National
BUSINESS CAPITAL & SERVICES

SMALL BUSINESS

Loan Ripoff Report [2020]

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UPDATE

New Lending Guidelines in a Post COVID-19 World (And How They Affect You)

COVID-19 affected virtually every small business in the U.S. in ways that nobody could imagine.

Some small businesses were able to obtain emergency funding through the PPP loan program. Others, unfortunately, weren't as lucky.

This was an unprecedented situation for everyone. Small business owners, lenders, and the government were all unprepared.

As a result, not all businesses that needed and deserved a PPP loan received one, and some that didn't meet the initial criteria received funding instead.

Currently, PPP loan funding has been depleted. There's no second program in sight as of now.

As of this writing, your business may be able to qualify for small business funding through a lender (depending on your industry, annual sales and location).

When the pandemic first hit and social distancing regulations went into effect, many non-bank small business lenders stopped lending altogether. Some were on pause for six months.

Many small business lenders have resumed lending. Some are still avoiding risk by not lending at all.

If you need funding to overcome a challenge or pursue a new opportunity, though, then you may want to take the funding you qualify for while you can.

At the moment, nobody knows if there will be a second wave. If there is, then lenders will probably react by putting a pause on lending (again).

Continued →

While you should take advantage of the opportunity to get funding for your business right now, you still need to ensure that you're working with a trustworthy lender or broker that explains your options in full detail.

Now more than ever, you don't want to fall into the trap of working with a lender or broker that will take advantage of your situation. Or, a lender or broker that isn't able to offer the most competitive deal available. Remember: just because you were approved by a broker or lender directly doesn't mean it's the best deal available to you and your business.

The pandemic may have complicated the funding process, but the basic guidelines you need to follow (which are all outlined in this free report) haven't changed. Following these rules of thumb will still ensure that you receive the best deal for your business.

If you have any questions about your funding options—even with everything going on right now—we're still only a phone call away. Feel free to reach out, and one of our Business Financing Advisors will walk you through your options.

Rejected for a bank business loan? You're not out of luck. Learn about other financing options you can utilize to grow your business, including fintech lending.

WARNING!

Do NOT Apply for Business Financing Until You Read this Free Report

Dear Business Owner,

Congratulations on downloading this Free Ripoff Report!

We hope that, with these expert-backed facts on your side, you can choose the best business financing program available on the market today (AND save thousands in fees).

There's an endless number of business lenders and brokers out there, but not all of them have your best interests at heart. And even if they do have there are some simple things that you should understand:

Not all lenders work with all credit profiles, meaning some are only good for business owners that have excellent credit, a long history and perfect cash flow. So you if you don't have these, then either you are denied, or don't get favorable terms. But in reverse, if you have excellent everything and go to a lender that doesn't offer the top A+ programs, then you most likely won't get the best options available on the market (meaning higher cost and less favorable repayment terms).
Even some of the biggest brands tack on thousands in extra fees, and don't always have the best terms available. Sometimes they mask this with fancy tech. This report will help you figure out if the broker or lender you're working with is ripping you off, and find a deal that's truly beneficial.

In addition to this free report:
10 Questions You Must Ask Your Broker or Lender Before Getting Business Financing

You're also getting access to a second exclusive report:
5 Things Your Broker & Lender Don't Want You to Know.

This very informative free report is for business owners who need financing, but have received questionable information (or ridiculous interest rate quotes) from other brokers or business lenders.

Most importantly, it's for business owners looking for reliable answers,

Continued →

not sales jargon. Unfortunately, many brokers and lenders out there will simply hard-sell you into taking the first offer, without explaining all your options in detail.

This free report is designed to help you fully understand business financing, before committing to any one choice.

Well, why are we willing to provide this free report?

We believe in educating business owners about the facts when it comes to business financing. We want to tell you what others won't. It's important for you to be as educated as possible, so that you can get the deal that works best for your business.

This free report will tell you everything you need to know to save thousands. It was written by top business financing experts and business owners who want to see you make the right decision, instead of taking fast cash at your expense.

