TRUE BUILD

BUSINESS CREDIT PROGRAM

WHAT WE OFFER YOU

- ✓ ENTITY SETUP
- ✓ EIN SETUP
- ✓ BUSINESS NAME CREDIBILITY CHECK
- ✓ BUSINESS COMMERCIAL ADDRESS (P.O. BOX 6MO INCL)
- ✓ BUSINESS ADDRESS CREDITABILITY CHECK
- ✓ BUSINESS TOLL FREE NUMBER (6MO INCL)
- ✓ BUSINESS PHONE CREDIBILITY CHECK
- ✓ 411 LISTING REGISTRATION (INCLUDED)
- ✓ YELLOW PAGES LISTING
- ✓ GOOGLE BUSINESS LISTING
- ✓ BUSINESS DOMAIN NAME REGISTRATION (12MO INCL)
- ✓ WEB LANDING PAGE (INCL)
- ✓ BUSINESS CORPORATE EMAIL (6MO INCL)
- ✓ EMAIL CREDIBILITY CHECK
- ✓ BANK AND MERCHANT ACCOUNT SETUP ASSISTANCE
- ✓ BUSINESS ADDRESS CREDITABILITY CHECK
- ✓ D-U-N-S NUMBER AND PROFILE
- ✓ BUSINESS CREDIT REPORT AND SCORE TRAINING
- ✓ GET SETUP WITH D&B, EXPERIAN, AND EQUIFAX
- ✓ SETUP WITH 3-5 STARTER NET 30 VENDORS
- ✓ ACCESS HIGH-LIMIT STORE CREDIT CARDS
- ✓ ACCESS HIGH-LIMIT FLEET CREDIT CARDS
- ✓ ACCESS HIGH-LIMIT CASH CREDIT CARDS
- ✓ UNSECURED, NO-DOC, 0% FINANCING
- ✓ AUTO VEHICLE FINANCING WITH NO PERSONAL GUARANTEE
- ✓ PAYPAL REVOLVING CREDIT ACCESS
- ✓ 12-MONTHS OF BUSINESS ADVISOR SUPPORT
- ✓ SECURE BUSINESS LOANS WITHIN 72 HOURS
- ✓ GET LOANS WITH RATES OF 5% AND LESS
- ✓ 5-YEARS OF FINANCE OFFICER SUPPORT
- ✓ ENGLISH AND SPANISH ACCESS
- ✓ 3 MONTHS OF PERSONAL CREDIT REPAIR IF NEEDED

BUSINESS LOAN CALCULATOR

How much do you need to borrow?

$15K

$500K+

$50,000

What is your estimated interest rate?

1.5%

30%

5.0%

How quickly can you pay this back?

1 year

10 years

5 years

Principal Interest Payment	$944.00 Monthly
Total Payment in 5 Years	$56,640.00

Ready for the next step?

BUSINESS LOAN CALCULATOR

How much do you need to borrow?

$15K

$500K+

$100,000

What is your estimated interest rate?

1.5%

30%

5.0%

How quickly can you pay this back?

1 year

10 years

5 years

Principal Interest Payment	$1,887.00 Monthly
Total Payment in 5 Years	$113,220.00

Ready for the next step?

BUSINESS LOAN CALCULATOR

How much do you need to borrow?

$15K

$500K+

$200,000

What is your estimated interest rate?

1.5%

30%

5.0%

How quickly can you pay this back?

1 year

10 years

5 years

Principal Interest Payment	$3,774.00 Monthly
Total Payment in 5 Years	$226,440.00

Ready for the next step?

