



Business Line of Credit

The Pros And Cons Of Fast And Flexible Finance

Do you find your business regularly needs access to funds in order to meet short term demands or just requires an immediate cash injection? A business line of credit may bridge the gap.

A line of credit (LOC) is a type of short-term business finance which is similar to a business overdraft.

With a LOC, a business is given an approved amount it can borrow from a lender, which will then be available to use whenever it is needed.

Unlike a business loan, you only pay interest on the amount withdrawn at one time, however a LOC may also include high monthly fees.

A business line of credit:

- is offered by a variety of non-bank lenders
- can be secured or unsecured at different rates
- allows your business to withdraw funds as needed
- requires you to pay interest on the withdrawn amount only
- requires you to apply once only (if approved)

Before you obtain a business line of credit, understand the pros and cons to help you make the right decision for your business.

The pros

- Easy application process (by non-bank lenders)
- Fast access to money - funds can be available as fast as one business day
- Interest only incurred on funds borrowed
- Interest rates are generally lower than credit cards
- Quick cash injection
- Draw funds as and when you need them
- If paid back on time and within terms, it can help build a positive credit history

The cons

- Interest can add up if you don't pay down the balance
- Upfront fees to obtain the line of credit
- Higher interest than a traditional loan term
- Not recommend for capital purchases
- Managing ongoing debt repayments if finances are tight
- If it is secured, the collateral used against the debt cannot be sold during the term and could be at risk if the line of credit obligation is not repaid

A business line of credit can be a valuable tool to help business owners finance short-term capital needs and help build a thriving business, ramp up new projects, purchase critical inventory or fill a cash flow gap.

Before you commit to a business LOC, contact us. We can tailor finance options to best suit your business.