

# Manulife One for Business

CANADA'S MOST FLEXIBLE COMMERCIAL MORTGAGE *FOR OWNER OCCUPIED BUILDINGS*



Access your equity, alleviate cashflow pressure, save on interest

The three key things a business owner needs from a commercial mortgage:

- 1. Ability to access your building's equity to grow your business.** Whether you're opening a new location, launching a new product or service or buying a competitor's business, investing in the growth of your business requires access to funds. It's your equity. Shouldn't you be in control?
- 2. A flexible repayment plan which alleviates cashflow pressure.** Cashflow is rarely stable or predictable when you own a business. Managing through the ups and downs can be stressful, especially if your income slows while you're investing money to grow your business. What if your commercial mortgage gave you the flexibility to pay interest only on some of your debt, or even to borrow back principal?
- 3. To save on interest by paying down extra principal on your terms.** The last thing you want is to pay mortgage interest while excess funds sit, earning less, in a chequing or savings account. Wouldn't it be great to be able to pay down extra debt and reduce interest costs when cashflow is strong?

## THE SOLUTION?

Manulife One for Business. It's a credit line, supported by commercial real estate.

**So simple. So flexible.**

- Use your credit line when you need funds to grow your business.
- Choose interest only payments and even re-borrow principal when you need cash.
- Save on interest costs by paying down your credit line on your terms. If you decide on a fixed term, you can subsequently pre-pay up to 20 per cent of the initial balance every year, penalty free.

## Stories of business owners:

How Manulife One For Business helped them achieve their goals

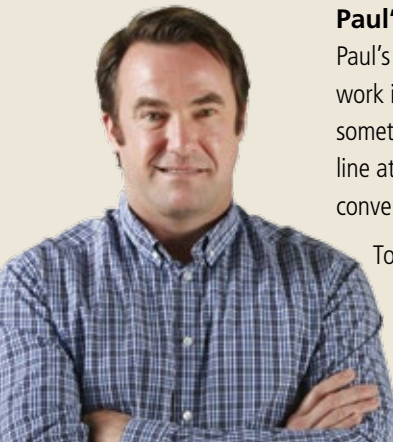
*The following examples are fictitious and provided for illustration purposes only.*



### **Mary's Story: Grow your business**

Mary owns a residential facility serving the needs of adults with disabilities. It's a profitable and growing business. A few years ago the facility had a waiting list for new residents. Mary's plan to take advantage of the opportunity involved building an addition. She approached the bank that held her commercial mortgage with an unusual request to re-borrow some of the original principal. Mary also wanted to forego further principal payments and pay interest only until completing the building's addition. Unfortunately for Mary her bank denied the request.

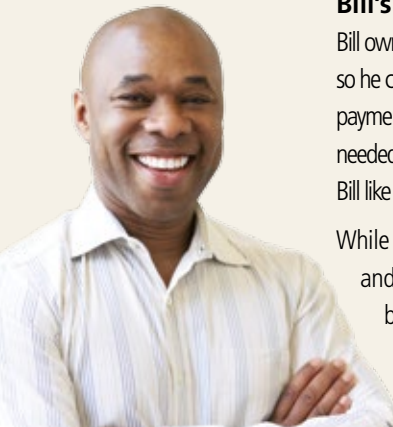
Mary continued her financing search and eventually discovered Manulife One for Business. She arranged to pay interest only on her commercial mortgage until completing the building's addition. Within six months she began making accelerated principal payments. Two years later she used the equity in the first property to fund the purchase of a second property. With Manulife One for Business, Mary was able to execute her business plan for solid growth.



### **Paul's Story: Manage cash flow pressure**

Paul's company installs equipment used in high-rise construction projects. Business profit is strong overall but work is seasonal and slows considerably during winter months. Often the company's receivables are extended, sometimes beyond 180 days, putting additional stress on Paul's cashflow. To make matters worse, Paul's operating line at his bank was margined at 75 per cent of receivables under 90 days. Paul had several unsatisfactory conversations with his banker about solutions to the financial issues facing his business.

To optimize his cash flow, Paul moved his commercial mortgage to Manulife One for Business. His credit line is now margined against his office building instead of his receivables, providing him with the flexibility he needs to help manage cash flow. He can fund new projects at startup times during spring months. He also now pays down debt on his own schedule, while waiting for receivables to arrive during winter months. With these improvements, Paul's business now continues to expand.



### **Bill's Story: Save on interest**

Bill owns a successful real estate brokerage firm. When he purchased his office, he chose an open, floating rate commercial mortgage so he could make extra payments periodically and reduce interest costs. It all looked good at the start. However, once Bill made an extra payment he couldn't re-borrow those funds. This worried him. What if the current seller's market in his territory ended abruptly and he needed funds? So Bill chose to forego extra payments and instead accumulated a significant balance in a savings account. It seemed to Bill like he was lending himself money with the bank in the middle earning a spread.

