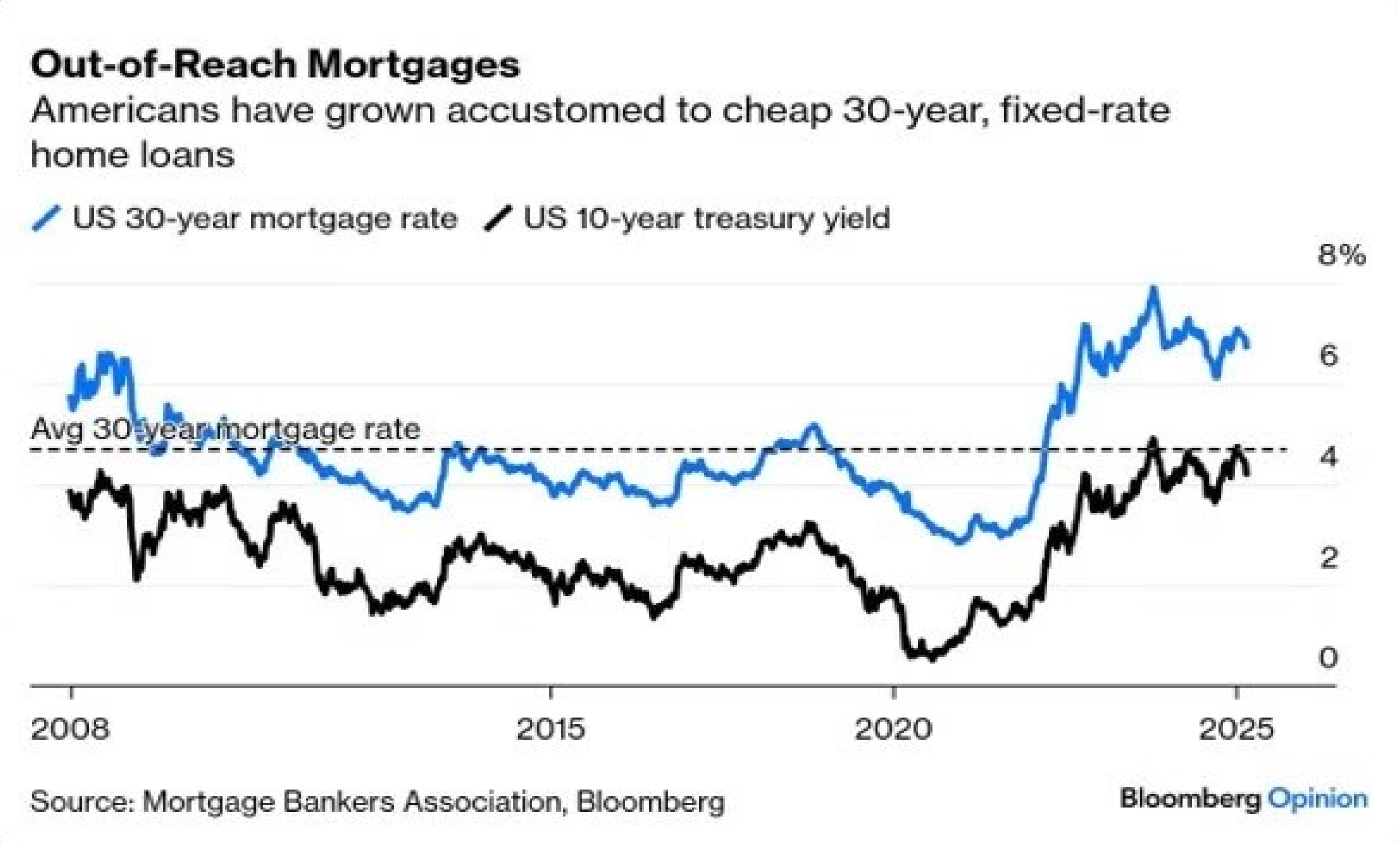
High income, high expenses

Rate Lock Effect

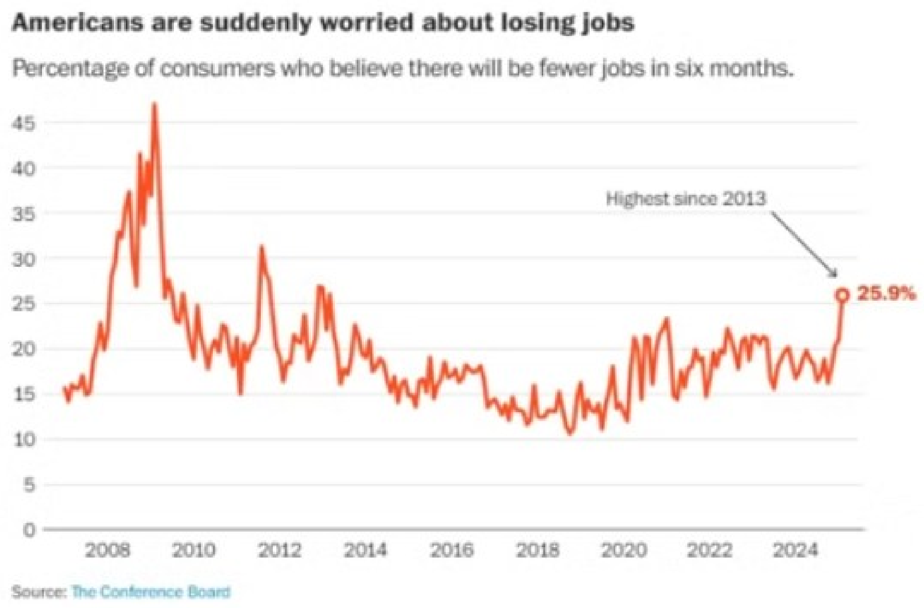
Reluctance to refinance

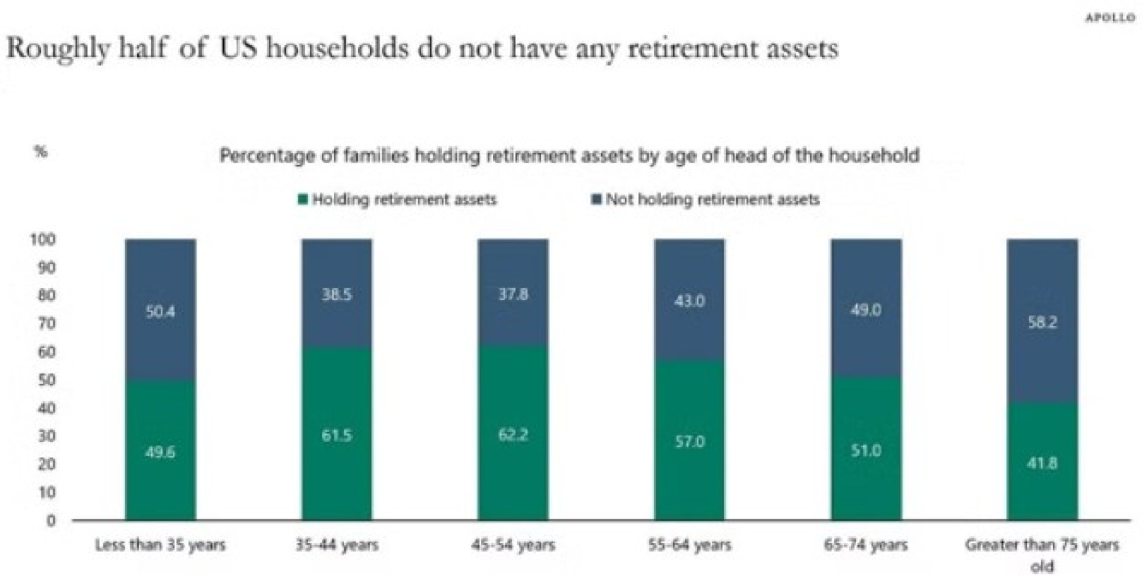
Missed Opportunities

Overlooking strategic options



Sandwich Generation Pressures

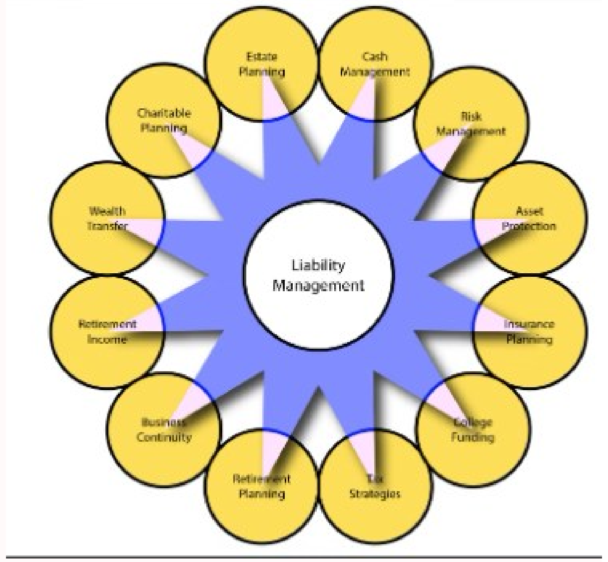


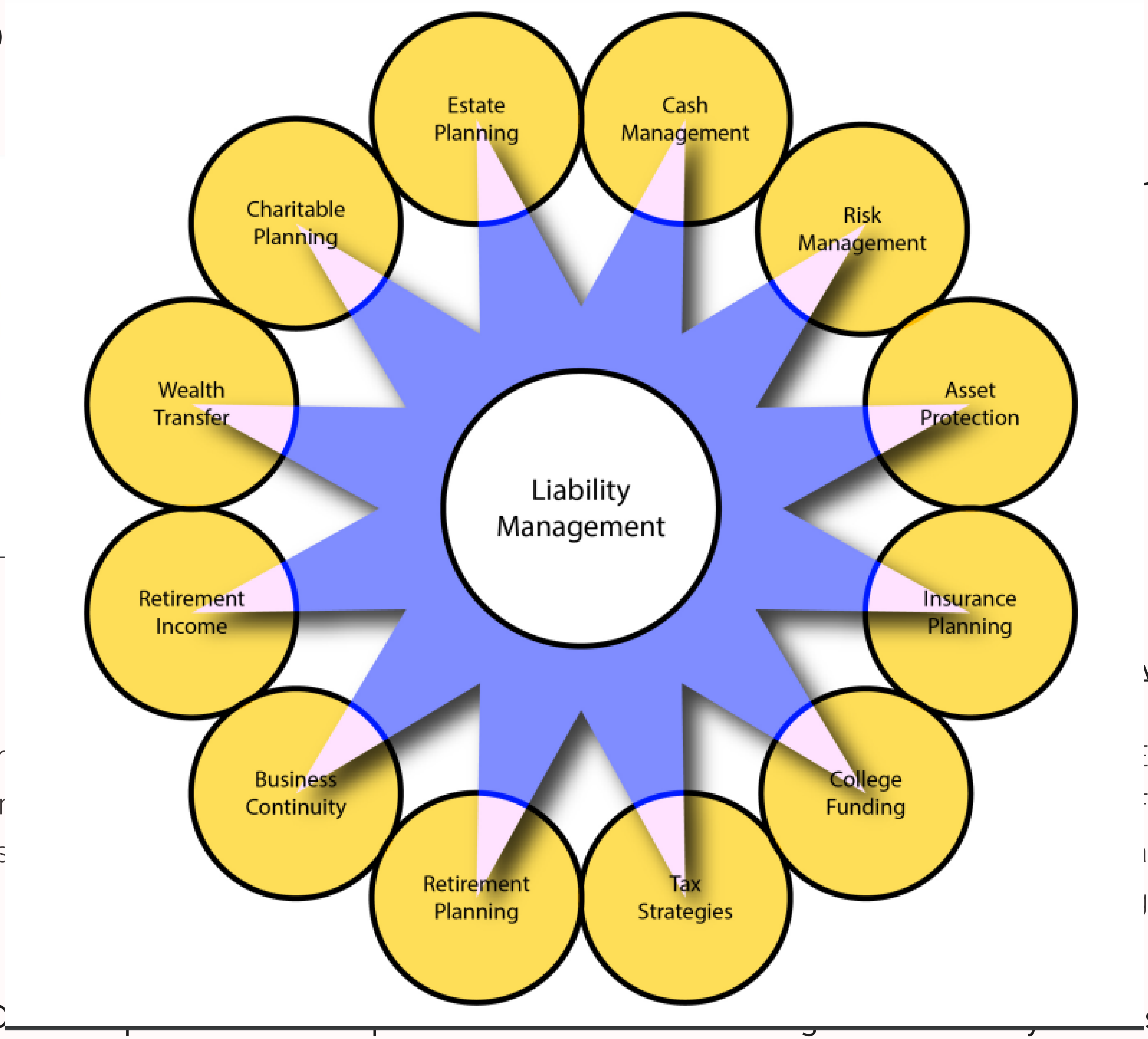


Sandwich Generation - Heard on the Street

1. **Refinance Misconceptions**
   False belief that rates must drop 1-2% to benefit
2. **Home Equity Utilization**
   Uncertainty about HELOC strategies and timing
3. **Tax Planning**
   Misunderstanding mortgage interest deductibility
4. **Liquidity Concerns**
   Home equity wealth is the largest asset without access
