



## Personal Credit Line (PCL) Advisor FAQ

### APPLYING FOR A SECURITIES BACKED LINE OF CREDIT (SBLOC)

1. *What types of accounts are eligible to use in applying for a SBLOC?*

Non-retirement, individual, joint, and revocable trust accounts are eligible to pledge as collateral for an SBLOC. Additionally, irrevocable trusts and non-operating, business entity accounts may be submitted but may not be eligible.

2. *How do I start an application for a SBLOC on behalf of my client?*

You can start the application on behalf of the client directly in the Personal Credit Line (PCL) Platform. You can select to begin from an estimate, a proposal, or from an application. Simply input the account number(s) for the account(s) you would like to pledge and, if eligible, the account name, account type, custodian, and holdings will populate. You can then work alongside or on behalf of your client to complete the rest of the application. The client must then e-sign or wet sign the application and submit it to underwriting.

3. *What information is required for an SBLOC application?*

The application is broken down into six major areas: collateral account, line structure, line information, linked bank account, supplemental documentation, and additional questions.

- Collateral Account: Account information to be pledged as collateral. You may also add an authorized signer in this section. Basic contact information will be required for this individual
- Line Structure: Captures borrower, guarantor, and authorized signer information
  - Borrower Information – Basic client information such as name, address, Social Security Number / Tax Identification Number, employment, and annual income
  - Guarantor Information – Guarantor name, address, contact information, and Social Security Number
  - Authorized Signer Information – Authorized Signer name and contact information
- Line Information: Primary purpose of the line and relationship data
- Linked Bank Account: Setup verified account information that will be used as the default for draws and may be set up as the payment account
- Supplemental Documentation: Varies by applicant and collateral account type
- Additional Questions: Varies by applicant and collateral account type

4. *What does the application process look like and how long does it typically take?*

It depends on the type of account that is being pledged but there are two parts to SBLOC origination: application and underwriting. The advisor starts the application on behalf of their client, completing any known fields. From there, the advisor assigns the application task to

the client to review, fill in any missing information, upload any required supplemental documentation, and submit for signature. When the application has been signed and submitted, it then goes to underwriting. A credit specialist reviews the application and any supplemental documentation and either approves or denies the application. Origination is typically processed within 24-48 hours. Revocable trusts may take an additional 24 hours while irrevocable trusts will take longer due to their complex nature.

5. *Does the application ask what the line of credit is being used for?*

Yes, an SBLOC is a non-purpose line of credit meaning the line cannot be used to purchase, trade or carry securities or to pay off debt created by the purchase of securities (*i.e.*, margin debts). The primary purpose for the line of credit must be specified at origination within the application.

6. *For applications where a revocable trust is pledged as collateral, why does the client need to notarize the Trust Certificate?*

As a standard practice in the SBL industry, lenders such as Nationwide SBL, LLC., require that the Trustee Certification ("Trust Cert") be submitted with the application. The purpose of the Trust Cert is to have the trustees positively confirm the trust allows the assets held in the trust to be pledged to a line of credit. The Trust Cert requires notarization. The clients can visit their bank, UPS store, and a variety of other businesses that offer notary services.

7. *Can assets held in an irrevocable trust be pledged as collateral for an SBL?*

Potentially, however this is done on a case-by-case basis and is subject to additional requirements. We recommend reaching out to Nationwide Regional Lending Manager before applying to do a preliminary review as setting up a SBLOC secured by assets held in an irrevocable trust is more complicated and will take longer complete.

8. *If my clients apply for a line of credit, will their credit report be pulled? Do SBLOC get reported to the credit bureaus?*

Nationwide SBL, LLC will pull the applicant's credit report as part of the underwriting process, also known as a "soft pull" and it will not show as an inquiry with the credit bureau. Once the SBLOC is setup, Nationwide SBL, LLC does not report any information back to the credit bureaus.

