

Choosing a Financial Partner: How the Options Compare

We've broken down three main options — Bank Line of Credit, Factoring, and Asset Based Lending — so you can more easily compare what each service provides.

	Bank Line of Credit	Factoring	Asset Based Lending
Credit Line Increases	30-45 Days	2-3 Days	2-3 Days
Reporting	None	Yes, but limited	Yes
Personal Guaranty	Required	No	Required
Borrowing Base Certificate	Yes	No	No
Miscellaneous Fees	Yes	Yes	Yes
Credit & AR Management Support	No	Yes	Yes
Staffing Specific	No	No	Yes
Clearance Delays/Funds Available	Yes	Yes	Yes
Financial Reporting Requirements	Yes	No	Yes, but limited

When reviewing your options, you also need to consider the impact your financial provider — and how they structure the funding relationship — will have on your business. It's not just about money. Your financial provider may also impact your business's growth goals, customer relationships, total / true costs (when figuring in additional fees) and whether or not you'll have a resource vs. vendor relationship. That last point may make a bigger difference than you realize.

**Questions
to Ask**





Choosing a Financial Partner: Questions to Ask

When choosing a financial partner, ask these questions to ensure you're getting a full picture of the relationship before you take the plunge:

Questions to Ask



- What are the funder's lending limits?
- How does the funding process work?
- How will the funding source interact with my customers?
- What is the process to increase my line of credit?
- When are the payments posted?
- What period of time does my rate cover?
- How long has the financial provider been in business?
- What are their hours of operation?
- Will someone be there when I have a question?
- What is the size of the organization (number of employees and clients)?
- What is their client retention rate?
- What are the terms of the agreement?

What additional fees might I incur?

- Line usage fee?
- Initial application cost?
- Due diligence / underwriting fee?
- Loan fee?
- Line of credit increase fee?
- Lock box fee?
- Annual audit fee?
- Clearance delays and corresponding additional days of interest?
- Wire or ACH fees?
- Financial reporting requirements?
- Search and filing fees?
- Misdirect fee?
- Missing notation fee?
- Late reporting fee?
- Over formula fee?
- Credit reports?

Most importantly, ask yourself these final questions: Does their business philosophy match yours? Will they help you reach your business goals?