After reading this free report, feel free to call our office to speak with Business Financing Advisors about any follow-up questions you may have. We're more than happy to provide additional information about the options that are available to your business and take the time to answer any questions you may have. With no pressure. This approach is rooted in our culture.

Congratulations on taking the first step toward understanding business financing, and becoming as educated as possible before signing on the dotted line!

10 Questions You Must Ask Your Business Lender

Looking for business financing can be a long process filled with confusing options and difficult choices. There's a never-ending list of brokers & business lenders out there, each more eager to provide you with a fast loan than the next. With all of the noise, how can you find the best financing option for your business?

Before you accept the terms and sign the dotted line, there are a few questions you must ask to make sure you're getting a fair, clear, and ultimately beneficial deal.

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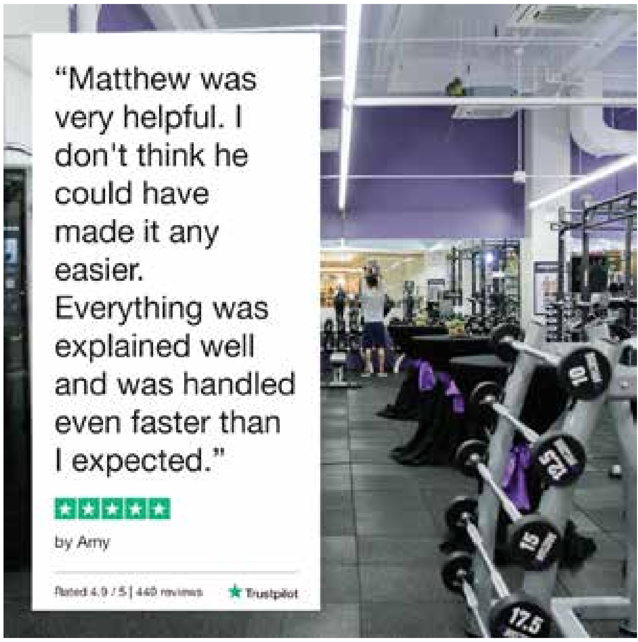
01

Should You Pay Upfront Fees To See What You Qualify For?

The simple answer: You should never have to pay upfront or out-of-pocket fees just to learn which options you qualify for, or review an approval. There are a lot of business loan ripoffs out there, and out-of-pocket fees before signing the dotted line should be one of the first things you question. It's an even bigger red flag when the offer seems too good to be true.

Unfortunately, it's not uncommon for business owners to fall victim to ripoffs cleverly disguised as competitive deals. Never-before-seen interest rates and huge loan amounts are two of the most popular schemes.

These scammers often require application money upfront, and later inform you that you've been declined, or disappear altogether. Never agree to pay application fees upfront, even if the lender promises you'll qualify for amazing rates.



02

How Do I Calculate My Actual Interest Rate?

This is a question that comes up quite often with business owners who are seeking financing, and for good reason. The interest rates that lenders present at the beginning aren't always the same as the rates you end up paying when everything is said and done.

So how can you figure out what your actual interest rate is?

There's a bit of confusion here because small business loans can either be based on an annual percentage rate (APR) or factor rate. These days, the majority of small business loans are based on a factor rate. This can be confusing because most other personal loans (like mortgages and car loans) are based on APR, and most of us are only familiar with that structure.

Now, one isn't necessarily better than the other, but the length of term and structure can affect your total repayment amount. With either structure, the total amount repaid should be your main focus. Most people never look at the total amount repaid on their mortgage or car loan and only focus on rate/term. But a low rate with a long term can still be costly.

Let's break down how each type (APR & Factor Rate) is structured, and what the total cost is (after everything is repaid and done):

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Actual Rate For a Business Loan Based on Factor Rate:

Factor rates are the most common payment structure for small business loans.

Let's say you're taking out a $10,000 small business loan, and paying back a total of $10,800.

You can calculate the factor rate by dividing the $10,800 by $10,000, to arrive at a factor rate of 1.08. In this example, it is 8% based on $10,000.

