

# BASICS



QUOTE · 2 · FUND

# BUSINESS LOAN BASICS



*Getting the money to get ahead*

# BUSINESS



# THE BUCKS START HERE

*“It takes money to  
make money,”*

it’s often been said. And if you’re running a business or starting one, you know it’s true.

Maybe you need to pay the first-and-last month’s rent on a new suite of offices. Or purchase a machine that’ll expand your current product line and with it, your customer base. Maybe you’re finally ready to do more advertising. Or you’re faced with the welcome problem of having to hire more staff to meet the growing demand for the goods or services your business provides.

**SIMPLY PUT, YOU NEED MORE  
MOOLAH.**

Maybe lots of it. But definitely more than you have on hand.

In lieu of a rich uncle or a winning PowerBall ticket, you’d be happy with a good business loan. One with terms you like and rates you can afford. A loan tailored to the unique needs of your business.

## WHERE DO YOU TURN?

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For business loans, it used to be that banks were the only game in town. No more. Today’s financial marketplace not only serves up many different types of loans, but also different types of lenders – from the traditional, like banks, to alternative lenders, like Quote 2 Fund, which connects borrowers to a nationwide network of lenders.

Sorting through the options available can be as confusing as it is time-consuming.

## CLEARING A PATH TO FINDING FUNDS.

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In this ebook, you’ll get an overview of the various sources of business funding and the kinds of loans they offer, plus pros and cons to consider, and insider tips, too. In other words, a snapshot of the business-lending landscape – aimed at saving you time and leading you to the funds you’ve been looking for.

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# HELP IS JUST AROUND THE CORNER

*But first, a few questions.*

Because no two businesses are exactly alike, there isn't a One-Size-Fits-All Business Loan. There can't be.

The kind of loan you'll apply for depends on a number of things. And the only way to know what those things are is to answer some of the same core questions lenders ask.

## QUESTION #1

*How much money do you need?*

Bear in mind here, there's a difference between "want" and "need." It's fine to dream about what you could do with, say, a cool \$2 million. But paying it back could be a nightmare. In assessing how much money you need, keep it real.

## QUESTION #2

*How will the loan funds be used?*

It makes a difference whether the funds you're requesting are for a long-term investment – like commercial real estate – or a quick fix for an unexpected shortage of working capital. Rates, terms, and turn-around times vary – among loans and loan vendors. Getting the combination of those elements that's right for your business starts with knowing how those loan funds will be used, otherwise known as your use of proceeds.

## QUESTION #3

*How soon do you need the money?*

The length of time between applying for a loan and actually getting the money is a key differentiator among lenders. The advantages of a lower interest rate might be greatly offset by a lengthy application process and an even longer wait. On the other hand, a quick turn-around time could mean higher interest. Weigh the pros and cons of each approach against needs of your business. Then decide for yourself: "Now" or "Later."

## QUESTION #4

*Ready to learn more?*

OK. This isn't a question lenders always ask. But it is one that'll take you to the next page – and a closer look at three main types of loan vendors.





# LENDERS YOU CAN TURN TO

In the world of lending today, there are three main sources for business loans:

- » Traditional/Conventional
- » Non-Bank Alternative
- » SBA (Small Business Administration)

Understanding what each source offers and how they differ will help you decide which one makes the most sense for you. A short description here of all three will be followed up by a closer look at each.

## TRADITIONAL/CONVENTIONAL

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These lenders – banks and credit unions -- are traditionally the first places people think of when they think of getting a loan. For businesses, they offer short-term, intermediate, and long-term funding at fixed and variable rates. Traditional lenders base their approvals -- and often their interest rates, too -- on the overall credit-worthiness of the applicant, in large part because the conventional loans they offer aren't guaranteed or insured by any government agency.

## NON-BANK ALTERNATIVES

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Alternative lending refers to a range of loan options available outside of a traditional bank loan. Alternative lenders are usually more flexible than banks when it comes to repayment schedules and loan approvals. Typically, they fund loans faster. Some, like Quote 2 Fund, can be accessed online and are connected to a trusted network of lenders nationwide.

