

Product Brochure

# Investment Loan Program



*BANKING THAT WORKS* **FOR ADVISORS®**

For advisor information only





## About B2B Bank

- A leading Canadian supplier of third-party investment and RRSP loans.
- Provides lending solutions to over 27,000 professionals across various channels within the financial services industry.
- A long-standing history of investment lending experience with a loan portfolio in the billions.
- Offers more loan types and options than any other third-party lender in Canada.

At B2B Bank, we are dedicated to advisors. We do not market our products directly to the public nor do we solicit your clients or provide investment advice. We are simply here to support you and your business.



# Identifying the opportunities



Choosing the right lender is the first step, but knowing what's appropriate for your client is key.

## **Banking that works for advisors**

At B2B Bank, we're committed to working with advisors to make investment lending a cornerstone of your growing business. As a leader in the investment lending marketplace, we believe it's important to offer **competitive rates**, a **wide range of products** and **easy administration**.

## **You're dedicated to your client's needs**

An in-depth understanding of your client's complete financial picture is key to determining whether an investment loan is suitable for their particular circumstances. Determine if your client may qualify for an investment loan by asking yourself questions such as:

- Do they have good credit and positive net worth?  
This demonstrates that individuals can manage their finances and have other means (beyond their purchased assets) to repay their debt.
- Do they have steady income and are their debts under control?  
This is important because loan payments are due regardless of the performance of the investments.

# About our loans

Once you've determined that borrowing to invest is the right strategy for your client, it's time to choose a lending provider you can count on.

**Our Investment Loan Program provides you with a broad range of options and solutions that work for you and your client.**

We offer four distinct loan types, all of which are competitively priced and available with or without a margin call option, allowing you to customize loans according to your client's needs.

Loan Types	Client's Portion	Borrowed Amount	Amount Invested
<b>100% Loan</b> B2B Bank finances 100% of the investment.	\$0	\$150,000	\$150,000
<b>3 For 1 Loan</b> B2B Bank lends up to three times the dollar amount pledged.	\$37,500	\$112,500	\$150,000
<b>2 For 1 Loan</b> B2B Bank lends up to two times the dollar amount pledged.	\$50,000	\$100,000	\$150,000
<b>1 For 1 Loan</b> B2B Bank matches the dollar amount pledged.	\$75,000	\$75,000	\$150,000

## Key program benefits

### **Loan amounts up to \$300,000<sup>1</sup>**

Consolidate all of your client's loans with a single lending provider.

### **Highly competitive rates**

Reduce the cost of borrowing with low interest rates, which make it more affordable for your clients.

### **Uniform pricing**

Offer your client the same great rate whether they apply online or on paper.

### **Simplified loan offer**

Flexible loan products with standardized features make it easier to explain to your clients.

### **100% Loans require less paperwork<sup>2</sup> for loan amounts up to \$100,000**

Less documentation combined with fast funding make executing your client's financial plan easier.

### **Broad fund eligibility**

A majority of Canadian investment industry assets qualify as eligible collateral for all loan types.

### **Variety and choice**

Multiple loan types and options fit a variety of your client's needs.

# Lending programs

There are three ways of accessing B2B Bank investment loans — through our B2B Bank Standard Loan Program, our B2B Bank Select Loan Program and our B2B Bank Distribution Alliance Loan Program.

## **B2B Bank Standard Loan Program**

Available for mutual fund investment loans

This program is used for multi-fund investments through any number of mutual fund manufacturers.

- Standard pricing applies.
- Offers the largest variety of mutual funds.

## **B2B Bank Select Loan Program**

Available for mutual fund investment loans

This program is used to purchase eligible mutual fund collateral from multiple B2B Bank distribution alliances.

- Discounted pricing applies.
- Offers your client better rates and greater portfolio diversification.

## **B2B Bank Distribution Alliance Loan Program**

Available for mutual and segregated fund investment loans

This program is used to invest within the same family of eligible funds offered by one Distribution Alliance.

