

# SECURING A BUSINESS LINE OF CREDIT



- 3 | Introduction
- 4 | What Is a Business Line of Credit?
- 5 | How Is a Business Line of Credit Different from a Loan?
- 6 | How Much Can I Borrow with a Business Line of Credit?
- 7 | Pros of a Business Line of Credit
- 8 | Cons of a Business Line of Credit
- 9 | When Should I Use a Business Line of Credit?
- 10 | What Is Required to Get a Business Line of Credit?
- 11 | How Quickly Can I Get a Business Line of Credit?
- 12 | What are the Terms of a Business Line of Credit?
- 13 | What Factors Affect the APR of a Business Line of Credit?
- 14 | What is the Cost of a Business Line of Credit?
- 15 | Is a Business Line of Credit Right for Me?
- 16 | How Do I Choose a Business Line of Credit Provider?
- 17 | The Bottom Line

# IT'S A FLEXIBLE FINANCING OPTION THAT GIVES YOU FAST ACCESS TO CASH. ■

A business line of credit is a popular financing option for small business owners to get access to short-term working capital. Depending on what your company needs, this type of financing can be an ideal part of your overall financial plans, because it's a flexible financing option that gives you fast access to cash for a variety of purposes— such as buying inventory, making payroll, covering operational expenses, or managing temporary cash flow shortfalls.



**Learn more** about how to get the most out of this flexible financing option for your business!

# WHAT IS A BUSINESS LINE OF CREDIT?

---

A business line of credit is a type of short-term business financing that allows your business to borrow a certain amount of money on a flexible basis, and repay the borrowed money at any time. It works similarly to a business credit card: just like a credit card is approved for a certain credit limit, a line of credit offers a certain amount of money that the business is eligible to borrow, but you can borrow as much or as little as you need within that available limit.



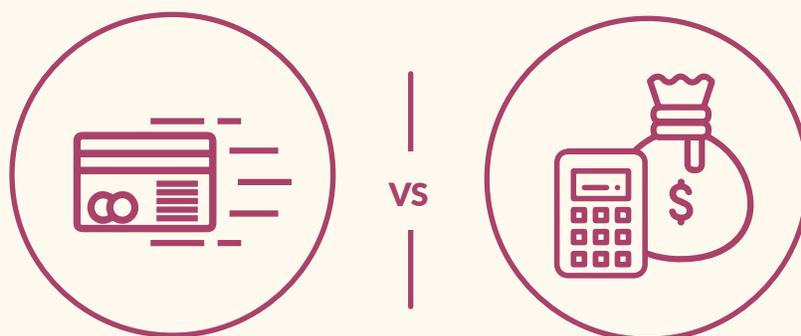
# HOW IS A BUSINESS LINE OF CREDIT DIFFERENT FROM A LOAN?

---

Business loans provide a one-time lump sum of cash up-front, and typically have fixed payment terms, requiring the borrower to repay the loan in a series of installments at specific due dates over a period of months or years.

A line of credit is a type of "revolving" credit account, similar to a credit card. "Revolving credit" means that the line of credit is available as an ongoing source of money and does not have a fixed number of payments; the business can borrow and repay the money on a flexible basis, and as the borrowed money gets repaid, the available credit gets replenished.

Business loans can be utilized for short-term or long-term financial needs—such as covering unexpected expenses or investing in new equipment or facilities. A line of credit is intended to be more flexible and focused on short-term financial needs and ongoing operating expenses.



# HOW MUCH CAN I BORROW WITH A BUSINESS LINE OF CREDIT?

---

The amount of money that you can borrow with a line of credit depends on your business's credit history, your annual revenue, how long you have been in business (and depending on the financing company and the size of the credit line you are looking to secure, there may be other dependencies). But in general, lenders offer line of credit borrowing limits ranging from \$1,000 to \$250,000. A business loan will often allow your business to borrow a larger amount of money than a line of credit, depending on your goals and financial qualifications.



# PROS OF A BUSINESS LINE OF CREDIT

---

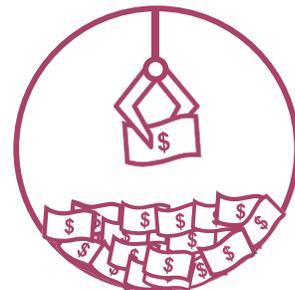
## ✓ **Flexibility**

Unlike a business loan, which typically has fixed payment terms and might require a commitment of several years to repay, a line of credit is a flexible source of ongoing financing for your business. You don't have to keep re-applying for credit when new needs arise; you can just keep using your approved credit line.