## SBA LOANS

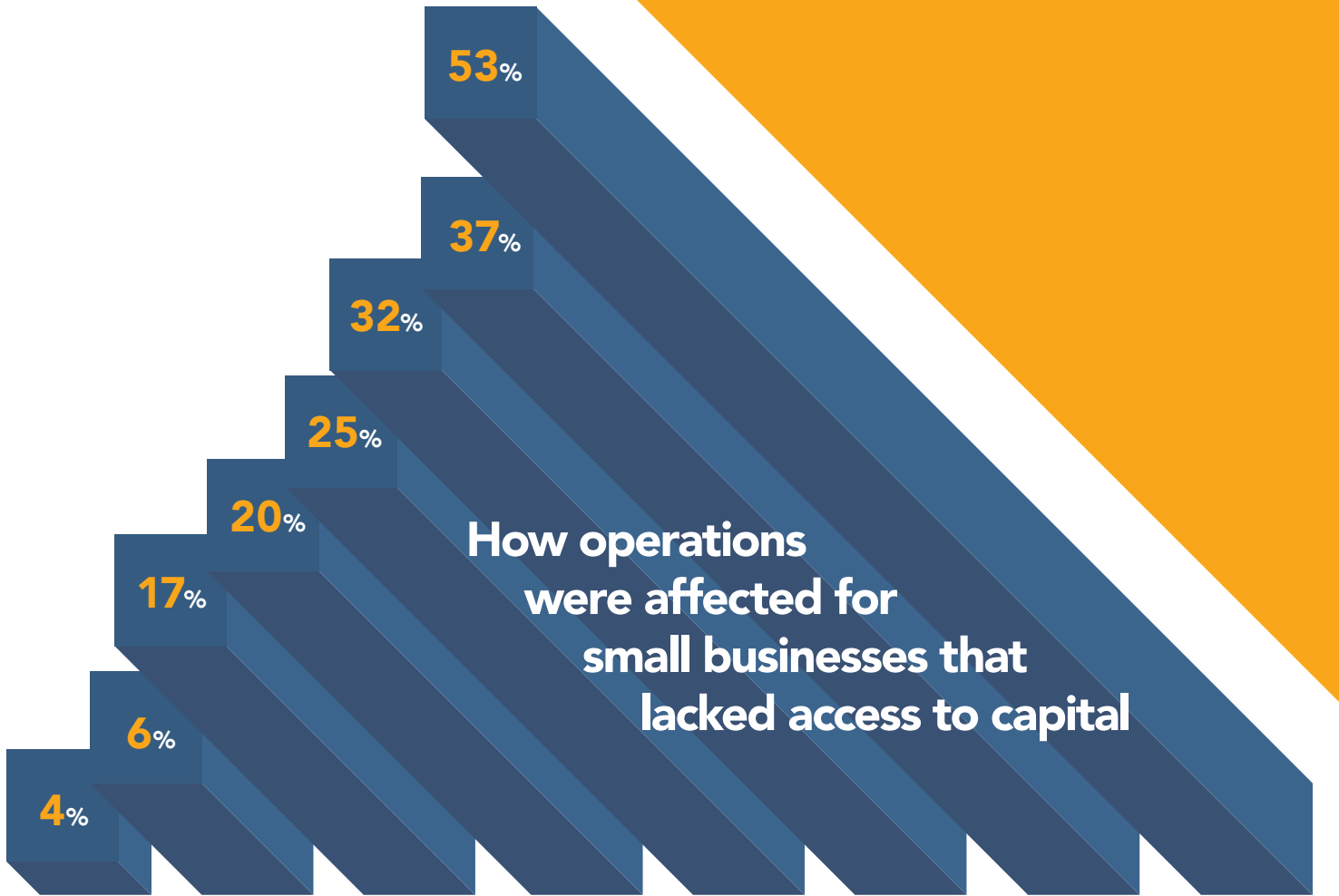
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SBA loans are loans to small businesses that have difficulty getting a loan with reasonable terms through the usual lending channels. The Small Business Administration doesn't lend the money to businesses directly, but works through private-sector lenders – alternative lenders, as well as banks -- that provide business loans and participate in SBA financing. Because the SBA guarantees these lower-rate loans, lenders to a large extent are off the hook if a borrower defaults.

“

*When businesses get help, their success rate is 80%; when they don't, their failure rate is 50-80%!*

Claudia Viek, CEO, California Association for Micro Enterprise Opportunity



**How operations were affected for small businesses that lacked access to capital**

OTHER

CLOSED STORES OR OFFICES

UNABLE TO INCREASE INVENTORY TO MEET DEMAND

REDUCED BENEFITS TO EMPLOYEES

UNABLE TO FINANCE INCREASED SALES

REDUCED THE NUMBER OF EMPLOYEES

NOT A PROBLEM/NO EFFECT

UNABLE TO GROW BUSINESS OF EXPAND OPERATIONS

# SBA LOANS. WITH LOWER RATES & LONGER TERMS, WHAT'S NOT TO LIKE?

At first glance, an SBA loan might seem like the perfect funding solution. And it very well could be. But if you talk with any business owner who's gone through the application process, you're likely to hear something else, too: A tale of the mountain of paperwork -- "An Everest!" they'll tell you -- required to apply.

Want proof? Required documents include: personal background and financial statements, business financial statements, profit and loss statement, projected financial statements, ownership and affiliations, business license, loan application history, income tax returns, resumes, business overview and history, business plan, and business lease.