- Preferred pricing applies.
- Offers your client the best rates with the exclusivity of investing within one fund manufacturer.

## Easy-to-use online tools

Apply online with EASE, our Electronic Application Submission Entry (EASE) system, to receive an application status email within seconds. Then, track your application all the way to funding and generate several types of reports to help you manage your business.

Once the loan has been funded, using Advisor Access, you can view your clients' investment account portfolio and loan details as well as place trades in real time.\*

\*Not applicable to independent MGAs.

# Qualifying criteria and application guidelines

B2B Bank follows industry-standard procedures to minimize the risk of loan default. This section outlines some of our criteria.

## Net worth

Net worth measures an applicant's overall financial resources. It's calculated by subtracting total outstanding liabilities (debt obligations) from total verifiable assets (Net worth = Assets – Liabilities).

### Assets include:

A home  
Registered plans  
Non-registered investments  
Stocks

### Liabilities include:

Mortgages, leases  
Personal loans  
Credit card debt  
Line of credit balances

### Net worth minimums:

1 x loan amount if ≤ \$100,000  
1.5 x loan amount if > \$100,000  
2 x loan amount if > \$250,000

NOTE: Net worth minimum requirements are applicable to 100% Loans or to any loan greater than \$250,000.

## Total debt service ratio (TDSR)

TDSR measures an applicant's capacity to repay debt. Regularly recurring monthly debt payments should be less than or equal to 40% of gross monthly income.

$$\frac{\text{Monthly debt (including new loan payment)}}{\text{Gross monthly income}} \times 100\% = \text{TDSR}$$

### Income consists of:

Salary  
Commissions  
Net self-employed earnings

NOTE: TDSR requirements are applicable to 100% Loans or to any loan greater than \$250,000. TDSR for 100% Loans should not be greater than 40%. TDSR will be calculated for 3 For 1, 2 For 1 and 1 For 1 Loans but will not solely determine credit decision.

## Credit history

Credit history shows how an applicant has managed credit in the past. At B2B Bank, we require that all applicant obligations are up-to-date and paid as agreed — no bankruptcies, collections or judgments. For a thorough understanding of the credit evaluation process, please download a copy of our *5 Cs of Credit* brochure at [b2bbank.com](http://b2bbank.com).

Applicants who apply for our investment loan program must meet the following criteria.

### Basic application rules:

- The applicant must be an individual; applications and pledges of collateral in company names are not permitted.
- Loans can be registered individually or jointly; Power of Attorney forms are not accepted.
- Applicants must be at least 18 years of age.
- Applicants must be Canadian residents and have a Canadian personal chequing account for pre-authorized loan payments.
- Applicants must have a Social Insurance Number (SIN) to open an Investment Account for pledged collateral.

### The following questions may help you determine if a client is likely to qualify for an investment loan:

1. Have they been approved for another loan before — car, RRSP, line of credit?
2. Do they make monthly bill, loan and credit card payments on time?
3. Do they usually have money left over after meeting their monthly expenses and debt obligations?

If your client answers **No** to one or more of these questions, it is important to properly manage their expectations, as they may not qualify for an investment loan.



# Calculating loan payments

Prior to applying for a loan, you may want to calculate your client's potential monthly payment to determine if they qualify based on TDSR and if they can afford this extra payment.

## Interest Only payments

The loan amount times the interest rate (Prime Rate + applicable percentage) divided by 12 will give you the monthly payment amount.

**Here's a sample calculation for a \$100,000 100% Loan at an interest rate of 4.50%.**

$$\frac{\text{Loan amount (\$100,000)} \times \text{interest rate (4.50\%)}}{12} = \text{Monthly payment (\$375.00)}$$

Monthly payment amounts may be adjusted at least annually to reflect changes in the outstanding principal of the loan and the Prime Rate. Any adjusted payments are effective in January and usually remain fixed for the entire calendar year.<sup>3</sup>

## Principal & Interest payments

Monthly payments can be amortized for up to 20 years and are determined by multiplying the loan amount by the applicable interest rate factor.

