

Line of Credit

How to fund your goals and stay invested



Agenda

- 1 What is a Securities-Backed Line of Credit (LOC)?
- 2 What are the potential benefits?
- 3 What are the rates?
- 4 What are common uses?
- 5 How do I get a personal estimate and apply?





What is a Securities-Backed Line of Credit (LOC)? What are the potential benefits?



What is a LOC?



The benefits



The rates



Common uses



How do I apply

Securities-Backed Line of Credit (LOC)

Allows clients to **borrow funds using the assets in their investment portfolio** as collateral without having to liquidate securities



What is a LOC?



The benefits



The rates



Common uses



How do I apply

Securities-Backed Line of Credit (LOC)

Allows clients to **borrow funds using the assets in their investment portfolio** as collateral without having to liquidate securities

QUICK SUMMARY

- Stay invested while getting access to funds
- Online application with a quick turnaround
- Eligible clients have \$500K+ in taxable assets
- Flexible to use for a wide range of needs



What is a LOC?

The benefits

The rates

Common uses

How do I apply

Why clients consider a LOC





What is a LOC?



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Common uses



How do I apply

Stay Invested

Access to liquidity while keeping your investment strategy on track

Easy Set-up & Fast Access



Avoid Capital Gains

Avoid selling securities and possibly incurring capital gains

No Fees, Flexible & Competitive Rates



What is a LOC?



The benefits



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How do I apply

Stay Invested

Easy Set-up &
Fast Access



Avoid Capital Gains

**No Fees, Flexible &
Competitive Rates**

No application fees, annual fees or early repayment fees

Flexible to use funds for a range of needs; and flexible repayment with no set maturity



What is a LOC?



The benefits



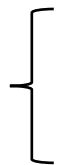
The rates



Common uses



How do I apply



**Easy Set-up &
Fast Access**

15-minute online application;
Most lines approved in a few business days

Bank will release funds to you when needed

Stay Invested



Avoid Capital Gains

No Fees, Flexible &
Competitive Rates



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How do I apply

Illustrative Example



Customer:
Cash Need of \$300K
Investments of \$1MM

Option 1:
Sell Securities

1

Sell Investments



2

Access Cash



3

Pay Capital Gains (if any)



	Starting Investments	Cash Accessed	Remaining Investments
Sell Securities	\$1,000,000	\$300,000	\$700,000
Use LOC	\$1,000,000	\$300,000	\$1,000,000

Option 2:
Use LOC

1

Open LOC



2

Access Cash



3

Assets stay invested



4

Pay Monthly Interest on LOC



4

Repay LOC





What are the rates?



What is a LOC?



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How do I apply

Rate detail

Two rate components

- 1) **Variable Index:** Uses the Secured Overnight Financing Rate (SOFR) which moves daily.
- 2) **Interest Rate Spread:** Ranges from 1.90% to 3.10%, in a tiered structure based on the size of your LOC

Current Rates

(as of Feb 2025)

Line of Credit Amount	Annual Borrowing Rate
\$100,000 – \$499,999	SOFR + 3.10%
\$500,000 – \$999,999	SOFR + 2.85%
\$1,000,000 – \$2,999,999	SOFR + 2.35%
\$3,000,000 +	SOFR + 1.90%

Interest rates are determined by the credit line size and calculated by adding the variable index (Secured Overnight Financing Rate, "SOFR") plus a spread. Standard rates shown above; each lender independently decides its interest rate tiers and spread.



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How do I apply

Example of Monthly Interest Payment

- **Assets Pledged:** \$1,000,000
 - **Maximum Loan Amount:** \$650,000 *(for illustrative purposes)* **“Loan to Value”** determined by lender
 - **Rate:** 7.15% (2.85% spread + 4.30% SOFR*) *(for illustrative purposes)* [See rate chart](#)
-
- **Example Drawn Amount:** \$300,000
 - **Monthly Interest Payment:** \$1,788 [Interest is paid **ONLY** on drawn amount](#)

* SOFR as of 1/22/25; SOFR fluctuates daily



What are common ways
clients use a LOC?



What is a LOC?



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Common uses



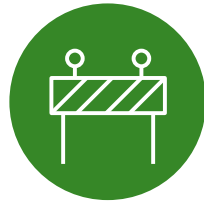
How do I apply

Common use cases



Real Estate Purchases

*Upsize / Downsize,
Purchase a new
property.*



Home Renovations

*Start or finish a **home Improvement** on an existing property*



Business Needs

*Fund **operational business expenses**, or **expand a small business** or franchise*



Tax Payments

*Pay a **large tax bill** - e.g. from selling a business*



Large Purchase

*Pay **tuition**, a **wedding**, or other **large purchase** or expense*

Note: Borrowed funds from the Line of Credit may not be used to purchase securities



What is a LOC?