Actual Interest Rate Based on Annual Percentage Rate (APR)

To calculate this, you need to know:

- The loan amount
- The payment amount
- The length of the term, and the total number of payments

Let's look at an example for calculating the total payment amount for a loan based on APR, rather than factor rate.

Loan amount: $10,000
Payment amount: $452.27
Length of term: 2 years
Total number of payments: 24

For this loan, you'd be paying $452.27 a month for 24 months, with a total payback amount of $10,854.55.

Now, let's look at this the opposite way.

$10,854.55 (the total payback amount) - $10,000 (loan amount) = $854.55 (total cost)

Continued →

Now, A Few More Things to Note:

In a way, loans that are calculated based on APR can be deceiving, compared to loans calculated based on factor rate. Here's why.

Even though your APR remains the same, longer the term lengths lead to a higher total payback amount. On the other hand, loans calculated based on factor rate have a fixed total cost— it will not change over time.

Let's look at the same example as before. But instead of a 2 year term, let's look at a 10 year term.

Loan amount: $10,000
Interest rate: 8%
Payment Term: 10 years

For this example, the total repayment cost is $14,559.31.

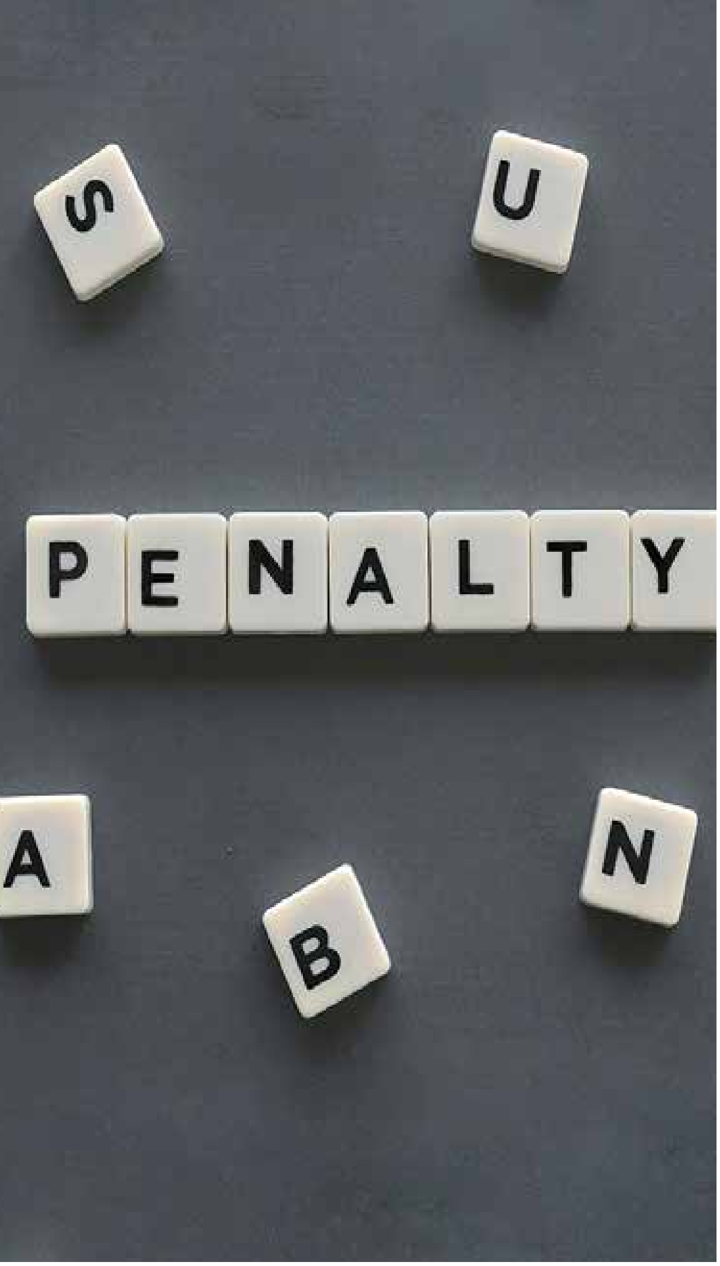
Even though the interest rate is still 8%, the total cost is much higher than the example we gave above.