**Here's a sample calculation for a \$100,000 100% Loan at an interest rate of 4.50% and a 20-year amortization period.**

$$\text{Loan amount (\$100,000)} \times \text{interest rate factor (0.00633)} = \text{Monthly payment (\$633.00)}$$

NOTE: the Prime Rate means the annual interest rate announced by B2B Bank from time to time as being its reference rate in effect (the "Prime Rate"). The examples presented are for illustration purposes. The payment amount will vary based on loan amount, interest rate, deferral period and loan type selected.

## Reminders

With changes in the Prime Rate, the actual amount of interest charged may vary from month to month. When monthly payments exceed the actual interest costs, the difference will be used to reduce the principal. When the actual interest cost exceeds the monthly payment, the difference will be added to the principal.

Borrowers may select a monthly pre-authorized payment date that's convenient for them, from the 1<sup>st</sup> to the 28<sup>th</sup> of the month. Flexible payment dates can help your client manage their monthly cash flow.

Remember to include the estimated monthly loan payment when calculating your client's TDSR.

For current investment lending interest rates, please visit [b2bbank.com](https://b2bbank.com).

Use the following interest rate factors to calculate your client's monthly Principal & Interest loan payment.  
Or, use our Investment Loan Calculator at [b2bbank.com](https://b2bbank.com).

RATE	AMORTIZATION PERIOD							
	1 Year	2 Year	3 Year	4 Year	5 Year	10 Year	15 Year	20 Year
2.25%	0.08435	0.04265	0.02875	0.02180	0.01764	0.00931	0.00655	0.00518
2.50%	0.08447	0.04276	0.02886	0.02191	0.01775	0.00943	0.00667	0.00530
2.75%	0.08458	0.04287	0.02897	0.02202	0.01786	0.00954	0.00679	0.00542
3.00%	0.08469	0.04298	0.02908	0.02213	0.01797	0.00966	0.00691	0.00555
3.25%	0.08481	0.04309	0.02919	0.02224	0.01808	0.00977	0.00703	0.00567
3.50%	0.08492	0.04320	0.02930	0.02236	0.01819	0.00989	0.00715	0.00580
3.75%	0.08504	0.04331	0.02941	0.02247	0.01830	0.01001	0.00727	0.00593
4.00%	0.08515	0.04342	0.02952	0.02258	0.01842	0.01012	0.00740	0.00606
4.25%	0.08526	0.04354	0.02964	0.02269	0.01853	0.01024	0.00752	0.00619
4.50%	0.08538	0.04365	0.02975	0.02280	0.01864	0.01036	0.00765	0.00633
4.75%	0.08549	0.04376	0.02986	0.02292	0.01876	0.01048	0.00778	0.00646
5.00%	0.08561	0.04387	0.02997	0.02303	0.01887	0.01061	0.00791	0.00660
5.25%	0.08572	0.04398	0.03008	0.02314	0.01899	0.01073	0.00804	0.00674
5.50%	0.08584	0.04410	0.03020	0.02326	0.01910	0.01085	0.00817	0.00688
5.75%	0.08595	0.04421	0.03031	0.02337	0.01922	0.01098	0.00830	0.00702
6.00%	0.08607	0.04432	0.03042	0.02349	0.01933	0.01110	0.00844	0.00716
6.25%	0.08618	0.04443	0.03054	0.02360	0.01945	0.01123	0.00857	0.00731
6.50%	0.08630	0.04455	0.03065	0.02371	0.01957	0.01135	0.00871	0.00746
6.75%	0.08641	0.04466	0.03076	0.02383	0.01968	0.01148	0.00885	0.00760
7.00%	0.08653	0.04477	0.03088	0.02395	0.01980	0.01161	0.00899	0.00775
7.25%	0.08664	0.04489	0.03099	0.02406	0.01992	0.01174	0.00913	0.00790
7.50%	0.08676	0.04500	0.03111	0.02418	0.02004	0.01187	0.00927	0.00806
7.75%	0.08687	0.04511	0.03122	0.02430	0.02016	0.01200	0.00941	0.00821
8.00%	0.08699	0.04523	0.03134	0.02441	0.02028	0.01213	0.00956	0.00836
8.25%	0.08710	0.04534	0.03145	0.02453	0.02040	0.01227	0.00970	0.00852
8.50%	0.08722	0.04546	0.03157	0.02465	0.02052	0.01240	0.00985	0.00868
8.75%	0.08734	0.04557	0.03168	0.02477	0.02064	0.01253	0.00999	0.00884
9.00%	0.08745	0.04568	0.03180	0.02489	0.02076	0.01267	0.01014	0.00900

