



*Unlocking*  
**FINANCIAL FREEDOM**

Consolidating High-Interest Debt

# The rising concern of **high-interest debt & credit card rates**

The impact of the Fed's rate hikes on floating loans:

- 1 The Fed keeps raising interest rates, and while this affects mortgage rates indirectly, it affects rates on revolving debt like credit cards and HELOCs quickly.
- 2 This increasing monthly payment is becoming overwhelming and stretching the consumer's finances beyond their ability to pay.

**Many homeowners have significant home equity...**

and significant credit card debt, but often don't understand the correlation of the two – you can use one to tackle the other!

Homeowners can  
*take back control*  
of their finances through debt  
consolidation via home refi

# Understanding the Burden of High-Interest Debt

Homeowners grappling with overwhelming credit card debt endure a **relentless cycle** of stress and financial strain.

High-interest rates and escalating balances create a suffocating burden, eroding peace of mind. Juggling mortgage payments alongside **mounting credit card obligations** leaves little room for essential expenses and savings, pushing homeowners to the brink. The weight of this financial predicament can feel insurmountable, but with **strategic planning and support**, there's hope for a brighter, debt-free future.

## Credit Card Interest Rates

Credit card interest rates can vary significantly based on factors such as the individual's credit score, the type of credit card, and prevailing **market conditions**. On average, credit card interest rates can range from around 10% to 25%\* or even higher for individuals with lower credit scores.

## Average Consumer Debt

Consumer debt includes credit card debt, personal loans, auto loans, and other types of **non-mortgage debt**. The average consumer debt is around \$7,000\* per individual.

## Average Home Equity

Home equity refers to the value of a homeowner's interest in their property after subtracting the outstanding mortgage or any other liens on the property. **It represents the portion of the property's value that the homeowner truly owns.** The home equity stake of the average homeowner with a mortgage is worth just over \$274,000.\*

# UNLOCKING FINANCIAL *Freedom*

How Refinancing  
Can Help You  
Eliminate Debt

## What is debt consolidation and how does it work?

A debt consolidation refinance allows you to pay off high-interest credit card debt, medical bills, student loans, and any other loan balances you carry.

You do this by borrowing a larger amount than your current mortgage, leveraging your home's equity. You can **use the difference** between what you borrow and what you owe to payoff your debt.

## How to consolidate multiple high-interest debts

Consolidating high-interest debts into a single, more affordable payment is a **smart financial move**. By securing a consolidation loan with a lower interest rate, or transferring balances to a credit card with a promotional rate, you can simplify your finances and **potentially save money**. This strategic approach combines your debts into a single manageable payment, often reducing the total amount you pay monthly compared to the sum of individual bills. It's a step towards **regaining control of your finances** and working towards a debt-free future. Remember, discipline in managing new debt is essential for lasting success.

## Simplifying debt repayment through consolidation

Simplifying debt repayment through consolidation offers a dual advantage. Immediately, it streamlines your financial responsibilities, replacing multiple payments with one manageable installment. Long-term benefits emerge as you potentially **secure lower interest rates**, reducing the overall amount you repay. This approach not only eases your financial stress but also paves the way for a more organized and efficient path towards debt freedom.

# Home Equity: Your Secret Weapon to Obliterating Debt

Home equity refers to the value of a homeowner's property minus the mortgage. It's important because it:



## Wealth

Adds to net worth, contributing to long-term financial stability



## Moving

Helps when downsizing or upgrading by using equity for a new home



## Borrowing Power

Can secure loans at lower rates



## Retirement

Can supplement retirement income



## Home Improvement

Funds renovations, boosting property value



## Tax Benefits

Offers tax advantages in some locations



## Emergency Fund

Can be a financial safety net in hard times



## Legacy

Can be passed to heirs

If you're considering **leveraging your home equity** for financial endeavors such as renovations, debt consolidation, or investment, consulting with your loan officer can offer tailored guidance and expert insights to help you make informed decisions aligned with your goals.

## How to determine the level of home equity available to you

Subtract all owed amounts owed on the property from your property's current value. The difference is the amount of equity you have.

$$\begin{array}{r} \text{Current Home Value} \\ - \\ \text{Mortgage Balance} \\ = \\ \text{Home Equity} \end{array}$$

**EXAMPLE:** A home worth \$500,000 with a mortgage balance of \$200,000 would have \$300,000 of equity available



## What is home refinancing?

Home refinancing is the process of replacing an existing mortgage with a new one, often with **better terms, interest rates, or repayment structures**. This can help homeowners lower their monthly payments, reduce the total interest paid over the life of the loan, or access equity for other financial needs.

When contemplating your financial landscape, comparing the potential savings gained from debt consolidation against the ongoing burden of multiple high-interest loans becomes a crucial evaluation.

Consolidating your debts can **streamline repayment** by merging them into a single, often lower-interest loan. This approach not only simplifies your financial obligations but also has the potential to significantly reduce the amount of interest paid over time.

