

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, trade securities, or repay a margin loan.*

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

An SBLOC 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 liquidity needs without disrupting their investment objectives.
- **Maximum repayment flexibility.** No pre-set monthly payment is required. Accrued interest is added to the outstanding balance if no payment is made. Clients can establish a repayment schedule that matches their cash flow.
- **Low-interest rate and no fees.** Interest rates on an SBLOC can be lower than rates on some other comparable credit sources. There are no application fees or closing costs and no fees for maintaining an unused line. There are no prepayment penalties or utilization requirements, and clients can close the line of credit at any time.
- **Easy and convenient to manage.** Your clients can draw funds and make payments easily through the Axos Client Portal by using the Axos Cash Management Checking account. There is no cost to move funds via wire or ACH.

How can funds be used?

Your clients can use the money they borrow via an SBLOC for virtually any purpose *other than purchasing, carrying, or trading securities or repayment of a margin loan.*

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

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

- **Maintenance calls:** If the value of a pledged investment account declines sufficiently relative to the value of the amount borrowed, clients may be required to repay a portion of the loan or deposit additional collateral. *Please note: The Axos Advisor Banking team will proactively notify both you and your client if a line is nearing a maintenance call and will collaborate with you to address the issue.*
- **Interest rate fluctuation:** The interest rate is variable and can change based on market conditions.

- **Restricted access:** Assets cannot be withdrawn from the pledged investment account without the bank's permission.

Account Requirements

What type of accounts can be pledged?

Individual, joint, and revocable trust accounts that are held in custody at Axos Advisor Services.

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

- Equities greater than \$10 per share and \$300 million market capitalization
- ETFs greater than \$5 per share
- 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 minimum advance is required.

What are the collateral requirements?

Accounts with at least \$150,000 in eligible assets.

What are the typical advance rates?

Typically, at least 50%; 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 lending value of the collateral at the time the line of credit is initiated.

Are there monthly minimum payment requirements?

No. If no payment is made, interest accrues and is added to the outstanding balance.

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.

Are there any fees charged for inactivity?

No. There are no fees to maintain the credit line.

Are SBLOC accounts reported to the credit bureau?

No, and securities-backed credit lines do not appear on your credit report.

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

Assets cannot be pledged to multiple loans; to secure an SBLOC, the original loan must be repaid before initiating an application.

Who is eligible to sign the paperwork if my client is pledging a revocable trust account?

A DocuSign envelope will be sent to the trust's trustees, who are all required to sign the loan documents. Additionally, a Trust Certification must be signed by trustees and notarized; this document will be sent to you by Axos Bank when a Trust application is received.

Account Set Up and Servicing

What is required to open an SBLOC account?

- Individual, Joint, or Revocable Trust Account
- Accounts with at least \$150,000 in eligible assets
- An Axos Cash Management Checking Account
- Completed and signed DocuSign package (includes application, control agreement, and loan documents)
- A signed Client Suitability Attestation
- A completed Trust Certification Form (Trust Accounts only)

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

To initiate an application, click the SBLOC link under "Additional Actions" on the overview page, then click "Click here to begin SBLOC". After entering any missing client data and the desired credit line amount, click "Submit" to forward the application and loan documents via DocuSign to your client. Once the client(s) or trustee(s) complete the DocuSign, the envelope will be returned to you for your signature on the Client Suitability Attestation. Please refer to the *SBLOC Liberty User Guide* for detailed, step-by-step instructions.

If a client initiates the application process from the Axos Client Portal, you will receive a bulletin in Liberty, and the DocuSign will be returned to you for Suitability Attestation before the application is submitted.

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

Your client will need to open an Axos Cash Management Checking account to access loan proceeds from an SBLOC account. This account can be opened within the Axos Client Portal.

What is required to complete the SBLOC underwriting process?

A DocuSign package containing the application, control agreement, rep or advisor signed Client Suitability Attestation and loan documents must be completed. If your client is pledging a revocable trust, you will need to complete a Trust Certification Form. The Trust Certification Form outlines the key details of the Trust and verifies its authority to borrow and pledge collateral.

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

Clients can typically access their line of credit 1-3 days after approval.

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

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

What if my client needs to utilize assets in the pledged collateral account? How long does it take to remove the pledge?

If your client needs to utilize funds in the account that were pledged for the SBLOC, it can take up to 3 business days to remove the pledge if there is no outstanding balance. If there is an outstanding balance, a payoff may be required.

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

SBLOC details are not visible within Liberty since this is 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 Axos Client Portal via their Cash Management Checking account. The outstanding balance for their loan will be viewable on the Product Detail Page. 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 product?

As an Axos Advisor Services client, your firm receives dedicated advisor support through our Advisor Banking and Lending Solutions team. Please call 877-887-3030 to speak with a team member if you need assistance.

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].*

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