# Understanding margin loans

Margin call loans are tied to loan-to-value (LTV) ratios. Over time, the value of the loan collateral will fluctuate with the market. Choosing between a margin call loan and a no margin call loan comes down to an investor's comfort level with potential market volatility.

## **The role of the LTV ratio**

If the value of the collateral **depreciates**, the LTV will increase. Depending on the severity of the depreciation, the result may be a margin warning or a margin call.

If the value of the collateral **appreciates**, the LTV will decrease. Significant degrees of collateral appreciation could result in excess collateral.

## **Conversion of no margin call — Interest Only loans<sup>4</sup>**

No margin call, Interest Only loans will convert to Principal & Interest payments when the LTV ratios are equal to or exceed minimum thresholds. For more information, see our Investment Loan Program Overview at [b2bbank.com](https://b2bbank.com).

# Understanding margin loans

## Margin warnings/margin calls

Margin warnings or margin calls are triggered when the LTV reaches certain percentages. Here's an illustration:

Loan Type	Amount	Collateral	LTV Ratios
100% Loan	\$20,000	\$20,000	100% at approval
	\$20,000	\$18,182	110% margin warning
	\$20,000	\$16,667	120% margin call
3 For 1 Loan	\$20,000	\$26,667 <sup>5</sup>	75% at approval
	\$20,000	\$23,529	85% margin warning
	\$20,000	\$21,053	95% margin call
2 For 1 Loan	\$20,000	\$30,000 <sup>5</sup>	66.6% at approval
	\$20,000	\$26,667	75% margin warning
	\$20,000	\$23,529	85% margin call
1 For 1 Loan	\$20,000	\$40,000 <sup>5</sup>	50% at approval
	\$20,000	\$26,667	75% margin warning
	\$20,000	\$23,529	85% margin call

### Margin warning

Margin warning letters may be sent to borrowers when their LTV ratios reach the applicable percentage; in the event we notify your clients, we will also send you a report of any clients with accounts in warning position. This allows you to discuss what action should be taken in the event of a margin call. Please note that it is your responsibility to monitor the ratios of your clients investment loan accounts to ensure that they remain at acceptable LTV levels.

### Margin call

In the event that the LTV ratio reaches the applicable percentage, a margin call may be made and you may be notified by mail. In this case, the borrower will be required to pledge additional collateral and/or invest cash into the client's investment account. Cash or cheque can be used to pay down the loan. Cash option is not available for independent MGAs. Note that margin calls are triggered on gross market value (before the deferred sales charge).

### Monitoring clients' LTV ratios

Advisor Access provides online reporting that can help you manage your clients' investment accounts, including monitoring their LTV ratio.

# Understanding margin loans



Use these formulas to calculate margin warning and margin call amounts.

