

# Different Types of Small Business Loans

## 1. Term Loans

Term loans are the financing tool you are probably familiar with. Banks or alternative lenders provide a lump sum of capital upfront, which you repay over a year or more with regular daily, weekly, or monthly payments. Predictability and structure are terms loan's strengths.



## 2. Business Lines of Credit

A business line of credit gives you access to a set amount of funds you can draw from when needed. It's like a credit card for your business. You only owe interest on the funds you use. Once you repay what you've borrowed, that amount becomes available again. A line of credit is a great option if your business has fluctuating expenses.



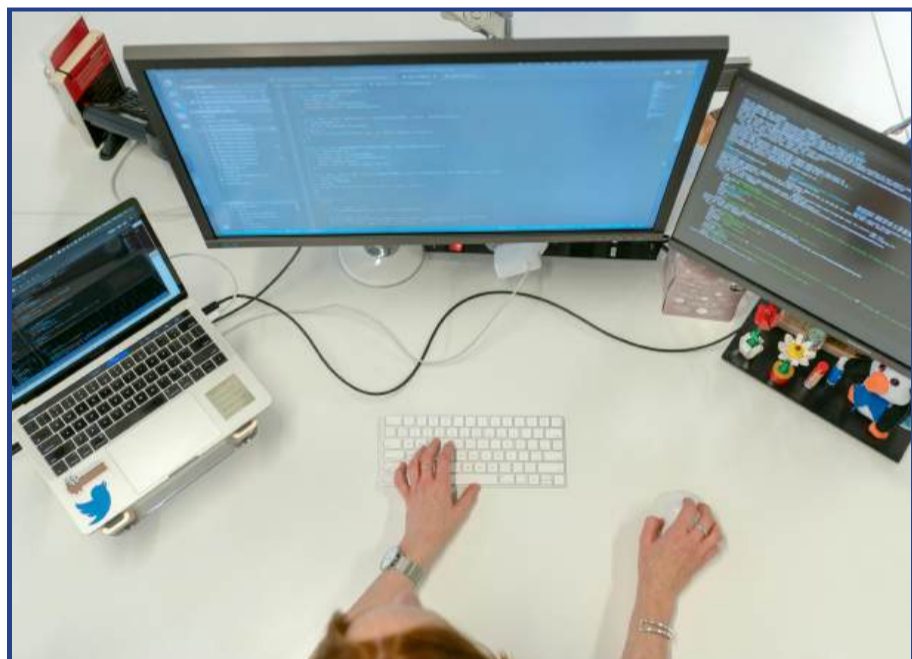
## 3. SBA Loans

Small Business Administration (SBA) loans offer favorable interest rates and longer repayment terms. The federal government partially guarantees these loans, and there is a detailed application process that slows the funding timeline.



## 4. Equipment Financing

When your business growth depends on machinery or technology, equipment financing is a cost-effective option. Instead of paying for specialized tools upfront, this loan acts like a rent-to-own option, where you use the equipment, but the cost is spread out over monthly or quarterly payments.



## 5. Working Capital Loans

Working capital loans are typically short-term and designed to help you bridge financial gaps quickly and flexibly. Nontraditional lenders, fintech providers, and private lenders offer funding within 24 hours of approval. Most SMEs qualify as streamlined applications that require bank statements and basic business information rather than an extensive history.



## 6. Invoice Financing and Factoring

You leverage your unpaid invoices to get immediate capital in this financing option. With invoice financing, you collect payment from your customers and then pay back the advanced amount and a fee to the lender. With factoring, the lender takes over collections in exchange for a percentage of the invoice amount.

