
The E*TRADE Line of Credit by Supernova Technology

Helping clients leverage the value of their investment
accounts through securities-based lending

tca
by
E*TRADE™



Flexible financing for client needs

Successful financial advisors realize that building a thriving practice today requires more than just offering financial and investment advice to clients. Clients need to view you as their personal CFO—someone at the center of their wealth management team who is overseeing their entire financial situation.

This includes both sides of the client's balance sheet— income and expenses, assets and liabilities. Now, there's a new tool you can use to help clients strategically unlock the value of their portfolios and maximize their liquidity.

The E*TRADE Line of Credit by Supernova Technology is a securities-based lending tool that enables clients to borrow money using their eligible investments as collateral.¹ It is a "non-purpose" loan, which means it cannot be used to purchase, carry, or trade securities, or repay a margin loan. Your firm could realize the potential benefits of offering this flexible financing solution to your clients, such as:

- **Deeper client relationships.** Coming to you for financial products like a line of credit may reduce your clients' need to visit other financial institutions. This further strengthens their relationship with your firm.
- **Higher client retention rates.** Having a line of credit in place through your firm may make some clients less likely to switch to another advisor.
- **Competitive advantages.** Helping clients maximize liquidity by using a line of credit may give your firm a leg up on other financial advisors who don't offer this kind of financial tool.

Client benefits

- **Preserve investments**
Help clients avoid disrupting their long-term investment strategy
- **Competitive interest rates**
Interest charged only on drawn amount
- **Borrowing flexibility**
Clients can access cash and make payments on their terms
- **No hidden fees**
No application fees, points, closing costs, or prepayment penalties
- **Fast decisions**
Online application results in a decision within a few business days



How the Line of Credit works

The E*TRADE Line of Credit is a revolving line of credit offered by E*TRADE Savings Bank. It enables clients with \$50,000 or more in their Liberty accounts² to borrow up to 50% of the market value of their eligible securities³ 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.

Clients pay interest on funds drawn on the line, and they have options when it comes to loan repayment. Interest-only payments can be made each month, or clients can amortize the loan and repay the principal according to their own schedule.⁴

Interest rates are tied to the 1-Month LIBOR (London Interbank Offered Rate), plus a spread ("Margin")[†] and are typically more attractively priced than many other lending options.^{††} Line of credit rates will fluctuate based on changes in the 1-Month LIBOR.

A wide range of securities held at TCA by E*TRADE may be pledged as collateral for an E*TRADE Line of Credit, including:

- Mutual funds
- Exchange-traded funds/notes
- Fixed-income investments (such as corporate, municipal, and Treasury bonds)
- Common and preferred stocks
- Cash and cash equivalents

Individual and joint accounts are eligible. Among the accounts that are ineligible to be pledged as collateral are retirement, estate, corporate, trust, and inactive accounts.

As a service to your clients, you can pre-populate the application for an E*TRADE Line of Credit online via a link on the Liberty platform. The client then reviews and submits the application through the Supernova BriteLine website to begin the loan application process.

Line of Credit size		Interest Rate Index plus Spread	APR
\$10,000,000+		1 Month Libor +	3.90%
\$5,000,000	\$9,999,999		3.93%
\$1,000,000	\$4,999,999		4.13%
\$500,000	\$999,999		4.64%
\$250,000	\$499,999		5.14%
\$100,000	\$249,999		5.65%
< \$100,000			5.90%

[†] Your interest rate will be determined by adding the applicable margin (spread) to the value of the index. The index is the 1-Month LIBOR (London Interbank Offered Rate), as published in the Wall Street Journal, and may change weekly (every Monday, or the following business day in event of a holiday). Changes in the index will increase or decrease your interest rate.

^{††} The APR (Annual Percentage Rate) is calculated based on a 360-day year and includes both the interest rate and certain fees and other charges related to the loan. The APRs are based on the index value published in the Wall Street Journal on 11/26/2018.

How funds may be used

Your clients can use the money they borrow via an E*TRADE Line of Credit for a wide range of different purposes. For example, funds can be used to:

- Purchase property, real estate, or a vacation home
- Make major home improvements
- Finance a new business startup, a business expansion, or take advantage of unexpected business opportunities
- Buy big-ticket items such as boats, RVs, and luxury automobiles
- Pay off high interest rate loans or credit cards
- Pay outstanding taxes
- Cover unexpected major expenses such as medical bills or major home repairs
- Or simply have it in reserve until a need arises

Funds borrowed via the E*TRADE Line of Credit 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.

