

Securities-Backed Line of Credit (SBLOC)

Frequently Asked Questions

About SBLOC

What is a Securities-Backed Line of Credit?

A securities-backed line of credit (SBLOC) is a revolving line of credit offered by Axos Bank through an advisory relationship that is secured by an investment portfolio. It enables clients with \$150,000 or more of qualified assets in their investment account to borrow up to 65% of the market value of their eligible securities for a wide range of purposes, using their securities as collateral for the loan.

Funds cannot be used to purchase, carry, or trade securities or to repay a margin loan.

What are the advantages of a Securities-Backed Line of Credit for investors?

A securities-backed line of credit enables your clients to take advantage of the borrowing power of their investments to help meet their financing needs. It also gives them the freedom to use the funds when it best suits them.

Potential benefits include:

- **Keeping their investment strategy on track.** An SBLOC can give your clients the flexibility to manage their cash flow without disrupting their investment plans.
- **Maximum repayment flexibility.** There are no pre-set monthly payment schedules for repayment of principal. This is a negative amortization product, which means interest accrues and is charged against the available limit if no payment is made. Clients can set up their own repayment schedule that matches their cash flow needs.
- **Low-interest rate and no hidden fees.** Interest rates on an SBLOC are lower than rates on some other comparable credit sources. There are no application fees, points, closing costs, or other hidden fees and expenses. And there are no prepayment penalties or utilization requirements or fees—clients can close the line of credit at any time without penalty.
- **Easy and convenient** management and repayment through the Axos Client Portal.

How can funds be used?

Your clients can use the money they borrow via an SBLOC for a wide range of purposes. Funds cannot be used to purchase, carry, or trade securities or to repay a margin loan. In other words, this line of credit is not equivalent to a margin account or purpose loan.

What are some of the risks associated with a Securities-Backed Line of Credit?

An SBLOC and pledging securities carry special risks and are not suitable for all investors. Here are some factors you and your client may want to consider:

- **Maintenance calls:** If the value of their securities declines below their borrowing amount, they will be requested to deposit more cash or securities or sell some of their securities to maintain equity.
- **Interest rate fluctuation:** Their interest rate can change over time, depending on market conditions.
- **Restricted access:** Their securities can't be withdrawn or transferred to other accounts or advisory firms while they are pledged against an SBLOC.

Account Requirements

What type of accounts can be pledged?

Individual and joint taxable investment accounts with Axos Advisor Services.

What type of assets are eligible to be pledged as collateral?

- Equities greater than \$10 in share price and greater than 300 million market capitalization
- ETFs greater than \$5 in share price
- Mutual Funds
- Fixed Income (Investment grade)

What type of accounts cannot be pledged?

Non-taxable accounts such as IRAs.

Are there any minimum advance requirements?

No advance minimum is required.

What are the collateral requirements?

\$150,000 or more in eligible assets under management.

What are the typical advance rates?

The maximum advance rate is 65%

Are fixed rates available?

No, these are floating-rate loans tied to the 30-day Secured Overnight Financing Rate ("SOFR") plus an additional interest rate margin. The interest rate margin is based on the loan value of the collateral at the time the line of credit is opened.

Are there monthly minimum payment requirements?

No, interest accrues and then is capitalized to the total outstanding balance of the line.

How do my clients make payments?

By using the Make a Payment function within the Client Portal. Payments can be made via ACH, wire, or check (subject to a \$10 check processing fee).

Are there any fees charged for inactivity?

No, we do not charge fees for inactivity on SBLOC accounts.

Are SBLOC accounts reported to the credit bureau?

No, SBLOC accounts will not appear on your credit bureau report.

What if my client is interested in SBLOC but currently has pledged their assets to another lending product like a margin loan or an asset-pledged mortgage?

Assets cannot be pledged to multiple loans; to secure an SBLOC using their assets, they would need to repay the original loan and apply for an SBLOC.

Account Set Up and Servicing

How do I set up an SBLOC account for my clients?

If your client's individual or joint account is eligible, you will see a link in the overview page under additional actions. If the client starts the process from the Portal, you will receive a bulletin in Liberty and will receive a copy of the DocuSign package. Reference the SBLOC Liberty User Guide for step-by-step instructions.

What else is required for my client to set up an SBLOC account?

Your client will need to have an Investor Checking account to access loan proceeds from an SBLOC account. An Investor Checking account can be opened within the Axos Client Portal.

What is required to complete the SBLOC underwriting process?

A DocuSign package must be completed containing the application, control agreement, and loan documents.

How quickly, after approval, will my client have access to their funds?

On average, it takes 1-3 days for clients to receive their funds once approved.

How can my clients access their SBLOC account once it is approved?

Clients can access their SBLOC account by logging into the Client Portal and navigating to the Borrow Section. An Investor Checking account must be opened to access loan proceeds from an SBLOC account.

What if my client needs to utilize the pledged collateral account? How long does it take to unpledge an account?

If, for some reason, something happens and your client needs to utilize the collateral account that was pledged for the SBLOC, it can take up to 3 business days to unpledge the account if funds were not drawn on the account. If funds were drawn from the account, based on the utilization of the line a payment may be required. It can take up to 10 days to unpledge the account after payment is made if required.

Can I view my client's SBLOC account in Liberty?

SBLOC accounts are not visible within Liberty since they are a banking product.

How do my clients access their funds and see their loan balance?

Clients may access their funds using the Move Money feature in the Client Portal via their Investor Checking account. Their loan balance will be viewable on the Product Detail Page for their loan. SBLOC statements are accessible within the Client Portal and available to view and download.

As an advisor, who do I contact at Axos for more information on the SBLOC solution?

As an Axos Advisor Services client, your firm receives VIP advisor support through our Premier Banking and Lending Solutions team. If you need assistance, please call 877-887-3030 to speak to a premier team member.

An SBLOC account is an uncommitted revolving line of credit account subject to the terms and conditions of the Axos Bank Line of Credit and Security Agreement. The line of credit is payable on demand to Axos Bank. Advances are not extended for any specific term or duration, and Axos Bank may, at its sole and absolute discretion, demand full or partial payment of all or a portion of the outstanding balance without cause at any time. The credit limit for the Line of Credit, as determined by Axos Bank from time to time, is the lesser of (a) the amount communicated by Axos Bank to the Borrower as the maximum amount of credit allowed under the Agreement or (b) the amount available under the Line of Credit at any given time based on Axos Bank's sole discretion, including its determination of the valuation and acceptability of Collateral.

Not all applicants will qualify. Programs, rates, terms, and conditions are subject to change without notice.

**APR = Annual Percentage Rate. 8.86% APR is based on a loan amount of \$1,000,001 - \$1,999,999. Loan approval is subject to standard underwriting guidelines. Rates and terms are subject to change based on market conditions and borrower eligibility. Terms and conditions apply. This is not a commitment to lend. Rates effective as of [9-1-2023].*

Securities-based lending has unique risks associated with it; this product may not appeal to all clients. Please consider the risks of Securities-based lending before making decisions. Not all securities are available to be collateralized, and are subject to change without notice. Retirement account assets may not be used as collateral for a loan. Interest rate fluctuations have the ability to impact borrowing costs. Securities value fluctuations that drop below program requirements may trigger a collateral call, in which the borrower is required to repay the line of credit either by cash deposit, securities deposit, or sale of eligible securities.

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