EFFECTIVE LENDING OPTIONS FOR YOUR BUSINESS

Businesses have plenty of options when it comes to choosing a partner for their financing needs. But finding the right provider can be a difficult, time-consuming endeavor: Vetting each option is in itself a long, labor-intensive process. That's to say nothing of the many types of financing offered by banks, financing companies and similar organizations.

How can businesses find the right financier in an efficient and effective manner? First, they need a partner that understands their needs and takes them into account when developing a financing agreement. In that vein, working with a bank instead of a financing company can save time, as it means a direct relationship and no middleman to slow down the process.

Want to learn more about specific financing options? The following guidance helps you choose the best fit for your business from some of the most popular and useful financing products available:

ASSET-BASED LENDING

Asset-based lending is a flexible, useful financing option that lets businesses put a variety of their assets up for consideration when seeking a loan. Instead of the traditional - and limited - approach of only reviewing a company's cash flow and balance sheet, asset-based lending takes a broader look at a business. That means your financing partner also takes inventory, accounts receivable and some equipment and machinery into account when developing the terms of your loan.

The broad-approach of asset-based lending increases the amount of working capital such as loan offers, meaning more funding is available when businesses need it most. For companies that have a lot of assets on hand but want or need to grow, this form of financing helps them more fully realize plans for expansion and diversification through the increased capital offered. Additionally, asset-based lending is of particular interest to businesses that operate on seasonal or otherwise cyclical timelines, as it helps smooth out the leaner periods by drawing on assets gained during the busier ones.

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Because the loan is based on collateral, it's easier for lenders to provide attractive rate structures and limit the number of financial covenants involved. These two advantages are especially attractive to certain businesses, making asset-based lending a powerful choice when assets are plentiful but liquidity is low.

FACTORING AND ACCOUNTS RECEIVABLE FINANCING

Factoring and accounts receivable financing both refer to a single type of process: Using your unpaid invoices as collateral for a line of credit. This lending strategy is beneficial for both businesses and the lenders they partner with. Companies gain access to funding on a very short timeline, while their lending partner has the assurance of using a proven debt as collateral. The result is an effective lending option that offers positive results for everyone involved.

Sales volume plays an important role in factoring and accounts receivable financing. The higher the sales volume of a company, the larger the line of credit can become. Also important to note is the approach to collecting invoices: Top-notch lenders take on this responsibility themselves, meaning businesses don't have to invest time and effort into both applying for the loan and collecting payments for their lender.

What should businesses look for from a financier offering factoring or accounts receivable financing? Quick access to funds is important, as waiting too long for a loan application to resolve or money to be delivered can quickly lead to operational issues. Additionally, regular contact with a dedicated employee at the lender, one who has taken the time to learn about and understand your business, is also important. A lender that understands and quickly responds to the questions and needs of its partners is a major asset for all businesses.

EQUIPMENT FINANCING

Equipment financing is a targeted option for businesses that know they need specific assets in place to continue doing business or grow and diversify. Instead of the flexibility that asset-based lending or accounts receivable financing provides, equipment financing targets pieces of valuable equipment and machinery selected by a business. The lending partner finances the purchase and, after all payments are made by the company using the equipment, it keeps the asset and continues to use it.

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Even though equipment financing is more specific than other forms of lending, there are still many factors to consider when choosing a partner and agreeing on the terms of a financing agreement. A company may choose to finance new or used equipment, depending on its budget and needs. Additionally, a business may seek refinancing for an existing loan to take advantage of more attractive terms.

Businesses considering an equipment financing agreement should look for lending partners that provide competitive rates, quick approval timelines and funding, and easily understood terms for the loan. These elements all tend to be common among high-level lenders.

TAB Bank focuses on the trucking industry in our equipment financing efforts, specifically Class 8 trucks and trailers. We're proud to offer the attributes previously listed as well as customized solution to meet individual business needs and personalized attention for any questions and concerns that might arise.

CHOOSING THE OPTION AND LENDER THAT MEETS YOUR BUSINESS NEEDS

Businesses come out ahead when they have multiple financing options to consider and pursue from their lending partners. Choices like asset-based lending, accounts receivable financing and equipment financing represent different parts of the overall financing market. A lending partner that only provides one option, or a few similar ones, may try to force a fit between a business and the available lending product, which leads to a lack of positive results and decreased satisfaction down the line.

Companies need to consider both the lending option they choose and the type of institution they partner with. While financing companies are common in the lending world, they require the assistance of financial institutions to secure deals, meaning more time spent on decisions and funding as well as more complicated business relationships.

Working directly with a financial institution means shorter timelines for approval and receipt of money or equipment, as well as clearer, more direct relationships between businesses and lenders. Partnering with a bank or similar institution also means your lender follows strict regulations related to informational security and general ethics, while providing the same benefits as a financing company.

Your lender should want to see your business succeed and help you reach those goals. To learn more, get in touch with the experts at TAB Bank.