MARGIN, HONESTLY - BORROWED MONEY, REAL TEETH

Vajgrt Labs - Education - Lesson 17 of 72 - 6 min read - Updated Oct 21, 2026

TL;DR

- Margin is a loan from your broker, secured by your own holdings. You pay interest daily, and if your equity falls under the maintenance floor, the broker can sell your positions - without asking, and without waiting for a recovery.

- The arithmetic is unforgiving: starting at Regulation T's 50%, a 40% fall in the stock leaves your equity at 16.7% of the position - under FINRA's 25% floor. Fall more than half and you owe money beyond everything you deposited.

- Rule change, June 4, 2026: FINRA retired the $25,000 pattern-day-trader rule and replaced it with intraday margin standards (Regulatory Notice 26-10). Courses still teaching the $25,000 rule as current are out of date.

THE TAKEAWAYS

- The mechanics: deposit cash, borrow up to the same again for stocks (Regulation T 50% initial margin). Your equity is the position's value minus the loan. The loan does not shrink when the price falls - your equity absorbs the entire fall.

- FINRA's maintenance floor for long stock positions is 25%: your equity must stay at least a quarter of the position's current value, and brokers may (and do) impose higher 'house' floors. Below the floor comes the margin call - and the standard margin agreement lets the broker liquidate immediately, choosing what to sell, without waiting for you to answer the call.

- Interest is a real, daily cost. One major broker's published margin rates, checked Oct 15, 2026 (Fidelity), ran from 7.50% to 11.825% per year depending on the size of the balance borrowed - charged on money you owe whether your trades win or lose.

- Why this course starts cash and paper: every Stage 0 statistic was compiled from ordinary accounts. Margin multiplies position size, speeds up every clock in the course, and adds a counterparty who can end your trades for you. Nothing in Stages 0-10 requires it.

RULE: Never size a position off buying power. Size off your Stage 0 dollar figure - the amount whose total loss changes nothing - and remember the loan is the only participant in your trade who gets paid in every outcome.

COMMON MISTAKES

- Sizing off buying power instead of your own Stage 0 dollar figure. The broker's loan limit is not a risk plan.

- Assuming a margin call is a polite phone call with a deadline. The agreement allows liquidation first and notification after.

- Quoting the retired $25,000 pattern-day-trader rule as current law. It was replaced on June 4, 2026 (FINRA Notice 26-10).

- Forgetting the interest meter: margin costs accrue daily, in winning trades and losing ones alike.

DO IT - RUN THE SEESAW ON PAPER

With pen and paper, pick a deposit you'd actually consider - say $2,000. Borrow the same again on paper and run the falls: -20%, -30%, -40%, -50%. Write your equity at each step and mark where it crosses FINRA's 25% floor. Then write one sentence in your journal: which account type this course uses until Stage 10, and why. (Cash - because the trapdoor isn't worth renting.)

Education only - not financial advice. Account and order rules: FINRA (Rule 4210; Regulatory Notice 26-10, Apr 20, 2026), the Federal Reserve's Regulation T, and the SEC (Rule 15c6-1 settlement; Rule 606 disclosures) - checked Oct 15, 2026. Contract-fee example: Fidelity's published commission schedule, Oct 15, 2026. Chain quotes: real SPY chain data, Oct 9, 2026. Vajgrt Labs - Education.