The total cost of the loan in this example is $4,559.31— a whopping $3704.76 higher than the two year loan.

The reason for this is that the interest is amortized and calculated over a longer period of time.

This causes the total cost to increase, and can make a big difference when it comes to your bottom line. As a small business owner, this is definitely something you should be aware of.

Even though the payment may be less, the cost is higher— but another thing to consider is access to capital. Meaning, that typically when you take a longer term option, you won't have access to capital for a much longer period of time. Having a shorter term option can not only be less money, but give you faster access to additional capital to reinvest back into your business as you grow.



03

Is There A Prepayment Penalty?

A prepayment penalty is an additional charge on your business loan if it is paid off before the designated end of the term.

Lenders make all of their profits from the interest paid on your small business loan.

When you act early by paying off the loan before the end of the term and avoid rising interest rates, prepayment penalties can even out this loss on the lender's end.

These rules are in place to ensure that the loan is still profitable for the lender, even though they receive early payment.

That being said, not all business loans involve prepayment penalties.

Every loan contract or agreement is different, and each lender has different policies. There's no universal answer to this question, so this is something you must ask about when negotiating your contract.

There are two things to keep in mind about prepayment penalties.

The first is that some lenders don't have a "prepayment penalty, but also don't offer a discount or advantage for paying off the loan early. In these situations, the only advantage to paying off your loan early is peace of mind— you would still pay back the full amount.

The second, is that some lenders do offer an early payment discount, but only when negotiated upfront on your financing agreement. Make sure to request or confirm an early payoff discount is available prior to signing your financing agreement.

04

Are You Personally Guaranteeing The Loan?

Knowing whether or not your loan is personally guaranteed is important.

Most small business loans (but not all) are personally guaranteed. This includes SBA loans, whether they are issued through a bank or an online lender. Some higher value loans can even require your personal real estate as collateral, and lenders may file a lien on your personal property for extra security.

But not all available financing programs require a personal guarantee.

Many term loans do require personal guarantees, but other financing options, like business advances and equipment financing programs, will not. On these products, which can have more risk for the lender, the terms might be similar or may be more expensive due to not having a personal guarantee.

Personal guarantee policies might not always be negotiable, either. Depending on the size of your loan, a personal guarantee might not be something to worry about (if it’s a smaller amount). Nonetheless, this is something you should confirm with the lender or broker before moving forward and accepting the loan.

As a business owner seeking financing, your best bet is to find a company that provides all financing options. By doing this, you can make sure that a personal guarantee isn't tacked on unnecessarily. There is no right or wrong approach with a personal guarantee, and it really is a business decision that you have to make. It is just important to know your terms prior to signing.

05

What Are Your Repayment Terms?

Repayment terms can make or break your decision to move forward with a loan. The hard part is that there's not quite an easy answer any lender can provide. When it comes to defining repayment terms, there are three main things you should know:

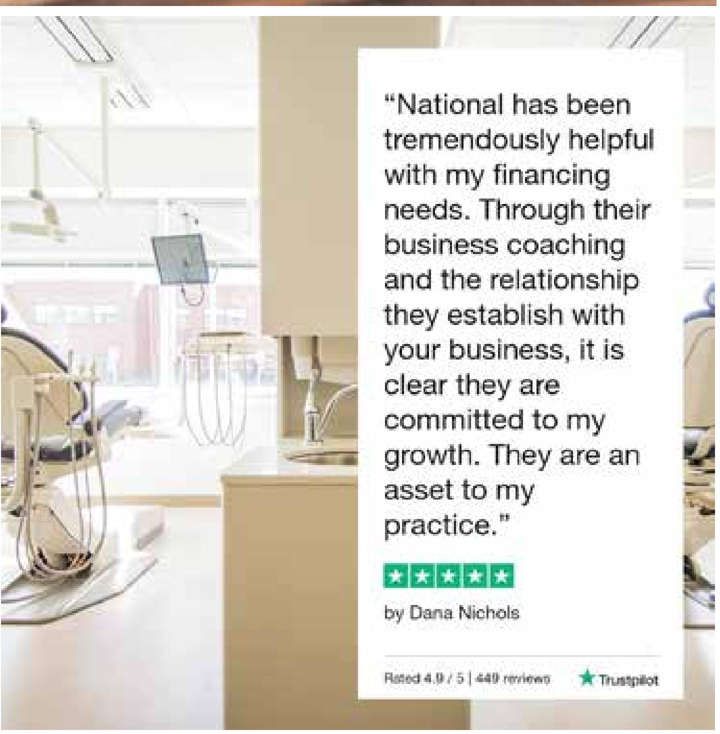
Length of Term: This is the period of time your loan will be repaid over. Depending on your business and request, this can range from as short as 6 months to as long as 10 years.

Payment Terms: Most small business loans are repaid on a daily, weekly, bi-weekly, or sometimes a monthly basis. Weekly payments were once uncommon, but have become the most popular choice. As you consider your options, you should ask what your payment schedule is, what the amount will be each time, and what the total number of payments is.

Total Repayment Cost: The total repayment cost can vary depending on your financing program, and more specifically, the interest structure. Like we mentioned earlier in the interest rate section, some lenders use an APR, and others use a factor rate.

One is not necessarily better than the other—interest rates are expressed in percentages, and factor rates in decimals. For example, if your loan amount is $50,000, and your total repayment cost is $58,000, then your total cost is $8,000. To figure out this amount, take the Daily/Weekly/Monthly payment and multiply it by the total number of payments. This will equal your total amount repaid.

The days of mailing loan statements and checks are pretty much gone. Instead, almost all lenders today will automatically debit this payment from your business bank account. This is a normal practice, and nothing to be alarmed about.



06

Is Your Loan Using Any Real Estate or Hard Assets As Collateral?

Today, most small business loans should not require real estate or any of your hard assets (like business equipment) as collateral.

There are far too many options out there that don't require collateral, so if a lender insists that you put up collateral, then it should catch your attention. Be sure to ask this question when discussing your terms.

Generally, using collateral on a loan would only help you when negotiating lower-than-market rate, longer terms, or a much higher funding amount.

Otherwise, any business loan that requires collateral should raise a red flag, as there are many options available today that will not require collateral.

07

Are Business Loans Based on Your Personal Credit? What Does Your Credit Score Need to Be?

In the finance world, the same rule applies across the board: the higher your credit score, the better.

With their business's best interests in mind, many business owners sacrifice their credit score during the growth process. Some lenders understand this, and focus instead on your business's future and recent sales. They look past your credit score. If your credit score suffered as you grew your business, then it's important for you to get matched with a lender that understands these challenges.

In order to access the best business loan terms or SBA loans available, you should have a **minimum FICO score of 680+**

However, you can still access great financing options if you fall into the 620-680 tier, or the 580-620 tier. And there are options available for further challenged credit. You're not alone.

So even if you don't have the best score, you're not out of luck. Your business may not receive the best possible terms on the market, but there are options available to get you the financing you need now to continue growing. Then, our team can help explain the things you will need to do in order to get more favorable terms .

No matter what your credit history is, our team at National can help you find the right financing options available for you.

08

What Fees Are You Being Charged?

All small business loans will have fees attached. They're impossible to avoid. Nonetheless, it's still important to ask about fees and clear the air before finalizing the deal and accepting funds.

It's pretty common to pay a total of between 2-6% in fees(Lender & Broker combined), including:

- Origination Fee
- Processing Fee
- Consulting Fee
- Success Fee
- Closing Fee

Not all lenders use the same terminology, but your business loan fees will generally fall under one or more of the terms above.

When it comes to getting some more details about fees, you should be asking:

What fee is the lender charging, and what fee is your broker or marketplace charging (if applicable)?

