EQUITY COLLATERALIZED LOANS

This program is designed for a forward-thinking investor who wants to retain the future ownership of their assets as well as leverage the present value of their securities for immediate cash needs.

- Low interest rates - usually between 3-5%
- Rates are fixed— usually between 3-10 years, but may go longer
- High loan-to-values - up to 80%, which are much higher than banks and brokerage companies can offer
- Loans are interest only - principal payment at maturity—loans can be refinanced or extended
- Loans are non-recourse - giving the borrower the opportunity to "walk away" if the collateral falls below a set floor amount
- Loans are "non-purpose" - they can be used for virtually any borrowing need (except for placing in a margin account)
- Borrower maintains beneficial ownership - borrower keeps all upside market appreciation. In addition borrower receives credit against their interest payment for all dividends or interest on bonds. An added benefit is that the lender is responsible for taxes on the dividends during the loan term. It is a loan (not a constructive sale) per section 1058 of the Internal Revenue Code.
- Loans can be financed in 5-7 business days
- **Maximum 1 point origination**
- **Minimum loan amount $50,000**

A securities loan is not a margin account. These loans have significant advantages over conventional margin loans.

We will first determine the viability of the loan and then calculate a loan-to value ratio and the interest rate, based on an assessment of both short– and long-term risks. Eligible securities include stocks, bonds, and tradable mutual funds. Retirement accounts (401K) are not eligible.

Before a loan can be funded, a "strike price" (the per-share price that the value of the collateral will be based on) must be set. The lender uses a fair and equitable three-day average pricing model for every stock loan it transacts. The strike price is based on an average of the closing prices of the collateral for three consecutive market days, beginning with the day it it transferred to the lender.

What happens during the loan term?

- You make quarterly interest payments to keep your loan current.
- The lender sells some or all of the stock position from the outset which allows the lender to hedge and repurchase the shares during the term of the loan.

What happens at the end of the loan term?

You pay the loan back and the lender transfers back to the borrower the same number of shares pledged as collateral.

However, depending on what your financial needs are at the time and how your collateral has performed during that period, there are a few other options:

- You can extend the term of the loan upon mutually agreed terms.
- In the event of portfolio growth, upon mutually agreed terms, you can refinance the loan at the end of the term.
- In the event of substantial decline in market value of your collateral, you can simply walk away from the loan with no additional expense because **it is a non-recourse loan**.

For more information, please contact

Ken Cook @ Novation Mortgage (678) 946-0101