

SBLOC: A Strong Alternative to a Home Equity Loan

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New answers.®

Home Equity Loans are a frequent go-to resource for clients looking to access cash. But should they be?

Background:

When a client has a need for liquidity, the first impulse may be to use their home as collateral and rate shop for a loan at local banks. As an advisor, you may be able to help save your client money and time - and reinforce the value you provide - by suggesting they establish a Securities-Backed Line of Credit (SBLOC), using their investment portfolio as collateral instead of their home.

The SBLOC Solution:

When looked at side by side, the advantages of an SBLOC can, at times, be substantial:

- **NO FEES** – Fees accompanying a Home Equity Loan can be considerable. There are no application, monthly, or annual maintenance fees associated with an SBLOC.
- **SIMPLE APPLICATION AND UNDERWRITING PROCESS** – Home Equity Loan applications can be burdensome and the underwriting process lengthy and complicated.
- **SPEED** – Average processing time for an SBLOC is 15 days vs. 45-60 days for a Home Equity Loan.
- **NO CREDIT AGENCY REPORTING** – A Home Equity Loan may be reported monthly to credit bureaus. An SBLOC does not impact monthly credit reporting.
- **AN EASY VALUATION PROCESS** – Factoring in a home's value and obtaining an appraisal to determine the amount a client can borrow can be cumbersome. The available drawing power of an SBLOC is calculated based on the underlying assets in the pledged investment account.

Want to share this important information with your clients? Click this image to access a client-ready edition of AdvisorEdge for you to download.

Contact your appointed Relationship Manager to learn more about how an SBLOC can benefit both you and your client. Or, contact us at:

- 866.792.5410

SBLOC FAST FACTS

- An interest-only revolving credit line backed by securities held in a client's investment portfolio.
- Provides access to funds while leaving you and your clients' investment strategies untouched.
- Competitive risk from banks is reduced.
- May eliminate the potential tax consequences of liquidating assets.
- Available to individuals, trusts and entities (entity process/pricing may differ).
- No income verification required for a personal or trust SBLOC.
- Minimum line of credit of \$75,000; no minimum draw required.
- Convenient and fast access to liquidity through check or wire.

Securities-backed lending has special risks and may not be suitable for everyone. If the market value of the pledged securities declines below required levels, the client may be required to pay down the loan or line of credit or pledge additional eligible securities in order to maintain it, or the lender may require the sale of some or all of the client's pledged securities. The sale of the client's pledged securities may cause the client to suffer adverse tax consequences. We do not offer tax or legal advice. Please advise the client to consult with a tax advisor.

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