5. **Wealth Effect (Home Equity is Illiquid)**
   How do you protect this wealth
6. **Mortgage Interest Deductibility**
   Misconceptions from Realtors, Lenders and Advisors
7. **Credit Score Risks -Job and Financial Instability**
   Affecting access to financing when needed

Advisor Oppo





Jnique Programs

Assets as Income

DSCR

Cash flow/Bank Statements

P&L only

Buffer Asset

Consider home equity as a buffer asset for education, retirement or other significant needs. Access is key.

Advance Inheritance

Encourage family conversations. Future inheritance could be accelerated, benefiting the current generation.

Professional Partnership - D something.

Couple gets in Trouble and Recovers

CASE STUDY

Case Study – Refinance

Client Profile: Married Couple
56/57 Yrs Old
Twin girls – 19 Yrs Old

Income: $600,000 Net income from Self-Employment

Real Estate: Primary Home: $2,070,000

Assets: 401(k): $105,000
Other Investments: $40,000

Liabilities: Mortgage: $1,543,900/ 7.99% / 5Yr ARM / $11,383 mo.
HELOC: $310,293 / 8.250% / $1,719 Interest Only
All previous debt consolidate to above mortgage debt

Challenges: This client grew his business rapidly over the last 7 years but incurred lots of debt, including over $500,000 in IRS obligations. Much of his cash flow has gone into a massive home remodel. His credit score was negatively impacted. Two girls in college. Despite great income, they cannot save.

