

Business Loans

What are they?

How do they work?

What types of interest are there?

Repayment Schedules

Secured and Unsecured

What is the best loan for me?



Commercial Mortgages

Development Finance

Homeowner Loans

Bridging Finance

Business Loans

Asset Finance

Leasing

What are they?

- A business loan is a flexible way to meet your financial needs and can be structured in many ways.

How do they work?

- There are various ways to structure a loan and the two most important considerations are Type of Interest Rate and the Repayment Schedule.

What types of Interest are there?

- **Fixed** interest rates are determined at the start of the loan and can last for part or the entire loan.
 - Advantage – the amount you pay is fixed and will not go up if the interest rate goes up.
 - Disadvantage – if the interest rates go down your repayments do not go down.
- **Variable** interest rates fluctuate with the market and are normally set at a constant premium above the Bank Base Rate (BBR) or LIBOR. The greater the uncertainty or risk the lender perceives in the deal, the greater the premium.
 - Advantage – the amount you pay goes down if the interest rates go down.
 - Disadvantage – if the interest rate goes up your repayments go up.

Repayment Schedules

- **Equal Payments** – You pay back an equal amount each month over the life of the loan, part of which pays the interest. The remainder reduces the principal balance so the further you go the less interest you pay and the more the principal balance is reduced each month.
- **Equal and Final Balloon Payment** – here you pay equal instalments for a specified period of time and then make a final Balloon payment to clear the principal. You may be able to re-finance the loan to pay the final instalment over a further period of time. The amount you pay each month is lower, freeing working capital for your business operations.
- **Interest Only and Final Balloon Payment** – here you do not pay anything off the principal and only pay interest on the loan. At the end of the term you pay off the whole principal. This reduces your monthly payments but you will pay more interest in the long run as the principal is not being reduced.
- **Single Payment of Principle and Loan** – you may, with agreement from the lender, arrange to pay the loan and interest off in one go at a future specified date.

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- **Equal Principle Payments** – you pay the same amount off the principal each period and interest on the remaining balance. This results in higher payments in the early periods of the loan.

Secured & Unsecured

- **Secured** – the loan is secured on equipment, property, cars etc. and the lender can claim the asset if you default on the loan.
- **Unsecured** – the lender does not have security over specific assets but may still have a right to claim assets up to the value of the loan.

What is the best loan for me?

- There are many factors to consider when deciding how to finance purchases and these vary between companies and over time.
- It is always better to ensure that you get impartial advice from either more than one lender or via an accredited Broker who member of the NACFB, National Association of Commercial Finance Brokers.