



Securities-based Financing Solutions for Real Estate Professionals

Not an offer to buy or sell securities; no financial advice provided.

Please read our full *Disclosure Statement* before proceeding..

The Challenge



Prior to the mortgage meltdown, funding was plentiful via traditional Fannie Mae/Freddie Mac lenders, private lenders, hard money, as well as personal and business lines of credit.

As these sources have all but dried up, savvy investors have turned to more creative methods of financing.

The Facts



- LTV limits are significantly lower than ever
- Credit score requirements are much higher
- Stated income is all but a thing of the past
- FNMA and FHLMC impose limits regarding the number of financed properties allowed
- Second mortgages and lines of credit on investment properties no longer exist
- Traditional mortgages do not allow for financing of rehab or other incidental expenses
- Hard money loans have become very difficult to qualify for
- Banks do not finance property listing fees, appraisals, marketing costs, property management fees or loan payments on unoccupied properties.

The Solution



One solution is a securities-based line of credit. Borrowers who own securities now can leverage their securities into ready cash for real estate investments.

In essence, investors can stay in the market, invest in real estate, and enjoy the potential benefits of two appreciating asset classes instead of one.



The Basics

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Interest rates - Rates vary depending on the credit line amount. Credit lines of \$100,000 to \$250,000 average about 5.25% while lines of \$1,000,000+ start from 3%. (Fixed and variable rates available)

Line of credit terms - The typical term is 3 years but can be prepaid and closed at any time without penalty with no additional fees.*

Minimum/maximum line amounts - Depending on the type of securities, the minimum line amount is approximately \$100,000, no set maximum.

**Variable rates loans.*

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Documentation – A No-Doc line of credit? Yes, since a securities-based line of credit is not underwritten based on credit, income or debt ratio, we require only a current account or brokerage statement to issue a formal quote, usually within 24 hours.

Fast Closing – The entire process from start to finish can take place in as few as 5 days.

Up-front Costs – There are no up-front or out-of-pocket costs.

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What Doesn't Qualify

- Private company stocks
- Restricted stocks
- Stocks with little or no trading volume
- Real Estate
- Medium-term notes (MTNs)
- Standby Letters of Credit (SBLCs)
- Securities listed on some foreign exchanges

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What Does

- Fannie Mae, Ginnie Mae CMO
- Exchange-Traded Funds (ETFs)
- Publically traded REITs
- Stocks traded on U.S., Australia, U.K, and most European exchanges.
- U.S. and selected non-U.S. stocks
- Mutual Funds
- U.S. Treasury notes/bills/strips
- U.S. government agency bonds
- Municipal and corporate bonds
- Selected bank CDs
- Unit Investment Trusts

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Most Common Uses

Generating or Increasing Your Down Payment

With today's more stringent loan-to-value guidelines, many deals are lost due to insufficient down payments. A larger down payment can mean the difference between closing the deal or losing it.

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Outright Purchase of Real Estate

Having access to a sizable credit line allows the investor to pay cash for a property, avoiding the normal delays associated with traditional mortgages or hard money loans. Once approved, your line of credit is accessible immediately when the right opportunity comes along. The ability to pay cash for real estate increases your overall equity and buying power while preserving your credit for future financing opportunities.

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Pay Down Existing Mortgage to Refinance

As property values have plummeted and LTV limits reduced, it has become more and more difficult to refinance existing real estate. A securities-based line of credit gives the investor the ability to pay down existing mortgages to stay within current LTV limits and take advantage of today's lower interest rates.

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Cover Hard Costs of Real Estate Investments

Successful real estate investing requires cash, and lots of it. Even hard money loans allow for only a small percentage of acquisition and rehab costs to be financed. That leaves property listing fees, appraisals, marketing costs, property management fees or loan payments on unoccupied properties to be paid for in cash. A securities-based line of credit can be used for all these items, with zero out-of-pocket cost.

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Bridge Loans

This is a short-term loan that is used until a person or company secures permanent financing or removes an existing obligation. Bridge loans come with relatively high interest rates and are typically backed by some form of collateral such as real estate or inventory. A securities-based line of credit can be a perfect alternative.

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REO/Fix and Flip

Investors interested in purchasing bank owned properties to rehab and flip will find a securities-based line of credit especially flexible given the ability to draw funds to cover acquisition and all related costs, creating a true “no-out-of-pocket” investment. Once a property is rehabbed and sold they can simply pay the line down and be ready for the next opportunity. Interest is paid only on the outstanding line balance.

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Financial Analysis and Tax Considerations*



Fact: If the annual return of your portfolio (appreciation, dividends etc.) added to the annual return of your investment property (appreciation, income etc.) are greater than your annual cost of capital - you have increased your overall equity.

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- Assuming a 3-5 year term for the loan, the average annual cost of capital will normally be between 5-6%.
- In most cases when you leverage your portfolio to purchase real estate for investment, **all of your carrying costs may be deductible.** This means that if you're in a combined 35% tax bracket that the tax-equivalent annual cost of capital was 65% of the numbers above, the tax-equivalent cost of capital would be between 3.25 and 4%.
- As long as the yield of your real estate investment PLUS the yield of your portfolio outperforms 3.25-4% per year, you will have increased your overall equity without writing a check.

* Please consult with a licensed tax advisor prior to any decision involving your credit line and taxes.

Simplicity - Flexibility - Security

You've worked hard to build a strong portfolio and want the safety of knowing your nest egg will be there when you need it. Our securities-based line of credit offers:

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- Top-tier, fully regulated and licensed management
- SIPC-insured institutional accounts
- No title transfer required
- Prepay anytime
- All dividends paid to borrower
- All upside appreciation goes to borrower
- Limited-recourse option
- Not secured by real estate
- No obligation, no-cost quotes
- Free consultation with professional advisor prior to loan docs

