

# TYPES OF FINANCING

## Merchant Cash Advance



A Merchant Cash Advance (MCA) is sometimes referred to as a “Business Cash Advance,” “Credit Card Factoring,” or a “Credit Card Processing Loan.” A business owner will receive a lump sum paid back via a fixed percentage (Holdback Rate) of future sales. Payments are automatically deducted each day, and the size of each one fluctuates with your sales volume.

A merchant cash advance is easier to qualify for than other small business loan options. Small business owners with little collateral, business credit history, or low fico credit scores may benefit from this option. The amount of business financing you qualify for from merchant cash advance companies depends on the amount of future receivables or the sales you’re projected to make over the upcoming repayment term.

With this kind of business financing arrangement, you agree to receive a lump sum payment of capital in exchange for your future sales at a discount. This is known as an “advance” on your future sales/receivables. The capital is distributed almost immediately from the merchant cash advance provider instead of waiting weeks/months to get the full amount from your future sales.

## Example of Terms

MAX FUNDING AMOUNT  
\$5k - \$1M

FUNDING TERM  
3 - 24 Months

FACTOR RATES  
Starting at 1-6% Monthly

SPEED  
1-2 Business Days

CREDIT SCORE  
475 +

TIME IN BUSINESS  
6 Months +

REPAYMENT TERM  
Daily, Weekly, Bi-Weekly

# TYPES OF FINANCING

## Equipment Finance

The business equipment financing option is very similar to term business loans, the only difference being it's specifically for purchasing equipment. Because equipment financing is so advantageous, small business owners can purchase what they need with a low or no down payment, easy repayment terms, and save money with competitive rates.

In general, equipment loan alternative lenders and most equipment financing lenders will use the asset being purchased as collateral, so they're protected; thus, the rate is lower and could increase the loan amount they're willing to give. All of these points can help cash flow when you need to purchase equipment for your business.



## Examples of Terms

### MAX FUNDING AMOUNT

Up to \$10M per piece

### FUNDING TERM

1 – 10 Years

### LEASE RATES

Starting at 3.5% (SBA) – Normal  
Equipment Finance 7-15% AVG

### SPEED

1-2 Business Days

### CREDIT SCORE

475 +

### TIME IN BUSINESS

6 Months +

### REPAYMENT TERM

Monthly

# TYPES OF FINANCING



## **Business Line of Credit**

A business line of credit functions like a business credit card. You have a credit line that you can draw funds from at any time. If you're carrying a balance, you'll have a minimum payment. You only pay interest, and potentially a draw fee on the portion that you borrow. And when you pay off a part of your balance on time, that money usually becomes available to you again. This is because most business lines of credit are technically "revolving" lines of credit.

A small business line of credit should be a priority because it could be critical to a small business's success. Unlike other small business loans, you don't need to reapply each time you want to use the money available to you. And as the Small Business Administration (SBA) points out, small businesses need access to cash to survive and thrive.

## **Example of Terms**

### **MAX FUNDING AMOUNT**

\$1k - \$1 Million

### **FUNDING TERM**

Up to 36 Months

### **INTEREST/FACTOR RATES**

Starting at 1% per month (Interest Only available.)

### **SPEED**

1-3 Business Days

### **CREDIT SCORE**

575 +

### **TIME IN BUSINESS**

1 Year +

### **REPAYMENT TERM**

Weekly, Monthly



# TYPES OF FINANCING

## Business Term Loan

A business term loan is what most small business owners think of when they hear the words “small business loan.” The repayment terms and fee structure are straightforward. Borrowers receive this money and agree to pay it back in regularly scheduled payments over a set period. The period is known as a loan term. In most cases, you make fixed monthly payments for a set repayment term.

In addition to the loan amount, known as the principal, borrowers agree to pay interest, which is the fee lenders charge for borrowing that money. The principal loan amount and the interest/factor rate determines the amount of your payments. This rate also determines the total amount you'll be paying back over the loan term.

Business term loans can come with fixed or variable rates. A fixed interest rate means lenders won't change the rate during the term, while variable rates change with the WSJ Prime Rate in most cases. Many small business owners prefer the stability of fixed interest rate business loans.

SBA Loans (Small Business Administration) are prime examples of long-term loans that are hard to qualify for. Small business term loans generally carry lower costs and higher borrowing amounts than other small business financing products. However, they are also the hardest to qualify for.