Loan Type	Margin Warning Amount	Margin Call Amount
<b>100% Loan</b>	$\frac{\text{Borrowed amount}}{1.10}$	$\frac{\text{Borrowed amount}}{1.20}$
<b>3 For 1 Loan</b>	$\frac{\text{Borrowed amount}}{0.85}$	$\frac{\text{Borrowed amount}}{0.95}$
<b>2 For 1 Loan</b>	$\frac{\text{Borrowed amount}}{0.75}$	$\frac{\text{Borrowed amount}}{0.85}$
<b>1 For 1 Loan</b>	$\frac{\text{Borrowed amount}}{0.75}$	$\frac{\text{Borrowed amount}}{0.85}$

# About collateral

As a lender, B2B Bank does not provide investment advice to individuals or advisors. For MFDA, AMF and IIROC regulated entities, B2B Bank Dealer Services holds pledged funds as collateral in an investment account for B2B Bank loans. For independent MGAs, B2B Bank holds both the loan and investment accounts for pledged segregated funds.

## **Broad fund eligibility**

A majority of industry assets qualify as eligible collateral for all loan types, giving your client a broad range of investment options.<sup>6</sup>

- To qualify, funds must trade electronically in Canadian dollars and be valued at least weekly.
- The following categories are not eligible as collateral for any B2B Bank loan product: Retail Venture Capital, Alternative Strategies and Specialty (including Principal Protected Notes).

## **Flexible dividend/distribution options**

Dividends or fund distributions can be managed in one of the following ways for 3 For 1, 2 For 1 and 1 For 1 Loans as well as 100% Loans with Principal & Interest payments:

- Reinvested in the same fund.
- Deposited to the client's bank account. Clients may also choose to increase their monthly minimum loan payment.
- Deposited to the cash portion of clients' investment accounts.

For 100% Loans with Interest Only payments, dividends or fund distributions can only be reinvested in the same fund or used to pay down the loan balance. Requests can be submitted on an ad hoc basis to pay down the loan with the cash position of the investment account.

NOTE: Because systematic withdrawal plans (SWPs) systematically reduce the value of a fund holding, they are not permitted on any asset pledged as collateral against an investment loan.

## Collateral eligibility

On Advisor Access, advisors will be able to view two eligible fund lists: the *Fund Collateral Eligibility List* and the *Eligible Asset List*. When completing the loan application, advisors should consult the *Fund Collateral Eligibility List*, also available on EASE, for a comprehensive list of all funds that qualify as eligible collateral for B2B Bank investment loans.

# Marketing and sales support

B2B Bank offers you full support before, during and after the sale of the loan.

Build your business with our user-friendly marketing support materials. Here's a snapshot of what you'll find at **b2bbank.com**:

## **Sample Applications**

See what a correctly completed investment loan application looks like.

## **Frequently Asked Questions**

Answers to the most common questions regarding investment lending.

## **Marketing Materials**

Access information about our company, products and services.

Learn what we look for when assessing your client's creditworthiness in our *5 Cs of Credit* brochure.

## **Admin Tips**

Post sale how-to instructions for typical transactions such as:

- Calculating and withdrawing excess collateral.
- Changing dividend/distribution payments.
- Pledging additional collateral, cash or cheque.
- Loan account maintenance

## **EASE Demo**

Online step-by-step guide to completing a loan application using our Electronic Application Submission Entry (EASE) system.

# Access made easy



## **Online tools**

### ***Advisor Access***

Our secure online connection provides advisors with the powerful tools you need to save time and improve the efficiency of your practice.

- Get detailed account information, downloadable in various formats (PDF, word, excel, text)
- Place orders in real time on B2B Bank Dealer Services accounts
- Obtain client documents going back seven years (statements and tax receipts)
- Retrieve reports on client trades, transactions, and a wide variety of information
- Subscribe to eAlerts, a summary of the previous day's activities (e.g., clients' daily trades, credit/debit cash balances, missing applications)

### ***Investor Access (available for B2B Bank Dealer Services clients only)***

Clients can access detailed balance and transaction reports for their investment account, online 24/7. By selecting eDelivery of statements, confirmations and tax receipts, clients will save time and have access to their important documents for up to seven years.

