



## **ALTERNATIVE FUNDS**

# Business Line of Credit

Business line of credit is a type of small business loan that gives a business flexibility when accessing funds. Rather than a fixed amount at one time, funds are accessible as needs may arise. The idea is to allow you to be able to scale your business without being hindered by hiccups along the way. Some of these scaling activities may include inventory purchases, machine repairs, taking on new opportunities, and bridging the occasional cash-flow gap.

For better loan terms it is important for your small business to maintain a good credit score to help build its profile. Making on-time payments and paying down your debt on a regular basis are some of the ways to maintain your credit score. Depending on your needs, a business line of credit could be one of the most straightforward solutions to meet your business goals.

### Types of Business Line of Credit: Secured and Unsecured

A secured business line of credit requires your business to use an asset of choice, usually real estate as collateral to obtain the business line of credit. This may be the best option for businesses that may not have enough time in business or past credit issues that would hinder them from receiving unsecured loans. The nature of a secured business line of credit is the institution will utilize the collateral for payment if a business defaults on their loan.

### The unsecured business line of credit:

An unsecured business line of credit does not require the use of an asset as collateral, similar to a credit card. However, lien and personal guarantee may be necessary. These types of loans are generally more of a risk to the lender. Without the use of collateral, your business must have a strong credit score and a positive business record of

accomplishment. An unsecured business line of credit may have higher interest rates than secured due to the risk to the lender.

Sometimes you may want your business to access funds when it needs them most or when the demands for working capital increase without having to always apply for a loan when needs arise.

A business line of credit is a business tool that small business owners use as a strategy so they can access funds to sustain the day-to-day business needs. The line of credit allows the business to access funds as soon as they need it. It is one of the ways companies use to access their capital in both short-term and long-term financial need as they seek further revenue-generating streams.

A business line of credit works differently than a regular term loan, which provides a one time sum of cash paid over a fixed period of time or set term. A business line of credit allows you to easily access an already established amount of funds to use as the need arises.

As you repay, funds continue to become available as long as you don't exceed your credit limit. Interest is only charged on the amount of funds used at a particular time, and not on the full line of credit amount.. The repayment period for the credit limit varies depending on the lender. However, in most cases, the repayment period is typically a weekly, monthly, or a periodic schedule which is set prior to receiving the line of credit.

Alternative lenders tend to offer the best business lines of credit available on the market. When searching for the best business line of credit it's important to find options that feature:

- Fast process (from application to funding)
- Access to a wide variety of lending options
- A true revolving line - access to additional funds once you begin to pay back the line
- Ongoing access to the line to be used to assist with cash-flow in times of opportunity and emergency
- Better rates and terms that meet your business needs

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