## Examples of Terms

MAX FUNDING AMOUNT  
\$5k - \$10M

FUNDING TERM  
3 Months - 5 Years

APR/FACTOR RATES  
Starting at 1-4% Monthly

SPEED  
1-3 Business Days

CREDIT SCORE  
550 +

TIME IN BUSINESS  
1 Year +

REPAYMENT TERM  
Daily, Weekly, Monthly

# TYPES OF FINANCING

## SBA Loan

SBA stands for “Small Business Administration.”

The Small Business Administration is a government agency, not a business lender. Applications for SBA Loans are not sent directly to the SBA. Instead, you must apply through one of three types of financial institutions: commercial banks, credit unions, or alternative business financing facilitators. These loans help small business owners just like you start or grow businesses.

What makes an SBA Loan different than all other business loans is that the SBA guarantees up to 85% of loans up to \$150,000 and up to 75% of loans over that amount and up to \$500,000. This means that even if the borrower defaults on the loan, the financial institution would still get back 85% or 75% of the borrowed funds. The SBA also sets limits on the interest rates and fees lenders can charge.

The SBA, however, does not approve or reject applications. That’s all up to the financial institution, each of which has its own criteria for approval. Once the institution approves an application, it submits its own application requesting the SBA’s guarantee.

## Examples of Terms

MAX FUNDING AMOUNT  
\$50k - \$5.5M

FUNDING TERM  
10 – 25 Years

INTEREST RATES  
Starting at Prime + 2.75%

SPEED  
8 – 12 Weeks Funding Time

CREDIT SCORE  
675 +

TIME IN BUSINESS  
5 Years +

REPAYMENT TERM  
Monthly

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## **The 7(a) Loan**



This is the most popular type of SBA Loan. It can be used for almost any purpose: hiring more people, purchasing new equipment, paying off existing debts, ordering bulk inventory, etc. You can access up to \$5M, with repayment terms of up to 25 years for commercial real estate and 10 years for all other purposes. Interest rates range from 7.75% – 15.75%. There is a 1.7% guarantee fee for loans up to \$150K and a 2.25% fee for loans greater than that amount. This fee might be presented as part of the total cost of the loan. There may also be an origination fee or loan packaging fee.

7(a) Loans cannot be used for certain purposes. These purposes include: purchasing a building that will be leased to another business, reimbursing a business owner for a previous investment in the business, and repaying debts owed to the US government.

## **The CDC 504 Loan**

This loan can only be used to purchase major assets, like heavy-duty machinery and commercial real estate. In most cases, the assets being financed are used for collateral. You can access up to \$5.5M, with repayment terms of up to 20 years. Interest rates range from 5% – 6.3%. Total fees cannot exceed 3% of the loan amount, and you'll have to make a down payment of approximately 10% in most cases. What makes this loan unique is that you must specify the use of the funds. This will determine your borrowing limit, as well as whether you are approved at all.

## **The SBA Microloan**

This product only gets its name from the size of the average SBA Loan. You can access up to \$50K, with repayment terms of up to 6 years. Interest rates vary, but the average is between 6%-9%. SBA's Microloan product also carries no fees.



# TYPES OF FINANCING

## Accounts Receivable Finance

Accounts Receivable Factoring is sometimes called “Invoice Factoring.” It refers to when a business sells unpaid invoices to an accounts receivable factoring company or a “Factor” for a discounted rate. It is now the job of the factoring company to collect the payment from your customer. Once the factoring company collects from the client, they pay the small business owner the remainder of the invoice amount, minus factoring fees.

Invoice factoring loans are a solution for small business owners who experience a long lapse between when a service is rendered and when the invoice is paid. This type of financial transaction allows the business owner to receive payment on their accounts receivables sooner than they usually would have.



## Examples of Terms

MAX FUNDING AMOUNT  
\$10k - \$10M

FUNDING TERM  
Up to 24 Months

FACTOR RATES  
Starting at 1% p/mo

SPEED  
1 - 2 Weeks

CREDIT SCORE  
500 +

TIME IN BUSINESS  
1 Year +

REPAYMENT TERM  
Daily, Weekly, Monthly

# TYPES OF FINANCING

## **Startup Business Loan**



Startups business have unique needs when it comes to financing. The loan program includes lines of credit and unsecured term loans for startups, entrepreneurs, or existing businesses. You will be prequalified in a few hours and funding will take place in as little as 5 days. The process is simple, fill out an online application, select your offer, and get funded! If you have questions before you start the process feel free to call our office during business hours and a loan consultant will guide you through the process.

## **Revenue Based Loan**

Do you need funds within 24 hours with minimal paperwork? As long as your business has a minimum of 12 months of operation & generates a minimum average of \$20K in bank deposits, you can be approved for up to 150% of your average monthly revenue. No minimum credit score required.