Objective: We had previously done a short term cashout refinance and HELOC to consolidate the IRS debt and his revolving debt. This initial refinance saved over $9,000 in monthly cash flow but he still has a higher than market adjustable-rate mortgage and the floating rate HELOC.

Results: We refinance the 5 Yr ARM into a 30-year fixed at a lower rate and subordinate the HELOC. This creates stability and more cash flow savings

	BEFORE	AFTER	NET BENEFITS
PRODUCT:	5Year ARM Non-QM	Conventional 30 Yr Fixed	No risk, stable payment
PAYMENT:	$11,383 Amortizing Adjustable Rate	$10,575 Amortizing Fixed	$808 in cash flow
AVAILABILITY:	Over Leveraged	Still Over Leveraged	Moving to stability
AMOUNT:	$1,543,900 + $310,293 HELOC	$1,550,000 + $310,293 HELOC	Fixed rate reduces ARM risk
CASH FLOW:::	1st refi saved $9000 a month	Added $808 to cash flow	$808 to advisor
MANAGEMENT:	Advisor and CLA	Advisor and CLA	Added $9,808/mo to Plan 50% to Advisor 50% to HELOC
PROTECTION:	NA	NA	Will reduce HELOC that becomes protection
DISCIPLINE:	Not using Advisor effectively	Advisor and CLA	Growing wealth and plan*

IMPACT:

The client opted to use his rapidly increasing income and cash flow to remodel his home, over improving it significantly. He did not understand the income tax ramifications of his increased income and ended up owing the IRS over $500,000 before they filed liens against him. He also financed much of the home improvement and living expenses with Credit cards as once he agreed to the IRS repayment plans his cash flow was underwater. The fortunate thing is that the home continues to increase in value and his income is stable and significant.

This plan took and will take 2-3 steps. 1) to pay off the IRS and consolidate all his debt. That first step was 18 months before the plan above. Next, we got the HELOC in place to further improve cash flow by consolidating the rest of his consumer debt. 2) Refinance to a stable market rate 30-year rate 3) The next stage will be to refinance again, should a rate opportunity present itself. If home values increase and he gets the HELOC paid down, we may look at combining the two loans and would keep a HELOC in place for equity protection and liquidity.

His advisor was not aware of the jump in income and debts, unfortunately, but is back in the loop for his retirement planning and newfound commitment to savings. The home is amazing, and he agrees there is no need to continue to pour funds into it!

· *The impact of improving their cash flow by $9808 monthly is an increase in liquidity of $667,000 over five years and will grow his side funds account to just over 1.5M in 11 years at which point he can decide to pay off the mortgage or not.

Older Homeowners

Mortgage in Retirement

Increasing numbers of seniors carry mortgage debt into retirement years.