The Ultimate Route to BUSINESS CREDIT

Business Financing Basics

SMALL BUSINESS FINANCING CHECKLIST

Before you start submitting funding applications, here are a few basic things you'll want to get in order:

PERSONAL ITEMS

- ☐ Detailed list explaining why you need funding and how it will be used
- ☐ Personal credit reports
- ☐ 1 year personal tax returns
- ☐ Photo identification

BUSINESS ITEMS

- ☐ 2 years business tax returns (1 year is fine depending on the lender)
- ☐ Last 6 months business bank statements
- ☐ Profit & Loss statement
- ☐ Business plan
- ☐ Financial Projections

OTHER ITEMS

- ☐ Verification of address (both personal and business)
- ☐ Completed application
- ☐ Voided check

IF APPLICABLE, ADDITIONAL ITEMS

- ☐ Franchise agreement / UFOC – If applicable.
- ☐ Affiliate business financial statements
- ☐ Lease agreement - if you occupy leased property

The Importance of Business Credit & How It Works

Introduction to Business Credit Scores

Business credit can affect your business in more ways than you think.

Here's how.

Strong business credit scores are the key to getting your company approved for trade credit and financing. Every business has credit scores, as well as business credit reports. In the same manner that your personal scores serve as financial ratings, your business credit scores rank the creditworthiness of your business.

Several factors go into the calculation of these scores, which can range from 0 to 100, with scores of 75 or more indicating excellent credit. Credit scores are calculated by reporting agencies such as Dun & Bradstreet and Experian.

Factors that determine business credit scores

Your business's credit scores are calculated from various traits about your company and its financial history. Here are some of the variables:

- Credit utilization ratio
- Payment history
- Length of credit history
- Outstanding debts
- Public records, such as bankruptcies, liens and judgments
- Company size
- Industry risk

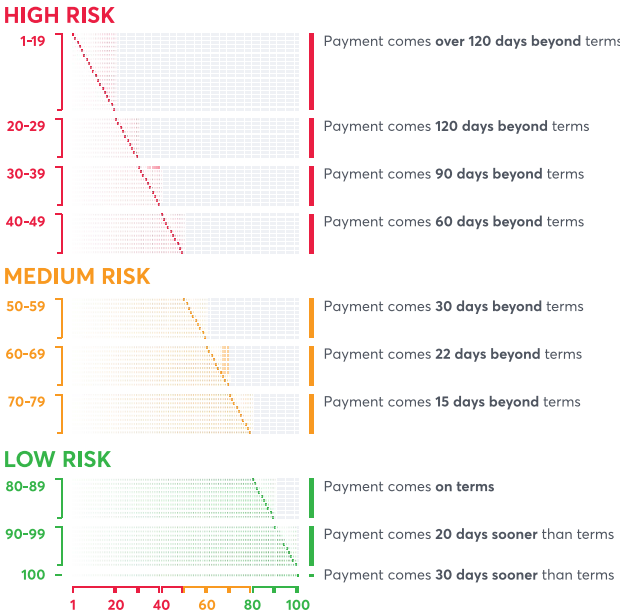
Notice that while most of the factors are similar to those used to calculate your personal credit scores, others are unique to business credit scores.

The different business credit scores & reporting bureaus

Each bureau can have different information on file for the same person or business, and wind up producing a different score. That's why you've probably noticed your scores vary from bureau to bureau. Let's take a look at 3 of the most common business credit scores and commercial credit bureaus:

The Dun & Bradstreet PAYDEX®

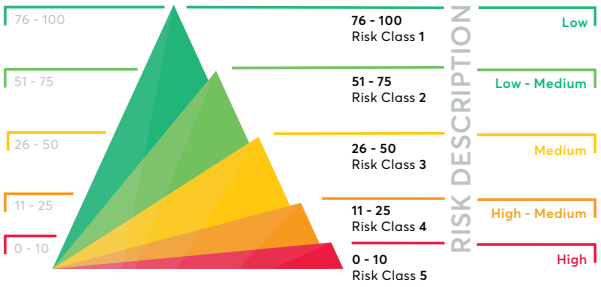
According to D&B, the PAYDEX is a unique, dollar weighted indicator of a business's payment performance based on the total number of payment experiences in Dun & Bradstreet's file. The Dun & Bradstreet PAYDEX ranges from 1 to 100, with higher scores indicating better payment performance. PAYDEX is primarily used by vendors and suppliers to judge your business when determining what terms to extend on trade credit (e.g., net 30, net 60, etc.) Typically, the better the score, the more generous the terms extended. This is important because having more time to pay your bills can help you better manage cash flow.