Between both parties, the combined total should not exceed 6%.

Are the fees charged upfront, or once funding is completed?

They should NOT be charged upfront and should only after you've been funded. Period.

09

Should You Go To A Bank Or Online Lender?

Banks have been around forever, and are notorious for having the “lowest rates” available. But the process is slower moving, more tedious and, as mentioned in report above, a lower rate doesn't mean cheaper in the long term.

In this new Fintech world, you can get financing in 24-48 hours or less. Which way should you go?

If you can qualify for bank financing and get a prime rate on a revolving line of credit without a huge hassle, then it is definitely something you should consider. But make sure you hold yourself accountable and structure your payments to pay down your line.

Banks make big money by giving you a credit line that offers a low minimum payment each month (that you wind up only paying), which means it can be very costly over time if you never pay it down. So it can become much more expensive than a Fintech lender.

But, remember access to additional capital is key to growing your business. So you want to know if that is something your bank can easily do as you grow, what that process entails and what the credit line amount caps are before needing additional things like collateral.

In the end, it comes down to the question of **whether you should spend a massive amount of time to save a little money or get the capital you need to grow revenue and get back to business.**

Continued ⟶

Most business owners looking for a loan assume that an SBA loan is their best shot at the lowest overall cost. After all, longer terms equate to a better deal, right?

The short answer: only sometimes. In other cases, it's pretty far from the truth.

Let's consider the numbers for an SBA loan.

Typically, your interest rate is 2-3% above the prime rate (currently it's 5.25% -this changes).
Based on these numbers, your interest rate would be around 8%.

Loan amount: $100K (SBA working capital loan)
Term length: 10 years
Interest rate: 8%

With these numbers in mind, the total repayment cost of a $100K loan at 8% over 10 years is $145,593.

Generally, the origination fee for the loan amount is 5% or $5K.

All things said and done, the **total cost** of your SBA loan is around $50K!!!

We use this example on a regular basis to illustrate how much an SBA loan really costs, and most people can't believe it. But it's true.

Even with the reputation of being the most economical financing option out there, SBA loans can still be quite expensive, not to mention time-consuming.

So, are the longer terms beneficial?

The answer all depends on your goals.

If you're using the financing to tackle a project that won't necessarily improve sales/revenue, like replacing the roof or renovating the parking lot, then the long-term cash flow is helpful.
Regardless, you should still pay off the loan as early as possible to reduce

Continued →

the total cost.

If you're using the financing to tackle a project that will boost revenue, though, then shorter terms may actually be your best move. And, you can have constant access to more capital to reinvest into revenue-driving things in your business. Financing used right, is a tool...

To that point, let's see what the total cost of a $100K small business loan (or a term loan) might be through a non-bank lender:

- With alternative lenders, your interest rate will typically be around 12%
- The repayment term is much shorter— normally around 1 year.
- The total repayment cost on $100,000 is $112,000 - so the total cost of the loan is only $12,000.

At first, you might think this is expensive. But you could borrow $200,000 over a 2 year period, and the total cost would be $224,000, meaning you would pay $24K in interest.

This total cost is still much lower than the SBA loan example— approximately half, to be exact— AND, you're able to access more capital ($200K) in a faster period of time (in 2yrs).

If a new business opportunity is knocking at your door, then this is something you should really be considering. When you sit down and do the math, it's a no-brainer.

10

Do You Need To Show A Profit On Your Tax Return To Qualify For A Loan?

The simple answer is no, you don't.

When you're applying for a loan through a bank, showing a profit is almost always necessary.

But with non-bank lenders, profit is not mandatory.

Fintech lenders don't only focus on documents like your tax return and profit/loss statements, and look at a number of other key factors when determining your loan approval.

BONUS CONTENT

5 Things Business Lenders And Loan Brokers Don't Want You Know:

For obvious reasons, business lenders and loan brokers don't always want to be fully transparent about what exactly you're getting involved in.

Nonetheless, it's important for you, as a business owner, to know everything that lenders and banks are trying to keep under wraps.