Healthcare Cost Pressure

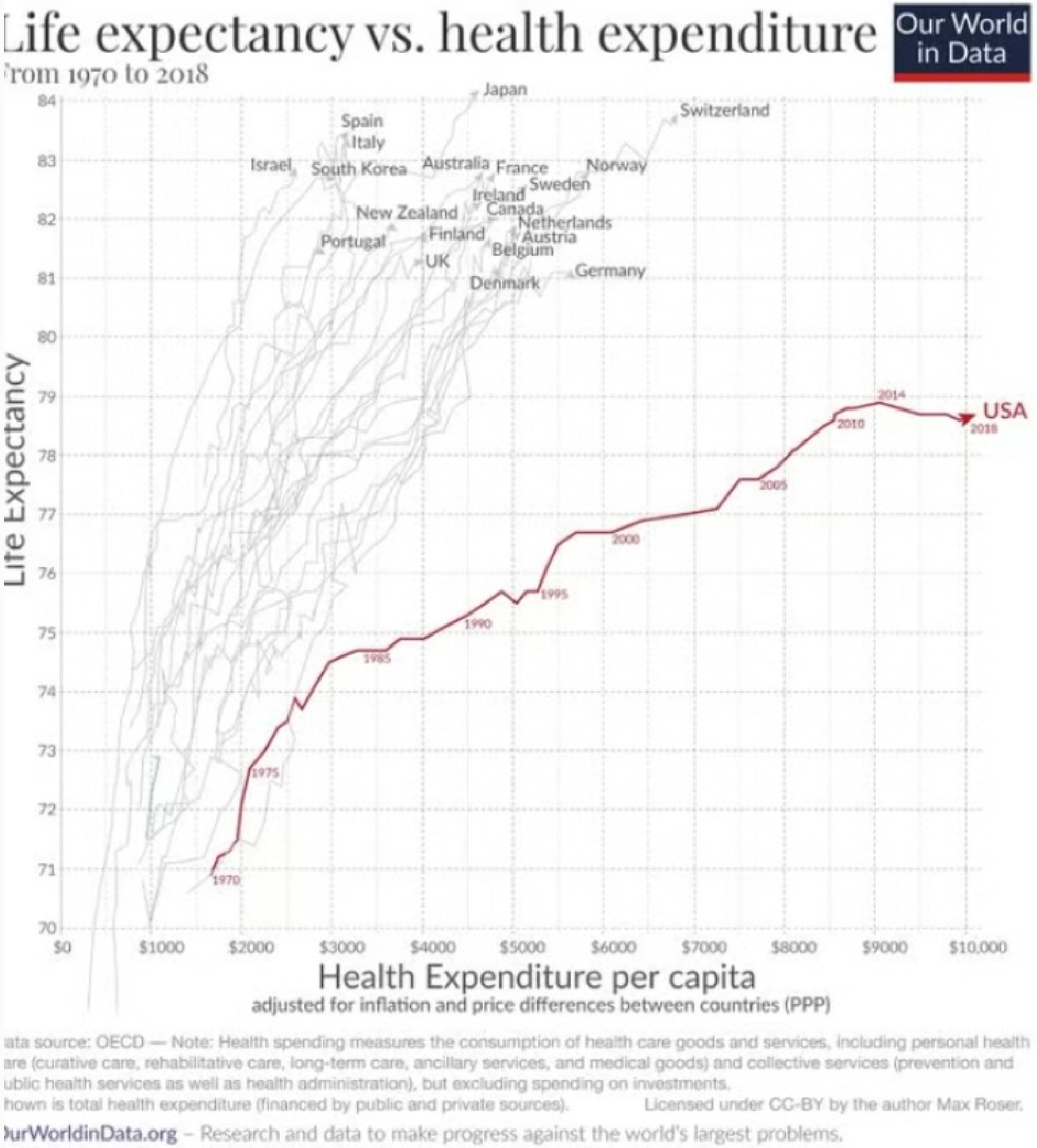
Rising medical expenses compete with housing costs for fixed incomes.

Equity Rich, Cash Poor, IRA Short

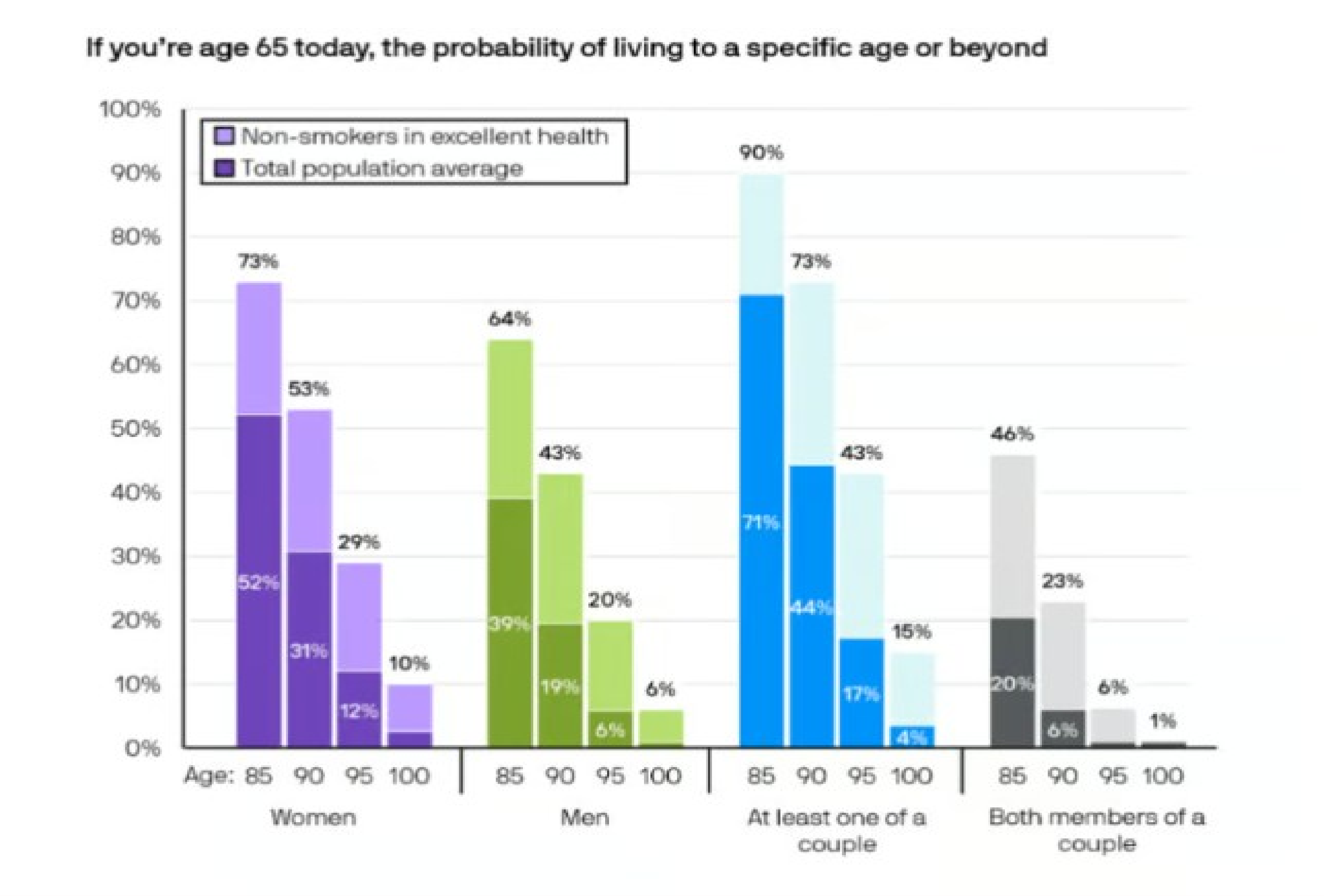
Many seniors have substantial home equity but insufficient liquid assets and IRA's may run short of life expectancy.