While looking for an alternative arrangement, Bill discovered Manulife One for Business. He transferred his account and took immediate advantage of his savings to reduce his mortgage principal. The strategy made sense now because he had the flexibility to re-borrow funds when needed. When the seller's market in his territory continued over the next several years, Bill managed to save thousands of dollars in interest. To this day, Bill uses excess funds to pay down his credit line and maximize cashflow efficiency.



## Key questions from business owners

### How much can I borrow?

You can borrow up to 65 per cent of the market value of the commercial property.<sup>1</sup>

### How much is available as a credit line (main account)?

The maximum amount possible for a main account is 50 per cent of the property's market value. If you wish to borrow more (for example, 65 per cent of market value) the additional amount is allocated to a non-readvanceable, amortizing sub-account.<sup>2</sup>

If, for example, the market value of your commercial property is \$1 million, you can borrow up to 65 per cent, or \$650,000. If you receive the maximum credit line possible, at 50 per cent of the property's market value your main account is \$500,000. The remaining \$150,000 is allocated to a term sub-account. If your credit line is set at less than the maximum amount, e.g. 30 per cent of the market value, your main account is \$300,000, and you 35 per cent or \$350,000 would be allocated to a term sub-account.

### How is the account structured and how does it work?

The account you use for deposits and withdrawals is called your main account. Your main account is a variable rate credit line. You can also use four types of sub-accounts, which are linked to your main account. Depending on your individual needs and preferences, you may decide from time to time to move funds from your main account into one or more sub-accounts.

You can have up to 15 open, variable rate sub-accounts:

- i. non-amortizing
- ii. amortizing

You can have up to five fixed term sub-accounts:

- iii. amortizing, variable rate
- iv. amortizing, fixed rate

Let us help you decide whether a sub-account makes sense for your business and – if yes – which type is right for you.

See the examples in the following table.

	Maximum Credit Line		Example of less than Maximum Credit Line	
	\$	Loan to Market Value%	\$	Loan to Market Value%
<i>Market Value of Property</i>	\$1,000,000		\$1,000,000	
Main Account (credit line)	\$500,000	50%	\$300,000	30%
Amortizing Sub-account	\$150,000	15%	\$350,000	35%
Total Loan	\$650,000	65%	\$650,000	65%

<sup>1</sup> Market Value is determined by Manulife Bank, taking into account appraised value, purchase price and other factors.

<sup>2</sup> As you make principal payments against the non-readvanceable sub-account, it reduces permanently and does not free up additional room in the main account.

### **What are the minimum and maximum loan amounts?**

The minimum loan amount is \$250,000. At this amount, the minimum market value of your commercial property needs to be \$385,000 (i.e., a \$250,000 loan is 65 per cent of \$385,000).

The maximum loan amount is \$3 million. To qualify for this amount the market value of your commercial property needs to be at least \$4.6 million.

### **What are the restrictions on building type?**

The types of buildings you can borrow against are:<sup>3</sup>

- multi-residential properties (single title with five or more units)
- office buildings, condos or stratas
- retail plazas, strip malls, shopping centres
- light industrial properties

Properties for non-profits, environmentally sensitive facilities, single use, hospitality industry, retirement homes, medium or heavy industry, raw land or real estate development are not eligible for financing.

### **Do I need to transfer my entire banking relationship to Manulife Bank to qualify?**

No. Many of our clients retain their existing bank accounts. It's easy to use online transfers to move funds between your Manulife One for Business account and your existing bank account.

We want to help you establish the optimal arrangement for yourself and your business. We'll work with you to sort out the best structure, based on the unique needs of your business.

### **How does your all-in-one account feature work?**

You may choose to use Manulife One for Business as your primary business operating account to optimize the efficiency of your cash flow. You'll receive a debit card, deposit slips and cheques. All your deposits immediately pay down the credit line. The need for float is eliminated, as cheques and payments are processed directly against the credit line. One of our Regional Account Managers can help you determine whether this strategy is right for you.

#### **Put Canada's most flexible commercial mortgage to work for your business**

- Main account is a variable rate credit line.
- Main account offers: cheque writing, bill payments, funds transfers to other accounts.
- Up to 15 open sub-accounts.
- Up to five fixed term sub-accounts.
- If you choose a fixed term, you can save interest by prepaying up to 20 per cent of the initial balance per year with no penalty.
- Internet and telephone banking, including pre-authorized payments, bill payments and funds transfers to other accounts.
- Interac e-Transfer.
- Debit card and Automated Banking Machine (ABM) access may be available if your ownership structure permits.
- Once you have repaid all debt, Manulife One for Business will pay you a competitive interest rate on every dollar in your account.
- Your comprehensive monthly statement reports every dollar going in and leaving your account. It summarizes expenses by category (cheques written, cash withdrawals, automatic prepayments, Interac e-transfers, etc.) and provides a running total of all interest paid.

<sup>3</sup> The decision to fund any specific building remains at the sole discretion of Manulife Bank.

