BUSINESS LOANS

Table of Contents

20 West Vine Street Suite 575 Lansdale, PA 19446
WEB: www.localreliefagents.com l EMAIL: info@localreliefagents.com

MERCHANT CASH ADVANCE "MCA"

DESCRIPTION: nerdwallet

A merchant cash advance has historically been for businesses whose revenue comes primarily from credit and debit card sales, such as restaurants or retail shops. Now, merchant cash advances are available to other businesses that don't rely heavily on credit card or debit card sales. Merchant cash advance providers say their financing product is not technically a loan. A merchant cash advance provider gives you an upfront sum of cash in exchange for a slice of your future sales.

KEY TAKEAWAYS nerdwallet

Here are common reasons a Merchant Cash Advance WOULD makes sense for you:

- They're quick. You can often get an MCA within a week or so with no heavy paperwork. Providers look at a business's daily credit card receipts to determine if the owner can repay.

- You won't lose your home. MCAs are unsecured, so you don't need collateral. This means you don't have to forfeit any personal or business assets if your sales plunge and you fail to repay. "If the company goes out of business, I'm out of luck since it's nonrecourse," Goldin says. "There's no absolute repayment in a correctly structured merchant cash advance." However, the MCA provider may require a personal guarantee, which is a written agreement that makes you personally responsible for repaying the advance. If this is the case, the MCA provider may still try to recoup any losses.

- When sales are down, your payment may be too. When the repayment schedule is based on a fixed percentage of your sales, repayments adjust based on how well your business is doing.

Here are common reasons a Merchant Cash Advance would NOT make sense for you:

- Your APR could be in the triple digits. The annual percentage rate, or total annual borrowing cost with all fees and interest included, typically ranges from about 40% to 350%, depending on the lender, the size of the advance, any extra fees, how long it takes to repay the advance in full and the strength of the business's credit card sales.

- Higher sales mean a higher APR. For MCAs repaid with a percentage of your credit card sales, the APR depends not just on the total fees paid but also on how fast you repay the loan. If your sales are weak, your payments spread out over a greater length of time and your APR drops. If you're raking in the credit card sales, you repay the MCA faster — and, subsequently, APR goes up.

- There's a debt-cycle danger. The speed and ease of MCAs can put you into a debt cycle, especially if you don't qualify for other types of financing. Borrowers may find themselves in need of another advance soon after taking on their first one due to the extremely high costs and frequency of repayments of MCAs, which can cause cash-flow problems.

APPLICATION DOCUMENTS [typical]:

- Lender's Loan Application
- 3 Months Bank Statements
- Voided Check
- Drivers License

20 West Vine Street Suite 575 Lansdale, PA 19446
WEB: www.localreliefagents.com l EMAIL: info@localreliefagents.com

MERCHANT CASH ADVANCE *Hybrid*

DESCRIPTION: nerdwallet

The MCA Hybrid product is a real-estate secured business loan to obtain access to capital to support the growth and development of under-served small-to-medium sized businesses that lack access to traditional funding. They make working capital available to eligible businesses for expansion and growth and work similarly to a traditional MCA loan, which gives you an upfront sum of cash in exchange for a slice of your future sales.

- Consolidation (No 50% Net requirements)
- High Risk Industries
- Excessive NSFs
- Low Credit Scores
- Low Revenue
- Businesses affected by COVID-19
- 6 – 24 month business loans (Daily or Weekly payments)
- Loan amounts range from $25,000 to $2,000,000
- Existing mortgages & liens – okay; Real Estate doesn't have to be free & clear
- No minimum credit score & recent bankruptcy discharges are okay
- Not required to pay-off of other advances; consolidation is the borrowers' choice
- 10+ NSFs & less than 10 deposits are **O.K.**
- Co-signers with real estate may be utilized to qualify
- Work with restricted industries
- Stacked & Recent Advances are **O.K.**

KEY TAKEAWAYS nerdwallet

Here are common reasons a Merchant Cash Advance WOULD makes sense for you:

- They're quick. You can often get an MCA within a week or so with no heavy paperwork. Providers look at a business's daily credit card receipts to determine if the owner can repay.