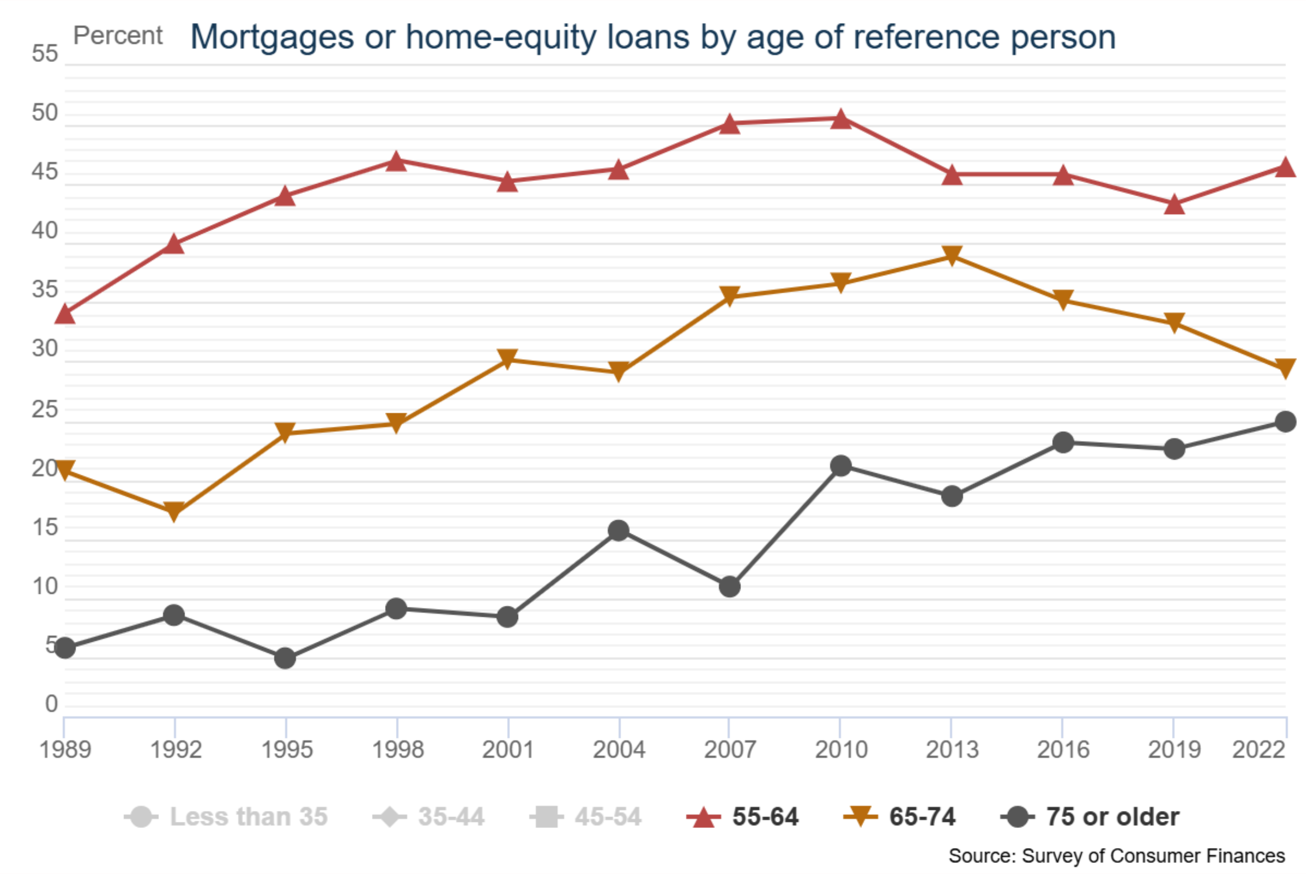
Record Home Equity

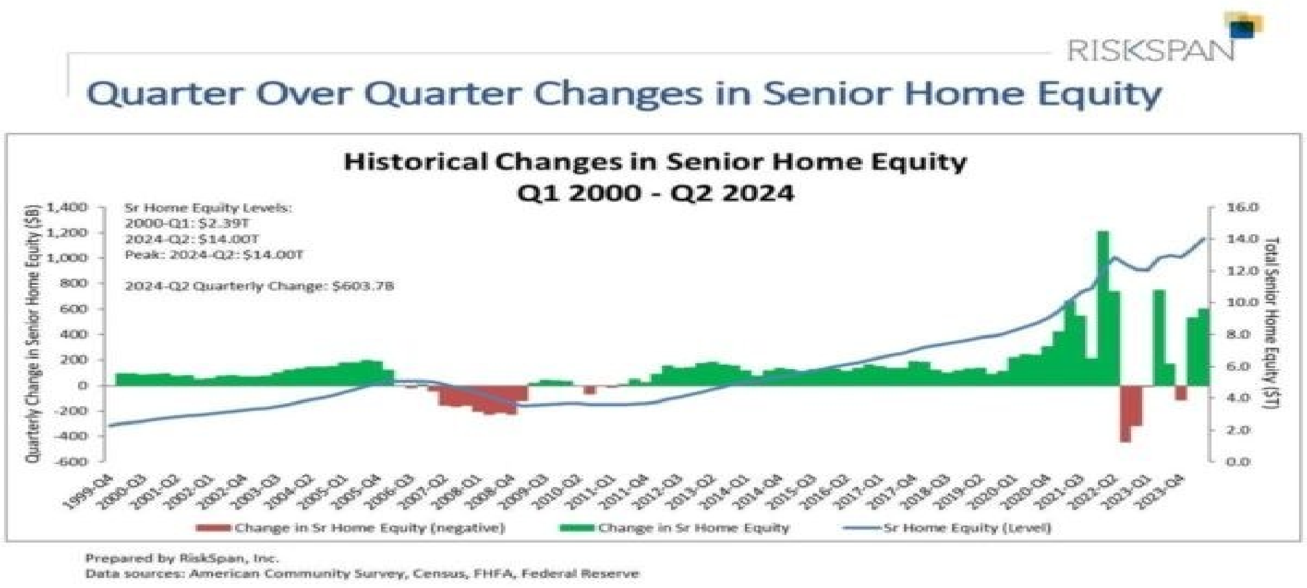
Seniors hold $14 trillion in home equity, often their largest asset.



Senior Housing Wealth







Senior homeowners hold unprecedented wealth in their homes and life expectancy is rising. This equity represents both opportunity and challenge for financial planning

Older Homeowner - Heard on the Street

Reverse Mortgage Myths

Misconception that reverse mortgages are only for desperate situations.

Legacy Concerns

Desire to leave the family home to children, regardless of financial impact.

Long-Term Care Planning

Overreliance on insurance or family for care needs.

It Costs Money to Live Indoors

Underestimating the expense of maintaining a home, without mortgage.

Estate Planning Gaps

Limited understanding of trusts and estate planning options.

Resistance to Debt

A generation that is debt adverse.

Estate Planning Gaps

Wills and trusts are underutilized.

Advisor Opportunities: Older Homeowners

Debunk Reverse Mortgage Myths

Educate on modern reverse mortgage products for the mass affluent.

Integrate Home Equity

Include housing wealth in sustainable retirement income planning.

Address Emotional Factors

Facilitate family discussions about downsizing and inheritance.

Create Buffer Assets

Position home equity as a resource for long-term care and other possible expenses.

IRA- HECM Coordinated Strategies

Understand how to coordinate draws from a HECM to reduce taxes and extend the life and grow other assets.

Ensure access to multiple borrowing Strategies

Not just Reverse, but HELOC and conventional options.

Professional Partner—do a deep dive interview process! Education and designations mean something.

Seniors Spending out of Control

CASE STUDY

Case Study – Refinance

Client Profile: Married Couple
66/63 Yrs Old - 2 Adult Children

Income: $137,000 Salary (Husband)

Real Estate: Primary Home: $2,000,000

Assets: 401(k): $655,000 Savings: $0.00

Liabilities: Mortgage: $741,600/ 2.99% / 30Yr Fixed / $3,394 mo.
HELOC: $202,505 / 7.750% / $1,396 Interest Only
Time Share: $195,000 $2600/mo
Credit Cards: $60,000/ $1,200/mo

Challenges: We refinanced this client in 2021 to combine a 1st mortgage and $200,000 of student loans. After our transaction, they secured a HELOC for $200,000 and purchased a timeshare with financing of $195,000. And then the wife lost her job. They are not savers!