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How do I apply



SCENARIO 1: REAL ESTATE NEED

"I'm buying a home and need to free up cash until I sell my current home. What options do I have?"



What is a LOC?



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How do I apply

Real Estate Bridge Financing (example)



Plans to buy new home before selling



FEB

Identifies property to purchase. Decides to buy before selling current home



Applies for LOC



Purchases New Home*



MAR

Uses funds from LOC to purchase new home



Sells Current Home



Repays LOC



SEPT

Receives proceeds from sale of current home, and repays LOC

***Bank will release funds from LOC**



What is a LOC?



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How do I apply

Real Estate Bridge Financing (example)

LEARN MORE:
Fidelity Mortgage Program
with Leader Bank
[Fidelity.com/mortgage](https://www.fidelity.com/mortgage)



Plans to buy new home before selling



FEB

Identifies property to purchase. Decides to buy before selling current home



Applies for LOC



Purchases New Home*



MAR

Uses funds from LOC to purchase new home

***Bank will release funds from LOC**



Sells Current Home



SEPT

Receives proceeds from sale of current home, and repays LOC



Repays LOC



Replace LOC w/ Mortgage



For more liquidity, replace some of LOC with Mortgage Loan after closing



What is a LOC?



The benefits



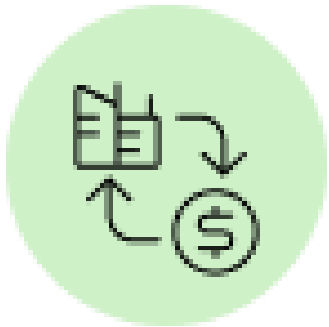
The rates



Common uses



How do I apply



SCENARIO 2: BUYING / EXPANDING A SMALL BUSINESS

"Can I use the LOC to fund my small business?"



What is a LOC?



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Common uses



How do I apply



SCENARIO 3: EMERGENCY CASH NEED

"An expense came up that I wasn't anticipating (e.g., large tax bill, unexpected home repair), and I need to access cash quickly."



How do I get a loan estimate and apply?



What is a LOC?



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Common uses



How do I apply

Process for applying



CONNECT

with a Fidelity representative

- Discuss your options
- Receive a link to [online application](#)



PLEDGE ASSETS as collateral

- Select eligible accounts
- Eligibility is \$500K+ in non-retirement assets
- View [personalized loan estimate](#) online



APPLY for your loan

- Complete application online (15 min process)
- Application reviewed by a preferred bank lender
- Generally, access to funds in **3 business days**





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How do I apply

Online application

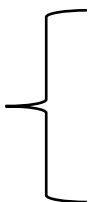
Lending Solutions – Line of credit

Get access to liquidity when you need it. Unlock the potential of your eligible investable assets and apply for a line of credit through a third-party lender today.

[Learn More](#)

Get loan estimate

Start process





What is a LOC?



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Common uses



How do I apply

Online application

Select your accounts

Eligible accounts to use as collateral (select up to 5):

Account	Type	Balance AS OF 2025-01-07
<input checked="" type="checkbox"/> Individual - TOD	Brokerage	\$835,998.62
<input type="checkbox"/> Individual - TOD	Managed Account	\$657,347.43
Total selected		\$1,493,346.05

> Ineligible accounts

Get loan estimate

Select accounts
(to use as collateral)





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How do I apply

Online application

Estimated terms for your line of credit



LeaderBank
Leader Bank Power Line™

Maximum loan amount ? \$533,000.00

All-in rate ? 7.17% ▼

Index 1-Month CME Term SOFR ?
Index rate 4.32% + interest rate spread 2.85%

Estimated payment ? \$3,182.60

Term Payable on demand

Product type Revolving line of credit

Rate type Variable

Payment frequency Monthly

Update your selected account(s) Start loan application

Commitment Amount	1-Month CME Term SOFRplus Interest Spread of:
\$100,000 - \$499,999	3.10%
\$500,000 - \$999,999	2.85%
\$1,000,000 - \$2,999,999	2.35%
\$3,000,000 and over	1.90%

Review Estimate

of Rate & Max Loan Amt and then select "Start loan application".

Will proceed through Bank's approval process.