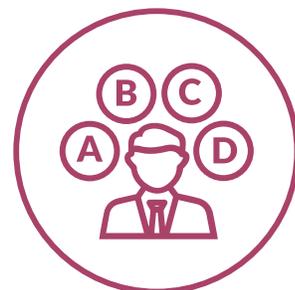
## ✓ **Borrow only what you need**

A line of credit enables you to use as much or as little credit as you need, and you can repay the borrowed money on a flexible basis, only getting charged interest on the amounts that you borrow. Many business owners like to have credit available, even if they don't need all of it. It's often a smart strategy to get approved for a line of credit even if you don't need to borrow.



## ✓ **Use the funds for whatever you need.**

Your line of credit can be used for any business purpose, unlike business loans which are often designated for specific purchases or capital investments (like new equipment or facilities). No matter what your business needs, a line of credit can provide you with access to quick cash—and you have control over when and how to use that money, without having to get permission from a lender.



# CONS OF A BUSINESS LINE OF CREDIT

---

A business line of credit is not the right fit for every financing need. Here are a few reasons why it might not be the best choice for your situation:

✗ **Limited borrowing amounts.**

Most lenders only offer lines of credit up to \$250,000. If you need to borrow more money than that, a business loan might be a better option.



✗ **Difficulty getting approved.**

Not all businesses can get approved for a line of credit. If you are a new business or have limited business credit history, you might have to accept a financing option with a higher APR or less flexible payment terms.



✗ **Higher interest rates.**

Sometimes a line of credit will charge higher interest rates than a fixed term loan, especially if it is an unsecured line of credit. Depending on your credit history, business revenues, and financial goals, you might be able to qualify for a lower APR by applying for a business loan.



✗ **APR can go up, credit limit can go down.**

Most lines of credit have a variable interest rate, which means that your APR might go up if there is an overall increase in interest rates. Also, lenders often will have the right to reduce your line of credit in the event of a change to your risk profile or if the lender needs to tighten its credit amounts.



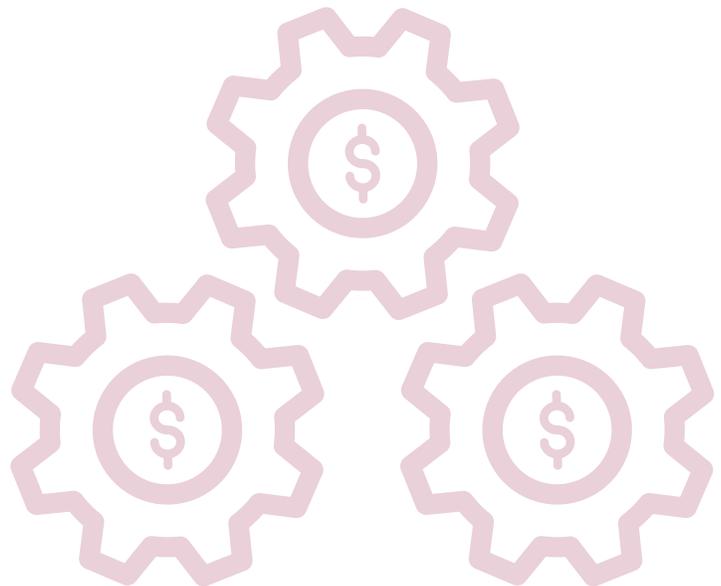
# WHEN SHOULD I USE A BUSINESS LINE OF CREDIT?

---

Use a line of credit for short-term financial needs, such as making payroll, handling unexpected short-term business expenses, managing cash flow, or otherwise dealing with the ongoing operational costs of doing business.

This type of financing is designed to be flexible and adaptable to your business needs – think of it as a financial safety net to help your business manage the monthly ups-and-downs.

For longer-term purchases and big-ticket capital investments, a business loan will usually be a better option than a line of credit.



# WHAT IS REQUIRED TO GET A BUSINESS LINE OF CREDIT?

---

To qualify for a line of credit, lenders will typically want to see your business credit score, your business history (how long have you been in business), your annual revenues, and other financial aspects of your business.



Credit Score

Some lenders will want you to offer collateral for larger amounts of credit, such as real estate, equipment, inventory, or other property that is owned by the business. You might need to provide bank statements, tax returns, or other financial documentation.



Business History



Finances

# HOW QUICKLY CAN I GET A BUSINESS LINE OF CREDIT?

---

Depending on which lenders you apply to, you might be able to get approved for a line of credit almost immediately.

Traditional banks tend to have a lengthier approval process that might take several days or a few weeks to evaluate your application for credit. But those banks are not your only option anymore; today there are alternative lenders that look at factors other than credit score. With these alternative lenders, you might be able to get pre-qualified for a line of credit on the same day that you apply - often within hours - and get funded within a few days.



