



## Who is Succession Lending?

Succession Lending is a niche correspondent commercial lender, focusing exclusively on the financing needs of independent and registered investment advisors.

Succession Lending is comprised of financial advisory veterans and advisory loan lending specialists, who quantify the value of your practice for submission to our network of lenders. Our team encompasses the following:

- **Regional Directors** are responsible for directing your application through the loan process.
- **Loan Directors** are responsible for qualitative assessment (percent of revenue recurring, portfolio diversification, etc.) of your practice and communicating with our lenders on your behalf.
- **Internal Wholesalers** are responsible for ensuring that your loan application continues to progress throughout the application process.
- **Underwriters** are responsible for the quantitative assessment (cash flow coverage, loan to value, etc.) of your practice.

## What types of advisory loans does Succession Lending offer?

Succession Lending focuses on providing advisors with capital for succession, merger, acquisition, and existing advisory loan refinancing.

## Who are Succession Lending's network of lenders?

Succession Lending has an established network of national, regional, and community banks, that are prepared to review advisory loans.

## How does it work?

Succession Lending underwrites your capital request, then submits your loan application to our network of lenders. As a result, loan applicants receive competitive rate quotes from multiple lenders, with loan terms customized to your requirements.

For a graphical depiction, please see our PROCESS page at [www.successionlending.com/process](http://www.successionlending.com/process).

## RATES, FFES & TERMS

### What is the rate?

The rate quoted by each of our lenders, is dependent on the cash flow of the advisory practice(s) and the creditworthiness of the borrower(s).

Advisory loan rates commonly vary between 7% and 8% fixed, when the borrower is securing the loan solely with the future cash flow of the practice, without any tangible collateral (commercial real estate etc.). Oftentimes, rate quotes are lower, when the loan is secured by tangible assets.

### Are there any other fees, such as origination?

Yes, typically advisory loans have origination fees between 2% and 3.5%. The fee can be fully financed; as a result, the advisor does not have to pay any cash up-front.

### What are the terms?

Our network of lenders offer loan terms of 5 and 7 years. A propensity of advisory loans have a 7 year term. Loans can be structured to fully amortize over the loan term (principal is completely paid off, as opposed to a loan more analogous to an interest only loan, when minimal or no principal is paid down over the course of the loan).

Alternatively, we commonly employ a 7 year term with a 10 year amortization. As a result, the loan must be paid off in 7 years; however, the advisor is making payments as if the loan had a 10 year term. As a result, the advisor can pre-pay additional principal to fully repay over the 7 year term, or pay the minimum payment due, and have a balance remaining at the end of the loan term that can be paid in full or re-financed.

### How is Succession Lending Compensated?

Succession Lending charges zero application fees. We are only compensated when the advisor is funded by one of our banks.

Our compensation is comprised of one-half of the origination fee in addition to an interest rate strip of 20 bps. Our fee does not increase or decrease based on the rate charged by our lenders; as a result, our interests are aligned with those of the buyer: Retaining the lowest rates possible at the most favorable terms for our clients.



## THE PROCESS

### How long does it take for me to get the funding?

Succession Lending can underwrite your loan request, solicit offers from our network of banks, and fund within approximately three to four weeks.

### What causes the loan funding process to go slower?

Most advisory loans do not close in three weeks, primarily because the advisor has not completed all of the steps (primarily collection of requisite documents such as tax returns) required to begin underwriting.

### What is the loan process?

#### STEP ONE:

##### Fill out the Pre-Qualification Form

(approximately 5 minutes) at [www.SuccessionLending.com](http://www.SuccessionLending.com).

*If Pre-Qualification is approved:*

#### STEP TWO:

##### Fill out Loan Application (15 minutes)

Basic information on the borrower(s) and their practice(s).

#### STEP THREE:

##### Fill out the Loan Questionnaire

(20 minutes) Information about the advisory practice(s), such as AUM, revenue, employees, etc.

#### STEP FOUR:

##### Submit Documentation

After each advisor is Pre-Qualified you will receive a document checklist outlining the documents required to initiate underwriting. Our conventional loan structure typically requires 27 – 30 documents to close as opposed to 150 to close an SBA loan.

### Where do I obtain the Loan Application and Questionnaire?

After you have been Pre-Qualified, you will receive a link to our online Loan Application and Questionnaire.

### Where do I send my documents?

After you have been Pre-Qualified, you will receive a link to upload all documents directly to our secure server.

## THE ADVISORY LOAN MARKET

### Why is it difficult to get an advisory loan?

Historically, banks have been very reluctant to lend to financial advisory practices, because most have nominal tangible assets and fluctuating cash flows, from commission based compensation. As recurring fees have become more common, select banks are willing to fund advisory loans, despite negative tangible asset valuations.

### Who are Succession Lending's primary competitors?

Live Oak Bank was the first national bank to begin offering advisory loans in 2013; however, many advisors state that Live Oak Bank's process is very time consuming, difficult to qualify, and has considerably higher origination fees and rates.

There are several other loan brokers with no underwriting and limited lending sources. Please use caution when sharing confidential information with unsecure entities.

## VALUATIONS & DEAL STRUCTURE

### Succession Lending relies on industry experts to help value and structure your advisory merger or acquisition.

**Valuation Experts:** Several firms offer practice valuations for varying prices and levels of service, including:

- FP Transitions
- DeVoe and Company

Our Network of conventional lenders only accept FP Transitions valuations to generate their loan to value ratios. If you have not had a valuation completed by FP Transitions, our Team can expedite the process.

**M&A Consultant:** Our M&A Consulting Group is led by Aaron Hasler with over 15 years experience in advisory practice investment banking. Aaron works with loan applicants on valuations and deal structure. In addition, Aaron helps buyer and seller to reach an agreement, then prepares a strategy for a successful transition.

### In general, what is an advisory practice worth?

Oftentimes, advisory practices with a propensity of their revenue generated from recurring advisory fees attract valuations of 2 - 2.5 X trailing revenue. Fees generated from non-recurring sources (A shares, closed end REITS, etc.), typically receive valuations of .75 – 1.25 X.