Intelliscore Plus℠ from Experian

According to Experian, Intelliscore Plus℠ is a statistically based credit-risk score that can evaluate business credit and, in some cases, the owner's personal credit data as well, to predict the likelihood of serious delinquency in the next 12 months. Score range from 1 to 100, where lower scores (Score Range below) indicate higher risk. The Intelliscore Plus℠ is regarded in the credit industry as quite predictive and economical. It incorporates statistical modeling using over 800 commercial and owner variables – including tradeline and collection information, recent credit inquiries, public filings, new account activity, key financial ratios and other performance indicators.

SCORE RANGE



FICO® LiquidCredit® Small Business Scoring Service

FICO's Small Business Scoring Service (SBSS) rank-orders applicants by their likelihood of making payments on time. The score ranges from 0 to 300. The higher the score, the better. The scoring is based upon personal and business credit history and other financial information. A strong history of business credit with timely payments to vendors and suppliers may help boost your SBSS score. The SBSS score will be used for term loans, lines of credit, and commercial loans up to $350,000 guaranteed by the Small Business Administration (SBA). The minimum score to pass the SBA's pre-screen process is currently 140, though many lenders require a 160 or above.

How business credit scores are used

Lenders and other creditors need a means of determining how well your business repays debts before they will approve you for financing. This is where business credit scores come in. Higher scores indicate to creditors that your business is more trustworthy, thereby improving the odds that it can obtain financing. Lenders can check your company's business credit reports to get more detailed information about your business's financial history, and business credit scores serves as shorthand evaluations. The rating can also let you access more credit than you could receive when applying for financing with just your personal scores.

The importance of checking your business credit score

As a business owner, you should review your company's financial information on a regular basis, including your business credit scores and business credit reports. Your scores are fluid and can change over time. That's why creditors tend to assess your creditworthiness on a continual basis. If you notice your business credit scores are low, there could be an error in the business credit reports that caused an inaccurate calculation. It is also possible that your business does not have sufficient credit history to warrant higher scores. If you do find an error, contacting the credit agency or the creditor reporting that information is key to getting a correction. If there aren't any errors, you can still improve your business's credit scores by making on-time payments and lowering the company's credit utilization ratio, among other options, but it will take some time.

How can I improve my business credit score?

No doubt, understanding how and when business credit scores are used can be confusing. Luckily, keeping your scores strong is actually simple. It's a lot like taking care of your personal credit:

- **Pay your business bills on-time or before they're due**
- **Open multiple credit accounts (business credit cards, trade lines, loans).**
- **Keep your credit utilization around 25% or less (don't max out your credit lines).**

10 Types of Business Financing

10 Types of Business Financing

CATEGORY	AMOUNT	INTEREST	REPAYMENT	EFFORT TIMELINE	CREDIT CRITERIA
Bank & SBA Loans	$200,000+	5 - 13%	1 - 20 years	2 - 4+ months	Usually requires good personal credit. Some SBA loans require a business credit score (FICO® SBSSSM) minimum of 140/300.
Online Term Loans	$5,000 - $500,000	7% - 30%	1 - 5 years	2 - 7 days	Personal credit a major determining factor.
Invoice Financing	85% of Invoice amount	15% - 35%	1 - 3 months	1 - 2 hours	Generally not an important factor—the credit of your customers matters more.
Microloans	$500 - $50K	8% - 15%	1 - 5 years	1 - 3+ months	May be more forgiving of imperfect credit.
Cash flow Loans	$200 - $100,000	25% - 90%	6 - 12 months	Minutes - 3 days	Usually not a determining factor—your cash flow is more important.
Business Cash Advance	$200 - $250,000	70% - 250%	3 - 12 months	Minutes - 1 week	None, usually.
Reward Crowdfunding	$1,000 - $100,000	Reward	<1.5 years	1 - 3 months	None.
Equity Crowdfunding	$50,000 - $5,000,000	Equity	5+ years	3+ months	None.
Equipment Financing	$5,000 - $5,000,000	8% - 25%	2 - 10 years	1 - 4 weeks	Personal credit is a major determining factor.
Business Credit Cards	$250 - $25,000	13% - 25%	30 days	1 - 3 weeks	Personal credit is a major determining factor.

