

You may already have the money

# Make Your Stock Portfolio Work Twice As Hard



By Andrew Waite

**W**ith the current stock market swoon, many investors are considering desperate measures. Some are ready to dump their stocks, stuff any remaining money into a mattress, and take a permanent loss. It's a grim scenario, but what are the options?

It seems that any stock sale could be a mistake, especially if the need for liquidity is driving the sale.

"A new president is faced with a singularly unimpressed stock market, regressive tax proposals, growing unemployment, government interven-

tion, and significant wealth destruction," says Dan Stafford, president of HedgeLender, LLC. "Even financial advisors are at a loss in this series of dramatic economic 'firsts.'"

## LIQUIDITY RELEASE

There is an answer to short-term liquidity in a loan mechanism known as a hedge loan. HedgeLender offers a traditional stock investor the ability to borrow cash against that portfolio without selling, losing control, or losing any future stock appreciation, while benefiting from the liquid-

ity available under a structured hedge loan. Don't confuse this with a margin loan where the brokerage house lends short-term money on the stock, to buy the stock. Stated simply: stock goes up, you win. Pay back the loan and keep the profit. Stock goes down, you lose and pay back the loan and the loss.

The HedgeLoan® offers a limited, non-recourse stock loan, up to 90 percent of today's market value, while leaving growth in value of the stock with the beneficial owner (you), over the life of the loan. This is having your cake and eating it too.



## WHO QUALIFIES & HOW IT WORKS

The hedge loan is available to most owners of quality stocks. This loan releases an amount of money based on the value of the portfolio pledged as security and the borrower goals, balanced against the risks associated with that loan.

HedgeLender evaluates the stock quality, the long-term value, appreciation, and risk associated with the stock(s) pledged, and sets a loan amount to stock value. The ratio of capital available to the stock owner/borrower is based on the quality of the stock, their preferences, such as higher loan-to-value, versus interest rate and other asset-based issues. Borrower credit rating, capital application, and personal guarantee to repay loan principal are not important.

## “LOAN STORY”

“Love means you never have to say you are sorry,” said the main character in Erich Segal’s “Love Story.” This line describes this loan story.

If the pledged stocks go to zero, the HedgeLoan® agreement relieves you of repaying the loan. In this rare case, the borrower walks away from the debt.

The average loan is for three to five years. When the loan is re-paid, ownership of the pledged stocks returns to the beneficial owner with no further obligation to HedgeLender, short of the five loan origination points and the payment of the agreed interest rate. This interest is set based on the risks related to stock quality, loan amount to stock value, anticipated performance, and a capital value.

“HedgeLender has been lending on stock portfolios for ten years,” says Stafford, “and in this time we have learned how to leave enough (equity) ‘ballast’ in the stock portfolio to keep the ship or fleet of ships on an even keel.”



## STOCKS OR REAL ESTATE?

Right now, we are seeing a perfect storm, said Stafford. The market is down, and nervous investors want to balance much of their portfolios into fungible assets, like real estate.

We find this asset optimization innovative as it is no longer necessary to make this choice. An investor can get the best of out of both the traded and non-traded asset market by simultaneously being in stocks and in real estate with the same investment dollars. You can stay in — and be out of — the stock market at the same time.

## CASE STUDIES

### 1. Too Many Financed Properties?

**Scenario:** An investor with too many credit-reported investment properties wants to purchase an investment property for \$180,000. Recent Fannie Mae changes make the investor ineligible for conventional financing. He owns \$300,000 in stocks.

**Solution:** The investor secures a HedgeLoan® for \$180,000 and pays cash for the property. The loan is non-recourse. In the event of stock crash, the investor walks away but still owns the real estate free and clear. Because the investor maintains beneficial ownership of the stocks, the appreciation remains with the investor, less loan repayment.

### 2. Bulk REO Purchases

**Scenario:** An investor wants to buy bulk REO packages and needs financ-

ing. The package price is \$1 million. Conventional or hard-money loan sources are unavailable. The investor owns \$1.5 million in stocks.

**Solution:** A HedgeLoan® for \$1 million pays cash for the REO package. The investor acquires the real estate with no money out-of-pocket. The same non-recourse or appreciation rules, spelled out above in Scenario #1 above, apply.

### 3. Cash-Out Existing Real Estate

**Scenario:** An investor purchased an investment property at a foreclosure sale for \$43,500 cash, with an expected cost of \$20,000 for rehab. The goal is to recover initial investment and buy a second property. Again, conventional refinancing is not immediately available, due to seasoning and appraisal issues. The investor owns \$200,000 worth of stocks.

**Solution:** With a HedgeLoan® for \$127,000, the investor can recoup initial investment in the first property and purchase a second property of equal value. The investor has free and clear ownership of two properties that he can rent out or flip. The same non-recourse or appreciation rules, spelled out above in Scenario #1 above, apply.

## AGNOSTIC ASSET BALANCE

Personal Real Estate Investor Magazine constantly seeks tools that maximize options and balance wealth building using both traded and non-traded assets. HedgeLoan® is one of these tools that increases investors’ flexibility and takes an agnostic view of assets — what is best and timely for the informed investor. ■

## RESOURCE

For more, see HedgeLender ad on our Web page:  
[www.PersonalRealEstateInvestorMag.com](http://www.PersonalRealEstateInvestorMag.com)