Intrepid entrepreneurs will say it was worth it. But still. . . Be forewarned.

That said, an SBA loan just might be the answer to your fearless search for funds.

## SBA Loan Programs

### FOUR TYPES OF SMALL BUSINESS LOANS ARE CURRENTLY OFFERED.

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- » **7(a) Loan Program** – The SBA's primary lending program is also its most flexible. You can use this loan for a variety of business purposes – without having to specify them in advance.
- » **Microloan Program** – A program of small loans (up to \$50,000, with the average loan around \$13,000) for new or growing businesses. These funds are made available by the SBA to specially-designated intermediary lenders with non-profit status and experience in lending.
- » **CDC/504 Loan Program (Real Estate and Equipment Loans)** – This program provides long-term, fixed-rate financing for major assets, such as real estate, large machinery, construction, renovation, or to refinance debt in connection with the expansion of the business. CDC/504 funds, however, can't be used for inventory or as working capital.
- » **Disaster Loans** – Businesses of all sizes are eligible for these low-rate loans. And the funds – as much as \$2 million dollars to qualified businesses -- can be used for repairs or replacements necessitated by a disaster.

# SBA LOANS

LONGER TERMS &  
MONTHLY PAYMENTS

HELP BUILD OR IMPROVE  
CREDIT SCORE

MODEST INTEREST RATES  
& LOW DOWN PAYMENTS

FEW RESTRICTIONS ON  
USE OF FUNDS

PROS &

CONS

PREPAYMENT  
PENALTIES FOR  
LONGER TERMS

LONGER APPLICATIONS  
& PAPERWORK

LONGER, STRICTER  
APPROVAL PROCESS

COLLATERAL MAY  
BE REQUIRED



# LOANS FROM TRADITIONAL LENDERS. (RISK TAKERS, THEY'RE NOT.)

In addition to SBA loans, banks offer other loans, as well -- conventional ones where the borrower gets a set amount of money with a set number of payments over a specified period of time. Usually, the interest rate is fixed; sometimes it's variable.

Business loans banks offer that the SBA doesn't, include:

- » Working Capital Loans – If your business finds itself in need of funds to keep running, day-to-day, working capital loans come in handy in the short term, while you search for ways to increase revenue. The downside? Higher rates and shorter re-payment periods.
- » Lines of Credit – For cash-flow problems, a line of credit is good to have in your back pocket. With an approved line of credit, you take what you need when you need it, and pay interest only on the funds you use. Pluses? No collateral required. The repayment period is longer. And by making regular payments, you're able to build up your credit rating. The downside includes higher rates, additional fees, and the risk of building up more debt than the business can handle.

How a bank's conventional loans and SBA loans differ. When a loan isn't guaranteed by the government – as SBA loans are – the bank takes on a certain amount of risk. To minimize that as much as possible, traditional lenders often have tougher criteria for granting a loan, taking into account the loan amount, available collateral, cash flow, and credit history.

Where a bank might say “No,” the SBA has been known to say “Yes.”



*Small business loan approvals by big banks reached just **22.9** percent in December, 2015.*

- [businesstrends.com](http://businesstrends.com)

# TRADITIONAL LENDERS

FIXED MONTHLY  
PAYMENTS

HELPS BUILD OR IMPROVE  
CREDIT SCORE

FIXED RATES

FEW RESTRICTIONS ON  
USE OF FUNDS

PROS &

CONS

PREPAYMENT  
PENALTIES ON SOME  
PROGRAMS

LONGER APPLICATIONS  
& PAPERWORK

NO SO FLEXIBLE  
RATES & TERMS

COLLATERAL MAY  
BE REQUIRED



# LOANS FROM ALTERNATIVE LENDERS: A WEALTH OF CHOICES

The types of business loans available through an alternative lender are essentially the same as those you'll find with banks and the SBA – loans for just about any business purpose, as well as loans earmarked for equipment or real estate.

The biggest difference between traditional and alternative lenders can be summed up in a two words: choice and convenience.

Alternative lenders use technology and the Internet to present you with loan options from a variety of funding partners – all in less time than it takes to finish a sandwich. So you're able to compare rates and terms from lenders all over the country, all in one place. Some alternative lenders, like Quote 2 Fund, have loan specialists – real people -- standing by to answer your questions and help you pick the best choice for your business.

## FUNDS. FAST.

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In many cases, loans are funded within 24 hours. And some alternative lenders have both the know-how and the network to expedite SBA loans, as well.

## TIME IS MONEY.

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Going with an alternative lender saves you the time-consuming hassle of looking high and low for the right loan. And streamlined applications make the paperwork part of the process simpler, too.