# WHAT ARE THE TERMS OF A BUSINESS LINE OF CREDIT?

---

A business line of credit does not have fixed terms like a typical business loan. Instead, the most important aspects to consider when looking at a line of credit are the credit limit (the total amount of money that you can borrow via the credit line) and the APR.

**The two most important questions to ask about a line of credit are:**

How much can I borrow?

&

How much will it cost?



# WHAT FACTORS AFFECT THE APR OF A BUSINESS LINE OF CREDIT?

---

APR stands for "annual percentage rate," also known as the interest rate that you pay to the lender on the money that you borrow. The APR of a line of credit ranges widely depending on the lender, the borrower's creditworthiness, and the specific terms of the account; but in general, you might see APRs ranging from as low as 5% to 30% or more. The APR of a business line of credit depends on a few factors, including:



**Your business credit score (for established businesses) or personal credit score (for new businesses):** The higher your credit score, the lower the APR you are likely to qualify for.



**Your years in business and annual revenues:** Established businesses with strong revenues will often qualify for lower APRs.



**Size and characteristics of your credit limit:** If you want a larger credit limit, you might have to pay a higher APR to borrow more money. If you offer collateral, you might qualify for a reduced APR—because a "secured" line of credit is a better risk for the lender.



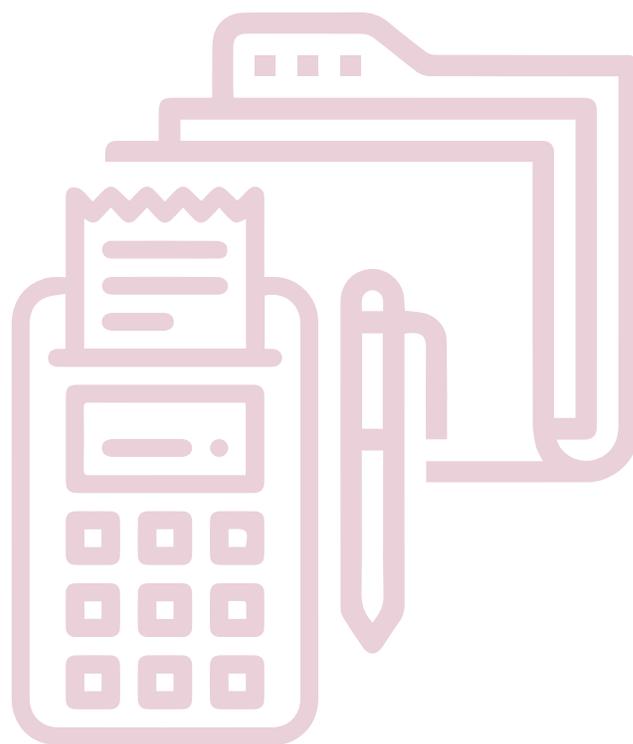
**Overall interest rates:** APR for a line of credit is also affected by the broader cost of money in the financial system. If interest rates go up (or down), your line of credit's APR might change too.

Business loans can be utilized for short-term or long-term financial needs—such as covering unexpected expenses or investing in new equipment or facilities. A line of credit is intended to be more flexible and focused on short-term financial needs and ongoing operating expenses.

# WHAT IS THE COST OF A BUSINESS LINE OF CREDIT?

---

In addition to the APR, a line of credit might come with additional fees depending on the lender, such as an origination fee or opening fee, an annual fee, and cash advance fees. Read the fine print and talk with your lender to understand the total picture of any fees, including interest fees, that are incurred with your line of credit.



# IS A BUSINESS LINE OF CREDIT **RIGHT FOR ME?**

---

Different financing options are a better fit for some businesses, depending on your situation. Check out the [Kapitus Product Comparison Chart](#) to evaluate your options and decide which features are most important to you.

**But in general, a business line of credit is often the best choice for businesses that need:**

- ✔ **Help covering general ongoing business expenses**
- ✔ **Financing for short-term expenditures or smaller investments**
- ✔ **Flexible borrowing ability and payments**
- ✔ **Fast access to cash**

# HOW DO I CHOOSE A BUSINESS LINE OF CREDIT PROVIDER?

---

There are a few factors to consider when choosing a lender for a business line of credit:



**Financial Strength** - The best lenders will have a strong track record of providing capital to businesses. Look for data on the total amount of loans that the lender provides, and the total number of small businesses that they serve.

---



**Customer Ratings** - Read customer reviews online. Good lenders will have earned high praise from their customers and will be happy to share their customer testimonials, case studies, and success stories. Check for good reviews from the Better Business Bureau, too. Good lenders will demonstrate their professionalism and fairness; and will give you confidence that they know how to help businesses like yours.