Objective: They were in a negative cash flow situation and incurring Credit Card debt. They need to get out from under the debt, either by selling their home or additional financing. The capital gain tax would be $300,000, and they want to age in place

Results: They do not qualify for a full reverse mortgage. They do qualify for a $360,000 Second position Reverse. We save $3400 in cash flow on the HELOC, and most of the Time Share. Not perfect…

	BEFORE	AFTER	NET BENEFITS
PRODUCT:	30Yr and HELOC	30Yr and Reverse 2nd	$3,400 in cash flow
PAYMENT:	$3,394 Mtg, $1,396 HELOC $5,196 HELOC/Time Share/CC	$3,396 Amortizing Fixed $1,800 Time Share/Credit card	$3,400 in cash flow
AVAILABILITY:	Over Leveraged	Still Over Leveraged	Clarity and Staying in Home*
AMOUNT:	$741,600 + $202,505 HELOC TS $195,000 CC $60,000	$741,600 + $396,000 RM 2nd TS $30,000 CC $60,000	Same debt but cash flow to snowball TS and CC
CASH FLOW:::	Negative	Added $3,400 to cash flow	Snowball plan
MANAGEMENT:	CLA	Advisor (Paid plan) and CLA	Created Debt Snowball Plan
PROTECTION:	NA	NA	NA
DISCIPLINE:	None 😊	Advisor and CLA	Age in Place

IMPACT:

· The client has spending issues, and over time we have helped them refinance a couple of times. Each time, they claim they want to save, get with an advisor and reduce their spending. They did incur debt for their kids' education, which was consolidated into previous refinances. They have also invested significant sums into home renovations from home equity. However, they keep spending beyond their income, so when the job loss happened to the wife, their cash flow inverted, and they had to face the decision to sell and capture significant home equity.

· We advised them to sell and consider moving to a less expensive area, they would have walked away with close to $1,000,000 but would then owe $300,000 in capital gains tax. The good news is that between Social Security and Pension they will have stable income in a few years. And the underlying 2.99% mortgage is affordable.

· The reverse mortgage 2nd was the only option that improved the cash flow to allow them to allocate cash flow to paying of the remaining debt. The savings of $3400 will be used to pay off the credit cards and balance of time share loans.

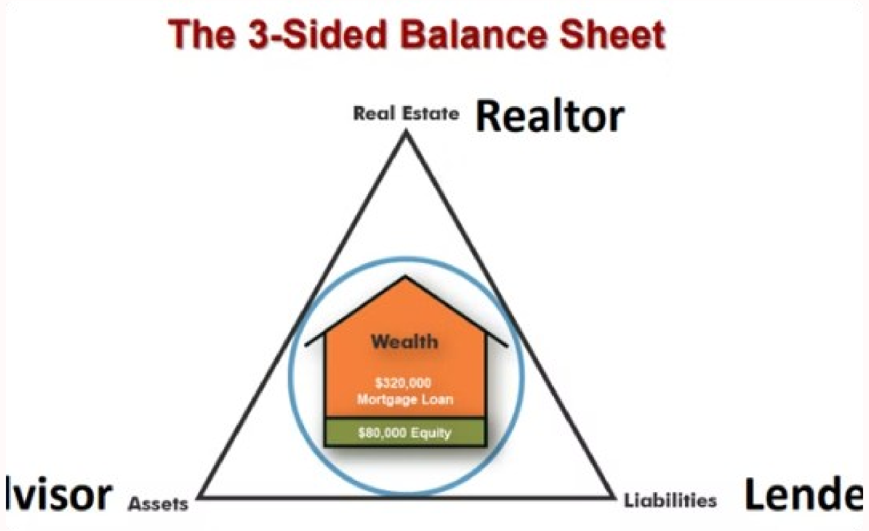
· We finally convinced them to have a financial planner help with a written plan, since there are no assets to manage, although there will be a 401k Rollover. If the real estate continues to increase in value, the home may be sold, if there is a step up in basis, after one of the couple passes.

· The 2nd Position Reverse Mortgage will consume significant equity over time, so we had long conversations about what that would mean for legacy planning and possible sale in the future. They made the decision that the home equity is for their personal lifestyle, and that paying for the kids' college was enough, so no need to create any legacy. And while they could have sold and moved, they really felt better committing to age in place in their current home, near family, church and community.

Final Thoughts

Heating the House with the Windows Open

Many homeowners make poor decisions; they need you and a team.



3 Sided Balance Sheet

Mass affluent clients will benefit from the integration of financial planning and liability management.

Cycle of Borrowing

Good and bad decisions compound over time, just like interest!