Bank & SBA Loans

Amount: $200,000+
Interest: <13%
Repayment: 7+ years
Effort: 2 - 6 months
Collateral: required

Banks are the largest lenders to small businesses and often the first point of contact for small businesses who need financing. The interest rates charged by banks are usually much lower than rates charged by non-bank lenders. However, there are a few things to consider when it comes to bank loans.

Many larger banks do not like to make small loans; the profits on these loans are not enough to pay for their high overhead costs. Large banks prefer to work with companies that need multi-million dollar loans; however, there are many exceptions to the rule. Some large banks have specialized groups who focus on small business lending, but even then they may not offer smaller loans or loans to young businesses. Many community banks and credit unions specialize in lending to local small businesses.

As the profit margins on business loans are small, banks try to reduce their risk as much as possible. They will only give loans to small businesses with the best credentials—high credit scores, many years in business, high revenue, and enough collateral to cover the loan. For this rule there are hardly any exceptions — only in cases where the bank knows the borrower very well and has had many years of positive experience with the borrower, it might consider a small, unsecured loan.

Banks are slow. They take their time to make a decision (weeks!) and the outcome of the credit decision is not always predictable. Moreover, they request quite a lot of documentation and if the lender provides real estate as collateral, the bank will make its own valuation, which might take some extra time.

A helpful lending product that banks provide are SBA loans. Because these loans are government-guaranteed, it is less risky for banks to lend to small businesses. Therefore, make sure that the bank you talk to is a so-called "Preferred SBA lender" which means that they are approved by the SBA to streamline procedures for these SBA loans. Again, SBA lending is also time-consuming.

For start-up companies it is especially difficult to get bank loans. There is no historical financial information available on which a bank can make its lending decision. Most banks have a rule that businesses need at least one or two years under their belts before they will consider providing a loan.

BOTTOM LINE:

If it all sounds very difficult to get a bank loan, that's because it is. However, bank loans are by far the lowest cost option. Moreover, once a lender has been successful in obtaining a loan, it can be the start of a long-term relationship. Once a small business has become a client of a bank and performs well, it becomes much easier to get loans renewed or increased.

Term Loans

Amount: $5,000 - $500,000
Interest: 7-30%
Repayment: 1 - 5 years
Effort: 1 - 2 hours
Collateral: preferred

These aren't your grandparent's loans. Because it can difficult to qualify for bank loans, a new generation of online, alternative lenders are stepping up to give business owners capital. The annual percentage rates in this category range from 7-30% with 1-5 year terms, and you can generally borrow up to $500K.

Online term loans trump bank loans in efficiency and speed. Instead of spending 25+ hours and waiting 1-6 months for funding, you can typically fill out an online application within 15 minutes. They ask you to provide supporting documentation such as tax returns and financial statements, which probably takes another hour. Because these lenders use a lot of third party data, the work on your end is minimal. Once all documentation is provided and verified, your loan gets disbursed in a day or two.

There are actually two types of loans in this category:

1. **Business loans**
2. **Personal loans for business use**

For **personal loans for business use**, they don't actually look into your business when determining whether or not to offer you a loan. Instead, they look at your personal finances and credit score to predict if you will pay back the loan even if your business doesn't work out. Since they lend based on your personal ability to repay, the amount you can borrow is smaller, typically ranging from $2,000 to $35,000 with 3-5 year repayment terms.

Business loans work like regular small business loans from a bank. Lenders look into your business finances/credit score as well as personal finances/credit score to determine if they will offer you a loan. They do require the business to be more established — 2 years in business, $50K+ annual revenue, and profitable. The loan amounts they offer range from $5K to $500K with 1-5 year terms.