---



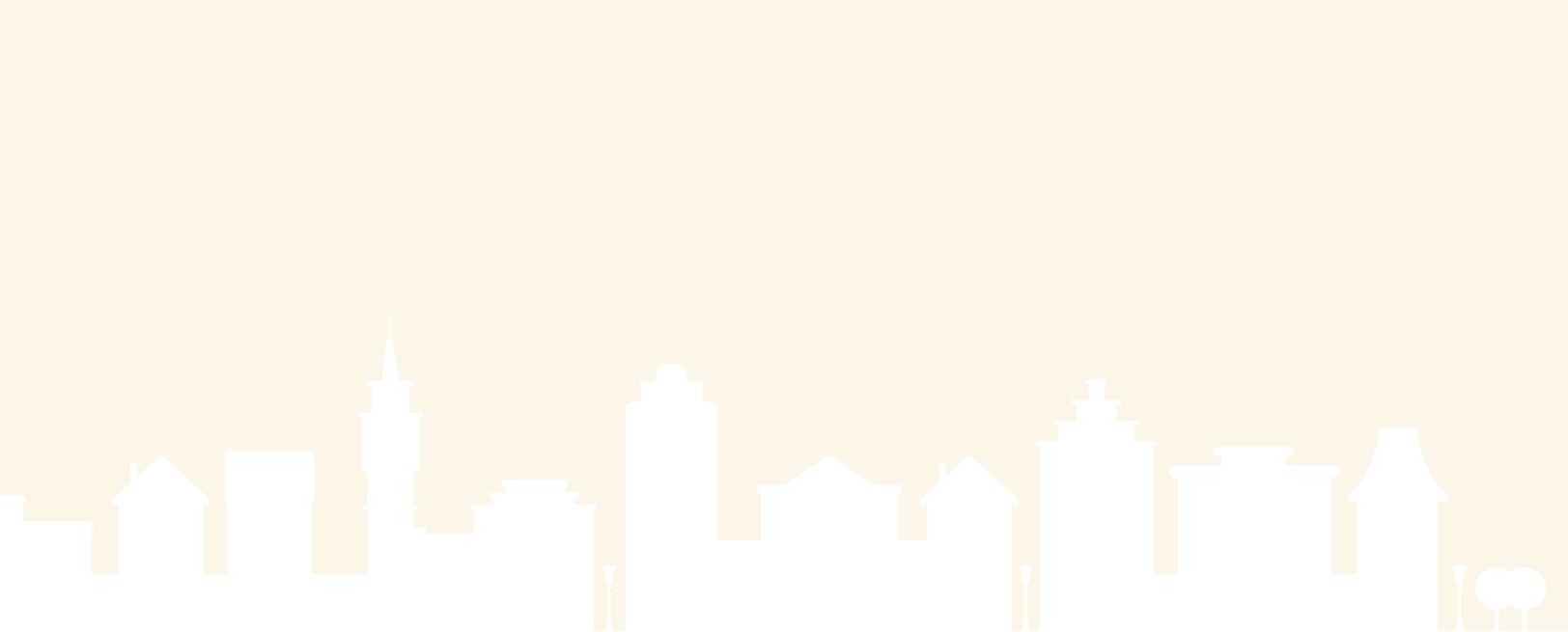
**The Right Financing Option for Your Needs** - Ultimately, the best line of credit providers will be able to deliver the right financing options, with an ample credit limit and a reasonable APR. Shop around and evaluate your choices of lenders before you make a final decision.

# THE BOTTOM LINE

---

Getting a business line of credit is an important part of ensuring the financial health and resilience of your business. This flexible financing option gives your business easy access to cash in case of cash flow shortfalls, unexpected expenses, and other day-to-day challenges that come along with running your business. It can also be a good fit for short-term investments such as inventory and equipment.

Keep in mind that there are occasions where a business line of credit is not the best option. Be prepared to adjust your choice of financing as needed. If you want to get more specific advice on which financing options are right for your business, or how to choose a lender for your business line of credit, call [Kapitus at 800-780-7133](tel:800-780-7133) to speak with one of our financing specialists.



## **About Kapitus**

*Founded in 2006 and headquartered in NYC, Kapitus is one of the most reliable and respected names in small business financing. As both a direct lender and a marketplace built with a trusted network of lending partners, Kapitus is able to provide small businesses the financing they need, when and how it is needed. With one application business owners can save time and money, while eliminating the stress that comes with applying to different lenders. At Kapitus, we believe that business owners should be able to focus on running their business, while we take care of the financing. To learn more, visit [www.kapitus.com](http://www.kapitus.com).*



---

120 West 45th Street  
New York, NY 10036

**O.** 212-354-1400  
**F.** 212-354-1544

[isopartners@kapitus.com](mailto:isopartners@kapitus.com)  
[www.kapitus.com](http://www.kapitus.com)

---