9. *How do clients sign the required documents for their SBLOC?*

The default option is for clients to sign all documents (except the Trustee Certification form) electronically using DocuSign, which is fast, secure, and efficient for all parties. There is also the ability for you and your client to select a wet-signature option allowing the documents to be printed, signed, and uploaded back to the portal for submission.

10. *How am I updated about my client's application status?*

You can log into the PCL Advisor Portal and check the application status section toward the bottom of the home screen. Once an application has been approved or denied, an email notification will be sent to the client with a copy to you.

11. *Does Nationwide SBL, LLC offer a letter of credit for clients?*

No.

## LOAN SERVICING

### 12. *What functionality is available to my clients on the Personal Credit Line Client Portal?*

Clients can log-in to the Client Portal 24/7 for self-service capabilities. The Client Portal is designed so clients can not only see their loan balance, available credit, and risk level, but also request draws and make payments, as well as review their current and prior months' statements.

### 13. *What is the difference between capacity and approved line of credit value?*

When the loan is approved by the underwriting team the line has an approved Line of Credit limit that functions as a maximum for the loan. If the market value of the pledged collateral goes down, the current amount of available credit is expressed as their capacity to borrow.

For example, a client has pledged \$1M in total value of marketable securities, and they were approved for a 60% advance rate which translates into a \$600,000 line of credit (LOC). The \$600,000 becomes the approved LOC value. On day two, the market value of the securities falls to \$900,000, they would have a total capacity to borrow of \$540,000. If the market recovers dramatically the next day and the client now has \$1.2M in pledged collateral, the current line of credit size they were initially approved for governs how much they can borrow, and their available credit and capacity are the same value at \$600,000.

As a general rule, clients may request a review of their approved line of credit once a year or on specific events like depositing large amounts of additional collateral. This can be done by calling 800-714-6023 or emailing [pclservicing@supernovacompanies.com](mailto:pclservicing@supernovacompanies.com).

### 14. *What does LTV stand for and how is it calculated?*

LTV stands for Loan to Value, which is expressed as a percentage value that is calculated by taking the outstanding balance divided by the total value of pledged securities.

### 15. *How can the client draw funds on their SBLOC?*

Clients can log-in to their PCL Client Portal to make a draw request by clicking the "Request Draw" button in the upper right-hand corner. It takes just a few clicks for them to complete the process. The default is to receive funds via an ACH money transfer. Clients may also request a draw be sent via wire or request a draw via ACH by calling 800-714-6023.

### 16. *Can my client request the funds be deposited in a third party's account?*

Yes, however a client can only have one draw account on file within the PCL Client Portal. If the client wants to draw funds and deposit them to a different account than what is in the PCL Client Portal, Supernova will need to update the verified account. If the draw is to be done via wire, Supernova has a wire form that must be completed and signed by the client.

To change the account information or request a wire payment form, please call 800-714-6023 or email [pclservicing@supernovacompanies.com](mailto:pclservicing@supernovacompanies.com).

*17. How can the client make payments on their line?*

Clients have many options when making interest and principal payments. Clients may pay via ACH, check, and cash advance on the line. The preferred method of payment is by ACH. ACH is an inexpensive, fast, and secure way to make payments.

For ACH payments using the client's linked bank account, a payment can be made directly through their Client Portal by clicking "Make a Payment" in the upper right corner of the home screen. For a more automated ACH method, clients can set up an auto-payment rule that will pay the monthly amount due on or before the due date.

If the client has any questions on how to make payments, please call 800-714-6023 or email [pclservicing@supernovacompanies.com](mailto:pclservicing@supernovacompanies.com).

*18. How is interest calculated for a securities-based line of credit?*

Interest accrues on a daily basis based on the daily balance multiplied by the daily interest rate. The interest rate is based on an index which is currently the 1-Month Term SOFR plus a margin rate. The rate is variable and is updated weekly on Monday or the next business day if Monday is a holiday.

