

Unsecured Business Line of Credit

To add to the capital of their business ventures, many investors are applying for financial loans to make it possible. Unsecured business line of credit is readily offered by lenders, if you are able to pass their requirements.

Unsecured business lines of credit, financial loans usually offered by big-time lenders like banks, is a credit line which does not involve any collateral. This is quite favorable for individuals who have no plans to put their assets and investments at risk in case something goes wrong; as with most cases with secured loans where many lenders asks you to pledge a security in the form of residential or commercial properties, equipments, or other assets with the same value as with the borrowed amount.

This kind of financial aid is quite risky to lenders since they don't have any security if the borrower fails to pay for it - a reason for their stricter application requirements and being accepted for one is almost near to impossible. Here are some steps to get your started on a successful application of an unsecured business credit line:

1. State Your Business

First off, you need to establish an independent business existence for the venture. Your business must be registered as an LLC or a corporation with at least 2 years of successful operation. The reason why lenders prefer the operation time of 2 or more years is because of the risk of bankruptcy attributed to new small business ventures.

Also, you need to include a proper address of your business, and not a P.O. Box address (which is unacceptable for financial loans). An open communication line like landline and fax numbers registered under the name of your enterprise is needed as well.

All legal documents about your business should be at the ready. This includes permits, licenses, contracts, tax documents, and financial statements like balance sheets, income statements, and so on.

Some financial institutions might request personal information such as driver's license, verification of personal and business-related bank accounts, personal income statements, and tax returns. Be sure to have these at the ready when the lender requests for them.

2. Register Your Venture To The Proper Agencies

You need to have a credit profile first before you actually apply for a loan. There are plenty of agencies that offer such services such as Dun and Bradstreet. Credit agencies are also a requirement, since they can keep tabs on your credit scores and rate them to be used with financial institutions when you apply for an unsecured business line of credit.

Also you need to have a Paydex registered under the name of your business venture. A Paydex provides reports to credit agencies, financial institutions, banks, and other lenders regarding payment records of certain companies or business enterprises. The Paydex score is from 0 to 100, where 0 being the lowest. The bigger the score you have, the more easily you can get any financial loans you wish.

3. Presenting Your Application

Aside from the requirements above, you need to have a decent proposal at the ready regarding your unsecured business line of credit. You need to state in detail why you need the amount, and where you plan to use it. This is also very important in establishing your credit scores as well. In truth, the lender is putting you in trust of the borrowed money, and is expecting you to use it wisely, and to make prompt payments according to your agreement.