- You won't lose your home. MCAs are unsecured, so you don't need collateral. This means you don't have to forfeit any personal or business assets if your sales plunge and you fail to repay. "If the company goes out of business, I'm out of luck since it's nonrecourse," Goldin says. "There's no absolute repayment in a correctly structured merchant cash advance." However, the MCA provider may require a personal guarantee, which is a written agreement that makes you personally responsible for repaying the advance. If this is the case, the MCA provider may still try to recoup any losses.

- When sales are down, your payment may be too. When the repayment schedule is based on a fixed percentage of your sales, repayments adjust based on how well your business is doing.

Here are common reasons a Merchant Cash Advance would NOT make sense for you:

- Your APR could be in the triple digits. The annual percentage rate, or total annual borrowing cost with all fees and interest included, typically ranges from about 40% to 350%, depending on the lender, the size of the advance, any extra fees, how long it takes to repay the advance in full and the strength of the business's credit card sales.

- Higher sales mean a higher APR. For MCAs repaid with a percentage of your credit card sales, the APR depends not just on the total fees paid but also on how fast you repay the loan. If your sales are weak, your payments spread out over a greater length of time and your APR drops. If you're raking in the credit card sales, you repay the MCA faster — and, subsequently, APR goes up.

- There's a debt-cycle danger. The speed and ease of MCAs can put you into a debt cycle, especially if you don't qualify for other types of financing. Borrowers may find themselves in need of another advance soon after taking on their first one due to the extremely high costs and frequency of repayments of MCAs, which can cause cash-flow problems.

APPLICATION DOCUMENTS [typical]:

- Lender's Loan Application
- 3 Months Bank Statements
- Voided Check
- Drivers License

INVOICE FACTORING “LOAN”

DESCRIPTION: nerdwallet

Technically, invoice factoring is **not** a loan. Rather, you sell your invoices at a discount to a factoring company in exchange for a lump sum of cash. The factoring company then owns the invoices and gets paid when it collects from your customers, typically in 30 to 90 days.

KEY TAKEAWAYS nerdwallet

Here are common reasons an Invoice Factoring ‘loan’ WOULD makes sense for you:

- **Fast cash:** Invoice factoring can provide immediate working capital to help cover a funding gap caused by slow-paying customers.

- **Improved cash flow**: You can keep loyal customers on longer payment terms but still improve your cash flow to help you grow your business.

- **Easier approval**: Invoice factoring provides financing to companies that might not be able to get capital from other sources, such as a traditional bank, because of a lack of collateral, poor personal credit or a limited operating history. Typically, factoring companies care only about the value of the invoices you’re looking to factor and the creditworthiness of your customers.

- **No collateral required**: Invoice factoring is unsecured financing, which means it doesn’t require collateral — an asset such as real estate or inventory that the lender can seize if you fail to pay.

Here are common reasons an Invoice Factoring ‘loan’ would NOT make sense for you:

- **High cost**: The service can be expensive. You also have to watch out for hidden fees, such as application fees, processing fees for each invoice you finance, credit check fees or late fees if your client is past due on a payment. Late payments can trigger an increase in your annual percentage rate, the annual cost of borrowing money with all fees and interest included.

- **Loss of direct control**: Because the invoice factoring company may collect on the invoices directly, you need to make sure it's ethical and fair when dealing with your customers.

- **Customers' bad credit or weak finances could derail your financing**: The factoring company may need to verify the creditworthiness of your customers. If the customers have a history of late or missed payments, or if the business has weak revenue, you may not be approved for the financing. The factoring company expects to get paid back, just like other types of lenders.

- **No guarantee of collection**: There's no certainty the invoice factoring company will successfully collect on your unpaid invoices. If it's a recourse factor, the factoring company may require you to buy back the unpaid invoice or replace it with one of equal or greater value.

APPLICATION DOCUMENTS [typical]:

- Proof of Identity [Drivers License, SS Card, Passport etc]
- Proof of Address [Utility Bill, Lease Agreement etc]
- Verification of Income [Bank Statements, Pay Stubs, W2, Tax Returns all possible

TERM LOAN

DESCRIPTION: Investopedia

A term loan is a loan from a bank for a specific amount that has a specified repayment schedule and either a fixed or floating interest rate. It is often appropriate for an established small business with sound financial statements. Also, a term loan may require a substantial down payment to reduce the payment amounts and the total cost of the loan.

In corporate borrowing, a term loan is often used for equipment, real estate, or working capital paid off between one and 25 years. Often, a small business uses the cash from a term loan to purchase fixed assets, such as equipment or a new building for its production process. Some businesses borrow the cash they need to operate from month to month. Many banks have established term-loan programs specifically to help companies in this way.