In most cases, both term loan types require personal guarantees.

BOTTOM LINE:

Compared to bank loans, the process is a lot more pleasant. The interest rates are higher than what banks would offer but it's more accessible and convenient.

If you don't have strong collateral or can't wait 1 - 3+ months, but want the structure of a fixed monthly payment, online term loans are the way to go.

Invoice Financing

Amount: 85% of invoice amount
Interest: 15 - 35%
Repayment: 1 - 3 months
Effort: 1 - 2 hours
Collateral: account receivables

Invoice financing is a common financing option for businesses that get paid long after they deliver their goods or services. There are three types of invoice financing: invoice factoring, invoice financing and receivable based lines of credit.

1. **Invoice Factoring** is a common financing option for industries like clothing or manufacturing, where long accounts receivable are part of the normal business cycle. It helps with managing cash flow, especially when you need working capital or have timely opportunities to reinvest in your business.

Factoring works by providing a cash advance based on the total value of the invoices. You typically receive 50-80% of the invoice value up front based on the risk profile of your clients. You receive the remaining value once the client pays off the invoices, minus a factoring fee. This fee can be structured in any number of ways, but it generally nets out to be about 3-5% of the invoice value.

Factoring is not a loan. It is a contractual obligation — effectively a sale of your accounts receivable. Therefore, factoring companies care more about your *clients'* reputation and credit worthiness than yours. They also typically take over a significant portion of the accounting work for your business, help with credit checks, and generate financial reports to let you know where you stand.

2. **Invoice Financing** is like factoring except that it's not a sale of your accounts receivable. You use the account receivables as collateral to get the advance and you are ultimately responsible for managing the customer relationships and payments. If your customers becomes delinquent, you will be responsible for the amount advanced. The lender will underwrite based on both you and your client's credit history. The fees are usually 2-4% of your invoice value per month.

3. **Receivable Based Line of Credit** is a credit line based on a percentage (usually of 80-85%) of value of your outstanding invoices. The value is calculated based on the *aging* of the invoices. Namely, they give a full value for current invoices and a discount for overdue invoices. You will pay a pre-negotiated interest rate based on your balance. When an invoice gets paid, your balance will be reduced. There's usually a fee when you draw from the credit line. But this is usually a cheaper option than invoice factoring or invoice financing with APRs of less than 20%.

BOTTOM LINE:

The overall APR, typically 15-35%, is high compared to 6-15% for banks. But if most of your short-term assets are tied to accounts receivable it can be a good short term solution that lets you avoid the lengthy bank loan application. It's also much better compared to cash flow lenders, where APRs can be upwards of 50%. Your credit score also doesn't matter as much. Your clients' credit scores will also be taken into account. Therefore, it's a good solution if you have receivables but haven't built up your credit enough to get a credit line from a bank.

Microloans

Amount: $500 - $100,000
Interest: 8-15%
Repayment: 1 - 5 years
Effort: 10+ hours. 1 - 3 months
Collateral: preferred

If you're borrowing less than $50K for your business, you should check out your local small business development center (SBDC) to see if they can help you find good financing partners. A number of community development financing institutions (CDFIs) offer low interest rate small business loans as well as development assistance. They are a great resource.

Opportunity Fund in California is a great example. Borrowers typically get really friendly terms with low interest rates, i.e. 8-15% interest rate with terms up to 3 years. Typically you can borrow between $2,000 - $50,000. Some programs will go up to $100K or even $250K. CDFIs can offer lower rates because they're subsidized by governments and foundations through grants. Through the Community Reinvestment Act (CRA), banks get credits by lending out capital at cheap rates to CDFIs.

The mission of CDFIs is to provide capital and education to the non-bankable entrepreneurs who don't meet the credit score, revenue or operating history criteria banks require. The goal is to help these business owners get to the next level and become bankable.