*19. When will statements be generated and how are they delivered?*

The billing period begins on the first day of the month and ends on the last day of the month. Statements generate on the first of the month and clients will receive an electronic notice when they are available for viewing in the PCL Client Portal. You may also view your clients' statements in the PCL Advisor Portal at that time.

*20. When will the amount of billed interest shown on the statement be due?*

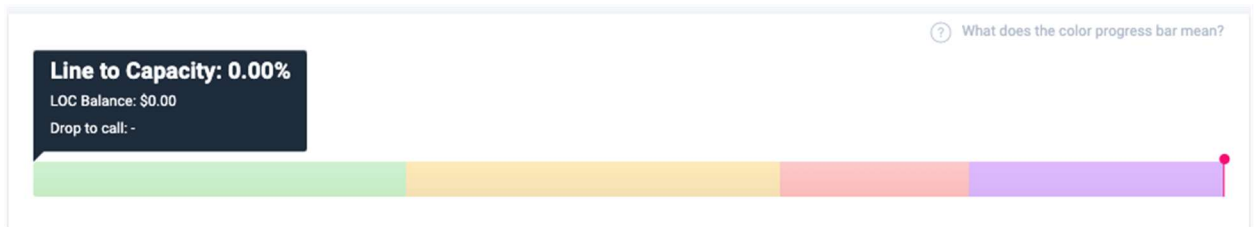
The 14<sup>th</sup> of each month.

*21. What happens if a client does not make their interest payment on or before the required due date?*

If an interest payment is not received by the due date, then Nationwide SBL, LLC, will automatically capitalize the interest due into the balance and resolve the bill. Note, this results in compounding of interest. The client can schedule payments at any time and if there is no outstanding billed interest due, that payment will go to principal.

*22. What do the color risk levels mean in the PCL Advisor and Client Portals?*

The goal is to provide a transparent view into the risk level on each loan so you and your clients can work proactively to keep the loans in good standing. To do this, a proprietary Stoplight System shows the current risk level so users can easily see where they stand.



The colors are defined as:

- **Green:** LTV% is between 0 - 50% of weighted average advance rate
- **Yellow:** LTV% is between 50.01% - 100% of weighted average advance rate
- **Red:** LTV% is greater than 100% of weighted average advance rate but is still less than the weighted average maintenance rate
- **Purple:** Outstanding balance has exceeded the required maintenance level of the line of credit and is now in a collateral call.

23. *What is a collateral call? When is it due? How can it be resolved?*

A collateral call occurs when the outstanding balance exceeds the required maintenance level of the line of credit. Calls are generated each business day based on the of previous day's market value. Collateral calls must be resolved within three business days. A loan can have multiple calls, each with different due dates, if the market value continues to fall on consecutive days. If a loan does have a collateral call, a notice will be delivered electronically to the client and you, which can also be seen in the respective portals.

There are three primary ways to resolve a collateral call: make a payment, pledge additional collateral, or sell collateral to pay down the line. When a client chooses to sell collateral to pay down the call, the result is having to sell more collateral than the call value as you are decreasing the amount of pledged assets. Calls may also be resolved by market movement, but it is recommended that you and your client be proactive by having a plan in place to resolve the call.

24. *How can I help my clients add, remove, or change pledged accounts?*

During the application process, you can add the account(s) that the client plans to pledge. Once a line goes live, any changes to a pledged account(s) require review. The client may have to sign additional documents such as control and loan agreement amendments. You can begin the change process by calling 800-714-6023 or emailing [pclservicing@supernovacompanies.com](mailto:pclservicing@supernovacompanies.com).

25. *What happens if the market value of the pledged portfolios declines in value? Does this change the amount clients can borrow?*

Markets are volatile and over the course of time a portfolio's value will fluctuate. If the market value of pledged collateral falls, the system calculates the current available credit, or capacity, to borrow on a daily basis, that amount is updated in the PCL Client and Advisor Portals daily, so

each can always see the available credit on the line.