Clients can access detailed account information daily and can sign up for an email alert when account statements or other documents are available online.

## **Trading**

For mutual funds: Advisors can buy, sell, switch or convert mutual funds online through Advisor Access.

For equity and fixed income: IIROC-licensed advisors can call the Trading Desk at 1.866.542.3403

For segregated funds purchased by independent MGAs: purchase instructions will be taken directly from the original insurance application or B2B Bank's Redemption/Purchase form and placed by B2B Bank.



## Business Development support

From coast-to-coast, B2B Bank Business Development Managers are ready and eager to assist you. For product training, sales presentations or to discuss business opportunities, please visit [b2bbank.com/contactus](https://b2bbank.com/contactus) where you'll find an interactive map listing the Business Development representative in your area. You may also call us at 1.800.263.8349.

## Client Service support

For general inquiries or service support, call one of our B2B Bank Client Service Representatives at 1.800.263.8349 from Monday to Friday, 8:00 a.m. to 8:00 p.m. ET.

## Other product solutions

Visit **[b2bbank.com](https://b2bbank.com)** to learn more about other products, such as:

### **RRSP loans**

Our RRSP loans are an affordable way for your clients to make their RRSP contribution.

### **Mortgages**

Competitive rates on broker mortgages and lines of credit.

### **Banking services**

A suite of financial products to meet everyday banking needs.

### **Deposits**

GICs at rates among the most competitively priced in the industry.

### **Investment Accounts**

A variety of options available for registered and non-registered accounts offered by B2B Bank Dealer Services.



## At B2B Bank, we're committed to working with you to make investment lending a cornerstone of your growing business and a key part of your client's financial success.

<sup>1</sup>Loan applications for amounts greater than \$300,000 are welcome but may require additional documents and processing time.

<sup>2</sup>Additional documents may be requested at the discretion of B2B Bank. <sup>3</sup>B2B Bank reserves the right to adjust the payment amount at any time to maintain it at a level sufficient to cover the accruing interest. <sup>4</sup>Will occur once the LTV ratio is equal to or greater than 125% for 100% Loans or 100% for 3 For 1, 2 For 1 or 1 For 1 Loans. If after 3 months, the LTV ratios fall below 125% for 100% Loans and 100% for 3 For 1, 2 For 1 and 1 For 1 Loans, the borrower may request in writing to resume the Interest Only payments. <sup>5</sup>The collateral value is comprised of the initial deposit plus the loan amount. <sup>6</sup>B2B Bank's inclusion of certain funds as eligible loan collateral should not be construed as an endorsement of the fund or an indication of the fund's appropriateness as investment loan collateral for an individual investor. Other investment products may be eligible on a case-by-case basis. Mutual funds are not guaranteed, unit values change frequently and past performance may not be repeated. Borrowed monies are due and payable regardless of the performance of the investments purchased.

B2B Bank does not provide investment advice to individuals or advisors and does not endorse or promote any investment products. The dealer and advisor, not B2B Bank, are responsible for determining the suitability of investments for their clients and for informing them of the risks associated with borrowing to invest. B2B Bank acts solely in the capacity of lender and loan account administrator. Any loan approval from B2B Bank should not be construed as an endorsement of any investment choice, program or strategy. All loans are subject to credit approval and borrowed monies are due and payable regardless of the performance of the investments purchased. B2B Bank reserves the right to request additional information or documentation at its sole discretion. The B2B Bank Investment Loan Program is available exclusively through licensed financial advisors.

B2B Bank Dealer Services includes B2B Bank Financial Services Inc. (an MFDA member), B2B Bank Securities Services Inc. (an IIROC member, Member — Canadian Investor Protection Fund), and B2B Bank Intermediary Services Inc. (an AMF-regulated dealer operating in Quebec). B2B Bank is a trademark used under license.

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