On the other hand, persisting with numerous high-interest loans can lead to mounting interest charges and a longer path to debt freedom.

By carefully assessing the long-term impact of each option and considering factors such as interest rates, repayment terms, and overall financial goals, you can make an informed decision that aligns with your dream for financial stability and freedom.



Pay less  
*get more*  
with refinancing

# Home Equity Loan vs. Cash-Out Refinance

## What is a home equity loan?

A home equity loan uses your home's equity as collateral for the loan. The loan is disbursed in **one lump sum** that you pay back in equal monthly installments over a fixed term and a fixed interest rate. This loan is generally a new second mortgage secured against your home.

### PROS

- Flexible use and potential tax breaks on interest
- Fixed interest rates for cost stability
- Predictable payments for budgeting

### CONS

- Credit score affects approval and interest rates
- Risk of adverse action if payments are missed
- Closing costs and fees can add to expenses

## What is a cash out refi?

Cash-out refinancing involves swapping your existing home mortgage for a larger one, enabling you to **receive the surplus** between the two loans in cash. This cash is determined by the equity accumulated in your home. It can be utilized for a wide range of goals, including home renovations, combining high-interest debt, and other financial requirements.

### PROS

- Access to a lump sum of cash for various purposes
- May result in a lower interest rate compared to other forms of credit
- Potential tax-deductible interest payments if used for home improvements\*\*
- Lower interest rates due to secured collateral

### CONS

- Could extend your loan term, leading to more interest paid over time
- Requires closing costs
- Your home is used as collateral, risking adverse action for non-payment
- Eligibility depends on credit score, equity, and income

\*\*Talk to your tax professional for information on potential tax benefits

# Real Life Refinance: See Debt Consolidation in Action

Paying off consumer debt like credit cards with very high interest rates can bring your monthly payments down – even if you refinance that low-rate mortgage you got a few years ago!

In this comparison, the homeowner owns a home with a low-rate mortgage but high credit card debt. See the difference in monthly payments a refinance can make!



**NOTE:** Even if the overall rate goes up, the monthly payments come down, and the monthly payments are actually **paying off the debt** on a schedule instead of just trading water with minimums.

	Current	Cash Out Refi
Home Value	\$750,000	\$750,000
Mortgage Balance	\$400,000	\$435,000
Rate/APR	4.262%	6.25/6.331%
Term	30 Year Fixed	30 Year Fixed
Payment (P&I only)	\$1,910	\$2,709
Credit Card Debt	\$30,000	\$0
Rate	22%	0%
Minimum Payment	\$900.00	0
<b>Total Payment</b>	<b>\$2,810</b>	<b>\$2,678</b>



# SECURING YOUR

*future*

while making the  
best use of your  
resources today

## A light at the end of the tunnel...

There are some big advantages when you refinance your mortgage. You can **pay off high-interest debt**, often in a shorter period of time. Your credit score will also benefit, as it can grow as your debt shrinks. You can also put the **money you save** with your new lower interest rate toward your debt payment efforts. This allows you to pay off these loan balances even faster.

One of the biggest advantages to knocking down this debt is the fact that it will give you some **breathing room**. Consolidating debt opens your credit cards back up, providing a cushion in case of emergencies. Speaking of emergencies, you can also use the money you're **saving every month** to build up your rainy-day fund. That way you will have cash on hand for larger purchases and won't have to rely on credit cards in the first place.

And let's not forget about convenience. Every loan amount has a different due date, interest rate, and balance. By consolidating your debt, you can **simplify the process of paying it off**. You will have just one payment at an interest rate that's much more favorable than high-interest credit cards. You may also want to consolidate some of your credit card accounts once you pay off this debt.

# Reclaim *your* **FINANCIAL** **FUTURE**

Key takeaways and benefits of debt consolidation through refi

1

**Streamlined  
Finances**

2

**Faster Debt  
Repayment.**

3

**Lower Interest  
Rates**

4

**Enhanced Financial  
Management**

5

**Improved  
Credit Score**

6

**Increased  
Savings**

7

**Reduced Monthly  
Payments**

8

**Stress  
Reduction**

# THE TIME IS NOW!

*Take control*  
of your situation.

Don't let this uncertainty dictate your life, we are here to guide you through the process of debt consolidation via home a home refi, and understand that every homeowner's situation is unique, which is why we offer tailored solutions to fit your needs.

Remember, your journey towards a debt-free life is possible with the right strategies and partners. American Pacific Mortgage is committed to supporting you every step of the way. Don't let debt control your life – take action today and pave the way to a brighter financial future.





## About APM

As a company, we embrace the concept of homeownership with enthusiasm and optimism for housing in America. Every employee at American Pacific Mortgage takes personal ownership in *Creating Experiences That Matter™* for our customers and consumers. Every transaction represents a family, a home, and a life decision—we understand and value that our participation is a privilege and that our job is to delight everyone involved in the loan process.



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