*26. If the client pledges additional collateral, does their available credit increase automatically or does something need to be done?*

It depends on the client's available credit. If the current capacity is lower than the approved line of credit value, then yes, pledging additional collateral will result in an increase in their available credit automatically. If the client is already at the upper limit of their approved line of credit, then it will help by reducing their LTV and their risk level, but it does not result in an automatic increase in their line of credit.

As a general rule, clients may request a review of their approved line of credit once a year or on specific events like depositing large amounts of additional collateral. This can be done by calling 800-714-6023 or emailing [pclservicing@supernovacompanies.com](mailto:pclservicing@supernovacompanies.com).

## BUSINESS ACCOUNTS

*27. Which business registrations are eligible for an SBLOC?*

Corporate, LLC, and partnerships including LLP, LP, and GP

*28. Is there a different minimum line size requirement for business accounts?*

Yes, the minimum line size for a business account SBLOC is \$500,000

*29. Are there any other restrictions?*

The business entity that owns the account must be non-operating.

*30. Does that mean the rates are different for business accounts?*

No, the rates are the same

*31. What documents are required to apply for a business account SBLOC?*

For all business registration types, Beneficial Ownership and Borrower Certificate will be required. If a guarantor is added to the application, a Guaranty Agreement is required. These documents will be provided once the application is with the Underwriting team.

### Corporations

- Copy of properly filed Articles of Incorporation, by-laws, and all amendments thereto
- Proof of Tax ID/EIN Limited Liability Company
- Copy of properly filed Articles of Organization, and all amendments thereto
- Copy of the Operating Agreement for LLC

- Proof of Tax ID/EIN

#### **LLP (Limited Liability Partnership)**

- Copy of properly filed Application for Registration as a Limited Liability Partnership, and all amendments thereto
- Copy of the Partnership Agreement for LLP certified by the Partners; if not available, provide a copy of the most recent IRS Tax Form Schedule K-1
- Proof of Tax ID/EIN General Partnership
- Copy of General Partnership Agreement certified by the Partners; if not available, provide a copy of the most recent IRS Tax Form Schedule K-1
- Proof of Tax ID/EIN

#### **Limited Partnerships**

- Copy of properly filed Certificate of Limited Partnership, and all amendments thereto
- Copy of the Limited Partnership Agreement certified by the General Partner of the Partnership; if not available, provide a copy of the most recent IRS Tax Form Schedule K-1
- If General Partner is an entity, supply documents specific for such entity types as specified above Proof of Tax ID/EIN

#### **32. *Can I pledge multiple business accounts for the same line of credit?***

Yes, you can pledge multiple business accounts for the same line of credit. However, you cannot combine multiple business registration types. For example, if your client has three accounts under the same LLC, these three accounts are eligible for commingling. If the same client has additional corporate accounts, a separate line of credit must be established for the corporate registration type accounts.

#### **33. *What is the difference between an Authorized Individual, an Applicant, a Borrower, a Guarantor, and a Pledgor?***

- **Authorized Individual:** An authorized individual, such as an officer, manager, or an accountant, is not a party to the Line of Credit, but can act on behalf of the business to perform administrative tasks such as drawing on the line, making payments, or reviewing billing statements.
- **Applicant:** An Applicant is a person who is the owner or an executive of the business which owns the account. Any business account that is eligible for an SBLOC must have at least one applicant.
- **Borrower:** borrower is a person or entity who receives a loan from a lender, under an agreement, and whose obligation it is to repay the loan and any interest.
- **Guarantor:** A guarantor is an individual who is guaranteeing the loan on behalf of the borrower. If a guarantor is added, Supernova will separately provide the guarantor the Guaranty Agreement.
- **Pledgor:** A pledgor is an individual or entity which is pledging their assets as collateral for the line of credit, they may or may not be a borrower.



*If you have any other questions, please do not hesitate to call 800-714-6023 or email [pclservicing@supernovacompanies.com](mailto:pclservicing@supernovacompanies.com)*