## EASIER APPROVALS

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Here the usual stumbling blocks to getting a loan – things like poor credit or no collateral – don't automatically prevent approval.

It's no wonder that with features like these, alternative lenders' rates are somewhat higher than those from the other lenders.

# ALTERNATIVE LENDERS

FLEXIBLE REPAYMENT  
OPTIONS

HELPS BUILD OR IMPROVE  
CREDIT SCORE

QUICKEST, SIMPLE  
PROCESS

FEW RESTRICTIONS ON  
USE OF FUNDS

PROS

&

CONS

DAILY OR WEEKLY  
REPAYMENT

NO PREPAYMENT  
PENALTIES BUT, NO  
BENEFIT TO EARLY  
PAYOFF

HIGHER APR

SHORTER TERMS  
COMPARED TO MORE  
CONVENTIONAL PRODUCTS

# A SHORT COURSE IN SMARTER BORROWING

*Surprises are nice, when it's your birthday. Not so much, when it comes to a loan.*

Interest rates and terms shouldn't be the only considerations when deciding on a lender or a loan. Transparency matters. Look closely at the final loan contract from the lender you're working with. Read any and all fine print. Ask questions.

For the sake of your business, make sure you're absolutely clear about the commitment you're making.

## QUESTIONS YOU'LL WANT TO ASK

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*Is there an application or processing fee? If so, what is it?*

*What about origination fees or loan-guarantee fees? How are these calculated? Will they be passed along to me?*

*Is there a late-payment fee if I miss a payment deadline?*

*Is there a pre-payment fee if I pay off my loan early?*

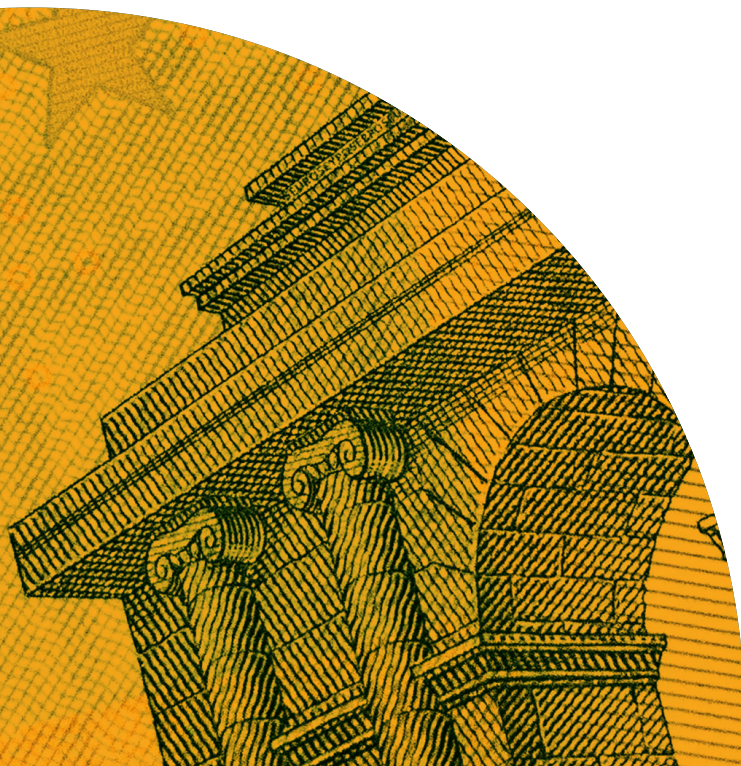
*Is a balloon payment – an oversized payment due at the end of some commercial loans -- part of my loan?*

## TAKING THE NEXT STEP

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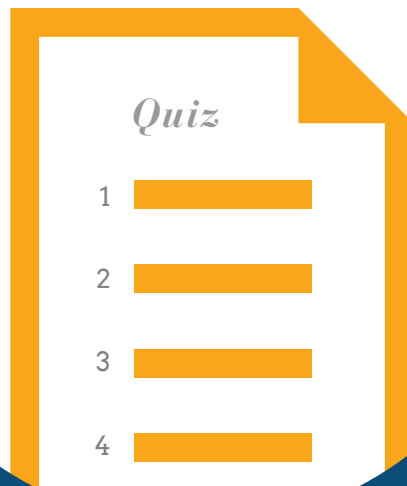
Whether you're looking to expand your physical location, upgrade your equipment, purchase more inventory, hire new people, pay your bills, or build your credit, getting the right loan for your business can mean the difference between getting by and getting ahead.

In your quest for a loan, it's hoped that this little book will help you get started.



# NOT SURE WHAT KIND OF LOAN YOU NEED?

*Take our lending type quiz to find out the  
best loan for your business.*



TAKE QUIZ NOW

SHARE THIS



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888 545.7991  
info@quote2fund.com  
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