CDFI loans require a business plan and financial reporting for your business, which can take a while. To get started, you will usually be required to talk to a loan officer. Even though they offer really good terms and interest rates, the amount you can borrow will be based on your ability to pay (your cash flow).

In addition to CDFIs, microfinance institutions (MFI) like Kiva also provide loans to businesses who are underserved by banks. Kiva is a program launched in 2012 to offer crowdfunded 0% interest business loans to micro-entrepreneurs. You can't beat a loan program with 0% APR. You can only borrow up to $10K for the first time but sometimes that's enough to help a business owner get to the next level.

BOTTOM LINE:

Overall, Microloans are a great option for less established businesses who need smaller loan amounts. Even if you don't need funding right now, it's a good idea to establish a relationship with these organizations ahead of time for when you do need funding.

In addition to the funding itself, these loans often come with technical assistance which can include support and advice to help manage the business and to help it grow. These lenders are often very dedicated to helping local small businesses succeed.

Cash Flow Loans

Amount: $200 - $100,000
Interest: 25% - 90%
Repayment: 1 - 3 months
Effort: Minutes. 7 mins - 3 days
Collateral: Personal guarantee

There are a few emerging online lenders that focus on small business working capital. The APRs range from 25-90% with 6-month to 1 year terms, and you can borrow up to $100K.

For this type of business financing, lenders use your future expected cash flow as collateral for the loan. You're essentially borrowing from cash that you expect to receive in the future by giving the lender the rights to a predetermined amount of these receivables. These are primarily used for working capital or to take advantage of short-term ROI opportunities.

After you apply, the lender will inspect your account's cash flow and make a quick (if not instant) decision on whether or not they will offer you a loan and at what interest rate. Since they don't get a whole lot of information aside from the account, and they don't require collateral (though they do require a personal guarantee in most cases), they are inherently offering riskier loans. To offset this risk, they charge high interest rates.

Note that a lot of cash flow lenders charge a very steep prepayment penalty. This means that paying back the loan early doesn't help you because the payback amount is fixed. They don't use an annualized interest rate or amortization.

BOTTOM LINE:

Cash flow loans are pretty expensive, but if you can earn a high ROI on the borrowed capital, e.g. purchasing high margin inventory that would sell quickly, this could be a decent option. You can typically get funds within a week, provided that you've submitted all required documentation.

Before applying for a cash flow loan, you should check with your local community bank first to see if they can offer you any other form of credit since their rate would typically be a lot cheaper. E-Commerce platforms like Amazon or PayPal also offer their merchants loan products with a very reasonable rate (typically 12.99%) on an invitation-only basis. In addition, you can also compare the cash loan offers with your credit card rates and figure out which product is most cost and time effective.

Business Cash Advance

Amount: $200 - $250,000
Interest: 70% - 250%
Repayment: 3 - 12 months
Effort: Minutes. A week
Collateral: Not required

Business cash advances work different than traditional business loans. The funding provider will offer the loan based on your credit card sales (or other ways you receive customer payments), and then gets paid back by taking a portion of your future sales, typically each day. You can usually get approved in a day or two—with very little paperwork—but you'll pay for this convenience in very high interest rates. Because this option is expensive, it should only be used if you're desperate or want to take advantage of short-term opportunity that requires fast cash. You don't want to get in habit of relying on business cash advances since its higher cost can make it very difficult to manage future cash flow. The most common type of business cash advance is a Merchant Cash Advance, or MCA. Other types differ because they do not require credit card sales, but will still take a daily payment from your business bank account.

What's great about business cash advances:

- Fast access to cash
- Typically, repayment based on % of daily sales
- Strong credit not required
- You chose how to use the funds
- No collateral required

What's not-so great about business cash advances:

- Very expensive (70% - 250% APR)
- Minimum daily payment
- Doesn't help build business credit
- May lock-in merchant processor

BOTTOM LINE:

Regardless of what financing you choose, you need to be diligent and aware of the terms, especially in the case of BCAs — they are extremely aggressive in their sales and marketing. Always try other options first: credits cards, banks, friends and family or even cash flow loans (while their APRs of 40-90% are high, they're low compared to the APR you'll pay for an MCA). These are more affordable options and more sustainable.