TYPES OF TERM LOANS: Investopedia

- **A short-term loan**, usually offered to firms that don't qualify for a line of credit, generally runs less than a year, though it can also refer to a loan of up to 18 months or so.
- **An intermediate-term loan** generally runs more than one—but less than three—years and is paid in monthly installments from a company's cash flow.
- **A long-term loan** runs for three to 25 years, uses company assets as collateral, and requires monthly or quarterly payments from profits or cash flow. The loan limits other financial commitments the company may take on, including other debts, dividends, or principals' salaries and can require an amount of profit set aside for loan repayment.

KEY TAKEAWAYS: Investopedia

- A term loan is a loan issued by a bank for a fixed amount and fixed repayment schedule with either a fixed or floating interest rate.

- Companies often use a term loan's proceeds to purchase fixed assets, such as equipment or a new building for its production process.

- Term loans can be long-term facilities with fixed payments, while short and intermediate-term loans might require balloon payments.

APPLICATION DOCUMENTS [typical]:

- 2 Years Business Tax Returns
- 2 Years Personal Tax Returns
- 6 Mos Bank Statements
- Business Loans & Credit Form
- Drivers License
- Completed Wire Transfer Form
- YTD P&Ls & Balance Sheet

20 West Vine Street Suite 575 Lansdale, PA 19446
WEB: www.localreliefagents.com l EMAIL: info@localreliefagents.com

LINE OF CREDIT “LOC”

DESCRIPTION: Investopedia

A line of credit (LOC) is a preset borrowing limit that can be used at any time. The borrower can take money out as needed until the limit is reached, and as money is repaid, it can be borrowed again in the case of an open line of credit.

A LOC is an arrangement between a financial institution—usually a bank—and a client that establishes the maximum loan amount the customer can borrow. The borrower can access funds from the line of credit at any time as long as they do not exceed the maximum amount (or credit limit) set in the agreement and meet any other requirements such as making timely minimum payments. It may be offered as a facility.

LOANS VS LOCS: Investopedia

Loans and lines of credit are two different kinds of debt issued by lenders to both businesses and individuals. Approval for both loans and lines of credit—also referred to as credit lines—are dependent on their intended purpose, a borrower's credit rating and history, along with their relationship with the lender.

Loans have a non revolving credit limit which means the borrower only has access to the amount loaned once, making principal and interest payments until the debt is paid off. A line of credit, on the other hand, works differently. The borrower gets a set credit limit—just like a credit card—and makes regular payments composed of both a principal and interest portion to pay it off. But unlike a loan, the borrower has continuous access to the funds.

LEARN ABOUT DIFFERENT KINDS OF LOCS:

https://www.investopedia.com/terms/l/lineofcredit.asp

LEARN MORE ABOUT LOANS VS AN LOCS TO SEE WHAT’S BEST FOR YOU:

https://www.investopedia.com/ask/answers/110614/what-difference-between-loan-and-line-credit.asp

KEY TAKEAWAYS Investopedia

- A line of credit has built-in flexibility, which is its main advantage.
- Unlike a closed-end credit account, a line of credit is an open-end credit account, which allows borrowers to spend the money, repay it, and spend it again in a never-ending cycle.
- While a credit line's main advantage is flexibility, potential downsides include high-interest rates, severe penalties for late payments, and the potential to overspend

APPLICATION DOCUMENTS [typical]:

- Varies by lender

20 West Vine Street Suite 575 Lansdale, PA 19446
WEB: www.localreliefagents.com I EMAIL: info@localreliefagents.com

PERSONAL LOANS

DESCRIPTION: nerdwallet

A personal loan is money you borrow and pay back with interest over multiple years. You can use the loan for almost any purpose. A personal loan is money borrowed from a bank, credit union or online lender that you pay back in fixed monthly payments, or installments, typically over two to seven years. Lender rates can range from 6% to 36% APR. Most personal loans are "**unsecured**" — not backed by collateral. A secured loan backed by something you own is typically cheaper, but you can lose the asset if you default. You usually can use the money for any reason.

KEY TAKEAWAYS nerdwallet

Here are common reasons a Personal Loan WOULD makes sense for you:

- Consolidate high-interest debt: Taking a personal loan is one way to consolidate debt into a single payment. Ideally, the loan has a lower interest rate than your existing debt and allows you to pay off the debt faster.