Consider this Line of Credit example

Your clients, Bob and Ann Smith, would like to purchase a new luxury automobile for \$60,000. They can get a 60-month car loan from their bank with an interest rate of 3%, which would result in a monthly car payment of \$1,078. Or they can borrow money from their E*TRADE Line of Credit at a 3.90% APR. (APR as of 11/26/2018. Rate based on \$10 million line of credit. This example is for illustrative purposes only; interest rates are subject to change.)

While the interest rate on the line of credit is higher than the rate on the bank car loan, the credit line may offer Bob and Ann more financial flexibility. For example, if they choose to make interest-only payments, their monthly payment would be just \$193.81. Or they can make payments on the principal at any time.

This flexibility could come in handy if Bob and Ann were to face an unexpected major expense or drop in income. With the bank loan, the \$1,078 payment must be made every month, regardless of their financial circumstances. But with the E*TRADE Line of Credit, they only have to make the minimum interest-only payment each month.

(Note that, if the minimum interest-only payment isn't made by the due date, the amount will be automatically drawn from the line of credit. This will add to the outstanding principal balance and result in compounding interest.)

How clients may benefit

The E*TRADE Line of Credit enables 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 client benefits include:

- **Keeping their investment strategy on track.** A line of credit can give clients the flexibility to manage their cash flow without disrupting their investment plans. This helps clients maintain their long-term financial strategies and benefit from any potential market gains.
- **Maximum repayment flexibility.** There are no pre-set monthly payment schedules for repayment of principal. Clients can set up their own repayment schedule that matches their cash flow needs. For example, they can make monthly interest-only payments or repay principal according to their own amortization schedule.
- **Low interest rate and no hidden fees.** Interest rates on an E*TRADE Line of Credit are lower than rates on some other comparable credit sources. There are no application fees, points, or closing costs, or other hidden fees or expenses. And there are no prepayment penalties—clients can close the line of credit at any time without penalty.
- **Easy application and fast decisions.** The online loan application process, which is initiated via a link on the Liberty platform, is fast and easy. Application decisions are usually made in one to three business days.
- **Convenient access to funds.** Clients can easily manage draws and repayments online.



Discussing risks with your clients

Securities-based lending tools like the E*TRADE Line of Credit involve certain additional risks and considerations, including the following:

- If the client's pledged collateral declines in value, the client may have to provide additional funds or securities to avoid a maintenance call.
- If the securities in the collateral account drop below the value of the amount borrowed, the client will be held liable for any deficiency.
- E*TRADE Savings Bank can liquidate securities pledged as collateral without notification to the client, who is not entitled to choose which securities are liquidated.
- Adverse tax or other consequences may occur if the client's assets are liquidated.
- Collateral maintenance requirements can be modified at any time without prior notice to the client.
- Clients are not entitled to an extension of time to resolve a maintenance call.
- E*TRADE Savings Bank may demand full or partial repayment of funds at any time, as well as elect not to advance additional funds to the client.

Please note that you and your advisors may not explicitly or implicitly hold yourselves out to be employers, officers, or agents of E*TRADE Savings Bank or as having authority to make or communicate binding decisions on behalf of E*TRADE Savings Bank with regard to the E*TRADE Line of Credit or any other matter.

To learn more about the E*TRADE Line of Credit and how this flexible financing solution could benefit your firm and clients, please contact your TCA by E*TRADE Relationship Manager or email learnmore@trustamerica.com.

1 The E*TRADE Line of Credit is offered by E*TRADE Savings Bank, a federal savings bank, Member FDIC. The E*TRADE Line of Credit is subject to bank and credit approval. Eligible collateral must be maintained at E*TRADE Securities LLC or E*TRADE Savings Bank. E*TRADE Savings Bank and E*TRADE Securities LLC are separate but affiliated companies. Nothing herein should be interpreted as imposing an obligation on E*TRADE Savings Bank to lend. Proceeds from the E*TRADE Line of Credit may not be used to purchase securities or pay down margin loans and may not be deposited into an E*TRADE Securities LLC account, E*TRADE Savings Bank Custodial account, or into another brokerage account. Rates, terms, and conditions are subject to change without notice.

2 Clients are required to maintain a minimum level of eligible securities in their collateral account. A decrease in the market value of their collateral may require them to deposit additional cash or securities. All collateral is subject to approval and E*TRADE Savings Bank may change its collateral requirements at any time.

3 Clients may be able to borrow up to 50% of their eligible collateral market value, at E*TRADE Savings Bank's discretion. In some cases, due to certain risk factors like security concentration or liquidity issues, the amount clients can borrow may be less.

4 A processing fee, currently \$10, will be charged for Line of Credit payments made by check.



Intended for investment advisors only. Not to be distributed to potential borrowers.



PLEASE READ THE IMPORTANT DISCLOSURE BELOW.

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