Reward Crowdfunding

Amount: $1,000 - $100,000
Interest: Reward
Repayment: <1.5 years
Effort: 25+ hrs, 1 - 3 months to fund
Collateral: Not required

Platforms like Kickstarter and Indiegogo help people raise money for a project or for a cause through crowdfunding. You can leverage these platforms to raise money for your business by offering a (future) product or a token reward such as a "Thank You" card or t-shirt. If you are not raising a huge amount of money (e.g. - < $5,000), this can be a viable option with few strings attached.

Unlike bank loans or equity deals, you don't have to disclose your personal or business financial information. But you will need to convincingly demonstrate the viability of your project or product.

In order to raise funds successfully, you have to be very good at marketing and present your product/business in a way that resonates with people. Once you put up your campaign, send it to your friends, family, community and customers for their support. Many campaigns do not get funded in the end. On the other hand, some business owners love crowdfunding because it gives them the chance to test the waters for a new product, build buzz, or both.

BOTTOM LINE:

Overall, it's a great option if you have a compelling product/project and know how to market it. Keep in mind that the time you will spend coming up with a great campaign is probably not going to be less than the time you'd spend on a loan application or investor presentation.

Equity Crowdfunding

Amount: $50,000 - $5,000,000
Interest: Equity
Repayment: 5+ years
Effort: 25+ hrs, 3+ months to fund
Collateral: Not required

Instead of borrowing money from investors or banks, you can give a slice of your company to investors in exchange for capital. It's standard practice for tech startups, and companies like Angellist and FundersClub that have a history of crowdfunding equity investments in tech startups. Individuals invest in these funds with the hope that one of the companies becomes the next Facebook or WhatsApp.

Historically, this model hasn't applied to small businesses outside technology. In recent years, however, there have been more options popping up for non-tech startups. CircleUp helps facilitate equity investments for burgeoning consumer product goods (CPG) companies. Crowdfunder is another platform that focuses on local small businesses. Equity Crowdfunding is not very mature yet for typical small businesses, but its development is interesting and small businesses should pay attention to how it develops over the next couple of years. Remember, you're giving up equity in your business to investors expecting high returns. This will dilute your ownership and may put additional outside pressures on your business.

You typically don't need to submit personal financial information to be successful on the equity crowdfunding platform. But you will need to come up with an investor presentation in addition to the typical business plan and financial projections for loan applications. Imagine you are on Shark Tank and you want Mark Cuban to invest in your business. That's what it takes to be successful to raise funds on an equity crowdfunding platforms.

BOTTOM LINE:

Overall, it's a great option if you have a compelling product/project and know how to market it to investors expecting high (i.e. 10x) returns. Keep in mind that the time you will spend coming up with a great campaign is probably not going to be less than the time you'd spend on a loan application or investor presentation.

Equipment Financing

Amount: $5,000 - $5,000,000
Interest: 8% - 25%
Repayment: 2 - 10 years
Effort: 1 - 2 hrs, 2 - 4 weeks
Collateral: equipment

If you need to purchase business equipment, consider equipment financing. Business equipment is a pretty broad term that covers equipment ranging from an espresso machine for a coffee shop to specialized machinery for manufacturing. Usually the equipment vendors work with lenders for financing with the APR ranging from 8-25% depending on your credit score, your industry and the resale value of the equipment. You can either lease the equipment or buy the equipment with a loan.

The **lease** program lets you rent the equipment over a period of years. When the lease ends, sometimes you have the option of buying the equipment with a nominal price (like $1). Sometimes you can lease brand new equipment while the lender takes your old equipment and resells them (this happens to photo copiers). You can fully deduct the rent from your business as expenses. It's a good way to conserve cash if you don't want to spend a large amount of capital on the equipment.