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How do I apply

Online account dashboard

All accounts \$5,767,622.24

Investment

Joint WROS - TOD \$3,107,272.67
+\$1,608.25 (+0.05%)

Retirement

Traditional IRA \$54,119.18
+\$32.94 (+0.06%)

ROTH IRA \$2,003,251.60
-\$10,470.67 (-0.52%)

Roth IRA - BDA \$564,925.97
-\$7,822.09 (-1.37%)

Authorized

Traditional IRA \$38,052.82
-\$307.40 (-0.80%)

Lending solutions

U.S. Bank Flexible Capital Line of Credit \$170,469.59

U.S. Bank Flexible Capital Line of Credit[®]

Collateral accounts: ⓘ

Summary

Line of credit balance ⓘ

\$170,469.59

As of January 6, 2025

You're using 16% of your \$1,100,000 limit

[Draw funds](#)

The link above will open a new window and take you to the US Bank Client Portal which is owned and operated by US Bank. Fidelity is not responsible for the content or information provided there.

Payments ⓘ

Jan-15-2025

Payment due

Payment amount \$965.49

Rate 6.69%

[Contact US Bank to make payment](#)

Additional resources

Contact US Bank →

Withdraw assets from collateral account →

Line of credit FAQs →

Learn about Fidelity Mortgage Program →

Customize

Once LOC is opened, log on to Fidelity.com to see account





Questions & Answers

- **What accounts are eligible to pledge as collateral?**
- **What are the risks associated with a LOC?**
- **Can I transfer an existing LOC to Fidelity?**

Summary

Securities-Backed Line of Credit (LOC)

Allows clients to **borrow funds using the assets in their investment portfolio** as collateral without having to liquidate securities

- ✓ **Stay invested** while getting **access to funds**
- ✓ **Online application** with a **quick turnaround**
- ✓ Eligible clients have **\$500K+ in taxable assets**
- ✓ **Free to open** and flexible to **use for a wide range of needs**

Next steps

- ❑ Schedule an appointment with your advisor
- ❑ Get an Estimate or [Apply online](#)

Start Application





Appendix / Disclosures

Potential Risks and Considerations



Variable Interest Rates

Interest rates may fluctuate which **could impact loan costs**



Fluctuating Asset Values

If the market value of the assets you've pledged decreases, you may be required to pledge additional collateral*



Certain Withdrawal Features Disabled

Margin, Bill Pay, Check writing, Direct Debit & Planned withdrawals are disabled; Options downgraded



Cannot use funds to purchase securities

LOC proceeds cannot be used to purchase additional securities

*There may be instances, such as a market downturn, which may cause the lender to issue a margin call, or the repayment of amounts borrowed to be accelerated. In event of an unmet margin call or failure to pay interest payments, the client's account may be seized by the bank, may be liquidated, and may have adverse tax consequences.

Disclosures

Non-margin loans are made by third-party lenders (the "Bank(s)"). Fidelity has a minority percentage, non-controlling ownership interest in Leader Bank; however, Fidelity does not recommend any of the Banks. There are many lenders in the marketplace – you should carefully and independently evaluate all your options and choose the one that's right for you.

Customers may choose to use a third-party lender of their choice to collateralize their accounts and may receive different services or pricing. Please note that the solutions as described herein refer to the Lending Solutions Line of Credit program which uses the third-party lenders with whom Fidelity has specific contractual agreements.

The Bank(s) are solely responsible for any information about the lending product offered, including any discussions about the loan product or any estimate or loans terms provided to you.

If you take out a line of credit with the Bank(s), the collateral securing your loan will be held in your account(s) subject to the terms of the Control Agreement between you, Fidelity, and the Bank(s). Loan proceeds cannot be deposited into a Fidelity account and cannot be used to purchase securities.

Fidelity is compensated by the Bank(s) in the Lending Solutions program for promoting the availability of their line of credit product, assisting with the loan application process, and providing ongoing support during the life of the loan. Fidelity's compensation will generally be equivalent to a percentage of any average outstanding loan balance. Fidelity associates will be compensated upon the loan being drawn down.

Interest rates for a line of credit offered by the Bank(s) in Fidelity's Lending Solutions program are offered in a tiered structure and will vary based on the amount of the loan commitment. The interest rate you will pay on your line of credit may be higher than the rate you would pay if you dealt directly with the Bank(s) and may be higher than the rate you would pay if you obtained a similar loan from another bank. Please note that not all banks in the program offer these line of credit products directly to the public.

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