- An Example: a borrower with good credit who has two credit cards with a total balance of $20,000, an interest rate of 24.99%, and makes $400 monthly payments toward each card could save $2,770 by rolling those debts into a single loan with an interest rate of 18% paid over 3 years.

Here are common reasons a Personal Loan would NOT make sense for you:

- **Discretionary spending:** Personal loans are an expensive financing option for non-essential expenses, like an extravagant wedding or vacation. Instead, start saving for big-ticket items to avoid finance charges altogether.

- **Medical costs:** Using a personal loan for medical expenses typically only makes sense if you can't get better terms with a payment plan through your doctor's office.

- **Emergency expenses:** Personal loans are far cheaper and less risky than payday loans, but can still involve high interest costs, especially for consumers with poor credit.

APPLICATION DOCUMENTS [typical]:

- Proof of Identity [Drivers License, SS Card, Passport etc]
- Proof of Address [Utility Bill, Lease Agreement etc]
- Verification of Income [Bank Statements, Pay Stubs, W2, Tax Returns all possible]

EQUIPMENT FINANCING

DESCRIPTION: nerdwallet

With equipment financing, the loan amount you qualify for depends on the value of the equipment you are purchasing. The equipment also serves as collateral for the loan, so the lender can seize it if you fail to repay the loan.

Traditional banks typically offer the most favorable interest rates and terms, but they have strict credit standards. Online small-business lenders are another equipment financing option, especially if you need to purchase equipment quickly or if your personal and business finances aren't in excellent shape.

The size of the loan should match the price of the equipment you're purchasing, while the loan term should match how long you expect to use the new equipment. If you're buying commercial ovens that you expect to use for five years, get a loan with a five-year term. A shorter term may have you scrambling to make payments, and a longer term means you'll be paying for the equipment after you stop using it.

PROS & CONS OF EQUIPMENT FINANCING: nerdwallet

PROS

- An equipment loan is usually the financing option with the lowest interest rate.

- You'll own the equipment outright. Once the loan is repaid, business owners who own equipment but need cash for other business purposes may opt to arrange a sale-and-leaseback agreement. This involves selling equipment to a lender in return for quick cash and then leasing it from that lender.

- At tax time, the interest you've paid is deductible, and you'll also enjoy a depreciation tax benefit.

CONS

- If the financed equipment becomes outdated, you'll need to sell or dispose of it.
- An equipment loan may require a high initial down payment.

APPLICATION DOCUMENTS [typical]:

- Lender's Loan Application
- 3 Months Bank Statements
- Voided Check
- Drivers License

ACCOUNT RECEIVABLES 'AR'

DESCRIPTION: Investopedia

Accounts receivable (AR) financing is a type of financing arrangement in which a company receives financing capital related to a portion of its accounts receivable. Accounts receivable financing agreements can be structured in multiple ways usually with the basis as either an asset sale or a loan.

KEY TAKEAWAYS Investopedia

- Accounts receivable financing provides financing capital in relation to a portion of a company's accounts receivable.
- Accounts receivable financing deals are usually structured as either asset sales or loans.
- Many accounts receivable financing companies link directly with a company's accounts receivable records to provide fast and easy capital for accounts receivable balances.

ADVANTAGES & DISADVANTAGES: Investopedia

Accounts receivable financing allows companies to get instant access to cash without jumping through hoops or dealing with long waits associated with getting a business loan. When a company uses its accounts receivables for asset sales it does not have to worry about repayment schedules. When a company sells its accounts receivables it also does not have to worry about accounts receivable collections. When a company receives a factoring loan, it may be able to obtain 100% of the value immediately.

Although accounts receivable financing offers a number of diverse advantages, it also can carry a negative connotation. In particular, accounts receivable financing can cost more than financing through traditional lenders, especially for companies perceived to have poor credit. Businesses may lose money from the spread paid for accounts receivables in an asset sale. With a loan structure, the interest expense may be high or may be much more than discounts or default write-offs would amount to.

APPLICATION DOCUMENTS:

- Application
- Personal Financial Statement
- Past 2 Years Business Tax Returns
- Past 2 Years Personal Tax Returns
- YTD Financial Statements
- P&L, Balance Sheet, AR & AP Aging reports
- Business Debt Schedule