The **loan** program lets you own the equipment and you finance it with a loan. The equipment is the collateral in case you default on your loan. The interest rate here is typically lower than a lease. If you have a preferred lender, you can use them to finance it instead of working with the vendors' lenders.

In addition, for business owners who need working capital, if you own the equipment out right, you can do a **sale-and-leaseback** transaction. Basically, sell the equipment to a lender to get some cash upfront and lease the equipment back. Although it may not be ideal, this type of transaction can work for business owners who need cash and can use equipment as collateral. Contact your original vendor to see if a the leaseback program is available, and compare it to a collateralized loan from a traditional lender.

BOTTOM LINE:

Overall, equipment financing is fairly accessible to business owners as the collateral is pretty strong. If you intend to own the equipment for a long time, shop for financing partners. It can be your bank, alternative lenders, lenders who specialize in equipment financing or lenders who work with the vendor. Find the lowest cost option with best terms. You can save a lot of money that way.

Business Credit Cards

Amount: $250 - $25,000
Interest: 13% - 25%
Repayment: 30 days
Effort: <1 hr, 1 - 3 weeks to fund
Collateral: personal guarantee

Business credit cards are a popular choice among entrepreneurs who have limited business history and don't qualify for lower-cost financing, such as bank lines of credit. 65% of small businesses use them on a regular basis.

Business credit cards are just like personal credit cards, it's a revolving line of credit you use for business expenses. Just be sure that you're getting a business credit card and not one tied to your personal credit. Maxing out personal credit cards for business expenses can kill your personal credit scores. (You can find out which business credit cards affect your personal credit here.)

It's always a good idea to have one or two business credit cards available for short-term emergencies and working capital. Here are 4 other advantages of business credit cards:

1. Business cards can help build your business credit profile — as long as you pay your bills on time.
2. They offer a simple application and a way to make purchases on credit with no interest until the billing cycle has ended.
3. Many business credit cards offer a great way to get rewarded for items you need to purchase in the name of your business. Rewards include cash back, travel rewards, and flexible points systems.
4. Credit and charge cards offer greater protections than checks and business debit cards in the case of fraud. They are covered by a federal law that protects the card user in the event of unauthorized use.

BOTTOM LINE:

Having at least one business credit card is a good idea for all businesses. They can help you cover cash emergencies, are a good way to separate your personal and business expenses, and you can rack up the rewards if you choose the right card for your business.

Learn more:
Business credit cards for startups.

Learn more:
Business credit cards for bad credit.

Financing Options for Startups

- Reward Crowdfunding
- Equity Crowdfunding
- Credit Cards
- Friends and Family Financing
- Trade Credit
- Venture Capital
- Angel Investments

Financing for Businesses with Poor Credit

- Trade Credit
- Friends and Family Financing
- Crowdfunding
- Venture Capital
- Angel Funding
- Merchant Cash Advances
- Invoice Financing
- Microloans

When applying for a loan, lenders will evaluate your overall risk based on five factors: **The Five C's** of Lending.

As a small business owner, it's important to understand what they are and how they impact your lending profile.

1. Capital

Lenders will always check to make sure that you have some capital to your name when evaluating your profile, and that you have already invested money into your business. It's important to show you have made a financial commitment in the past. This could take the form of personal savings, investments or other assets.

2. Conditions

Conditions can include the current state of the economy and how its impacting your particular industry. Lenders will also want to know how you plan on using the money, given the current economic conditions.

3. Collateral

For certain types of financing, business owners are required to pledge something to a lender as an alternative source of payment. Your collateral may vary, but could include accounts receivable, inventory, real estate or equipment.

4. Character

Your personal character is just as important as financial data when applying for a loan. A bank may hesitate to lend if you lack strong references, credentials or even communications skills. Remember, your own reputation is indivisible from that of your business.

5. Capacity

Capacity refers to your ability to repay a loan. Your revenue, debts, liquidity ratio, credit score, and other factors all come together to determine your ability to repay the financing support you may receive.

If you're in the market for financing, make sure you have a strong grasp of your "5 C's" to better prepare for your next loan application.