01

Taking Out A Short-Term Business Loan Won't Build Your Credit/History And Guarantee You An SBA Loan

Now, there are tons of companies out there that will tell you otherwise.

But the truth is that taking a short term business loan will NOT guarantee you will qualify for an SBA loan. Nothing will guarantee you will be approved for a SBA Loan.

SBA loans are given based on personal and business credit, but there's a long list of other factors that come into play, too.

To qualify for an SBA loan, you'll need to:

- Show a profit on your tax returns
- Explain what you're using the funds for
- Meet bank debt service guidelines (based on your business loan & profit)

When it comes to boosting your personal or business credit score, taking out a short-term business loan usually won't help.

Most non-bank lenders don't actually report your loan history to your personal credit report and only a few report to your business credit. This is something that you should ask so you know.

But, it is probably a plus that your business debt doesn't show up your personal credit report.

Even if the lender does report your business loan to your BUSINESS credit report, it doesn't by any means guarantee you'll be approved for an SBA loan.

You'll still have to go through the normal underwriting process to obtain an SBA Loan.

02

Your Broker Is Also Charging You A Fee

Most brokers have one thing on their minds when discussing your loan:

"How can I get them to sign as quickly as possible?"

To keep the process moving full-steam ahead, most brokers won't mention that they're charging you a fee. This fee is separate from the lender origination fee, which you'll also have to pay.

Before moving forward in the process, it's essential that **you ask the golden question (which actually has two parts):**

"What is my origination fee from the lender, and what is your broker fee?"

Most origination and broker fees are around 2-5% each. If a broker is charging more than 5% for their broker fee, then that's excessive. It may be time to consider your options elsewhere.

You can calculate the cost of the broker or origination fees based on the total amount of the loan.

For example:

$100K (Funding amount) x 3% (Broker Fee)=$3,000 in broker fees

03

There May Be A Confession Of Judgement On Your Loan

A Confession of Judgement (COJ) is a legal agreement that demonstrates that you accept liability for your loan or advance, and waive any legal defenses in the event that you default on it but remain in business.

Lenders tend to require that you sign a COJ at the beginning of the lending process, along with all of the other required documents related to obtaining financing.

If you violate the terms of the agreement at any point, then the COJ gives the lender the ability to file a judgement against you (without a trial).

For merchant cash advance lenders, utilizing a COJ has become very common.

COJs are not necessarily “bad”— it’s possible to find legitimate financing backed by a COJ. That being said, COJs have developed a bad reputation because many lenders with other bad practices frequently put them to use.

There are plenty of safe business loans and merchant cash advance options that don’t require you to sign a COJ.

If the company you’ve been speaking with is trustworthy, then you should be able to find evidence of that online with ease.

To protect yourself from lenders that implement shady practices, be sure to do a simple Google search before finalizing the loan or advance.

Read through any reviews, testimonials, or other online content that might give you an idea of their reputation. Be sure to click through to page 2-3 on Google as well— some companies can push bad reviews to the second or third page of Google.

Finding nothing at all can be just as bad as finding negative reviews— it could mean the company just started, or worse— that they’ve created a false identity to rip off unsuspecting business owners. Use common business sense here.

04

You Can Have More Than One Small Business Loan At A Time

This is a particularly confusing topic, and we'll walk you through all of the details here.

You can have more than one business loan at the same time, just like you can have more than one credit card open at the same time.

But like credit card companies, most lenders aren't fond of businesses that have multiple loans at the same time. Lenders call this practice "stacking".

If you already have a loan out and apply for a new loan, then the lender can take your current loan into account when underwriting the new one. Working with a second, new lender, can impact the relationship with the first lender.

Before agreeing to a new loan, be sure to disclose the details to your current lender to confirm it won't affect your financing agreement or ongoing relationship.

If you do have an existing loan, then there may not be any need to search for a second lender.

Your current lender may be able to offer additional capital through a secondary agreement. So before you spend time searching for a new lender, be sure to verify these details.

05
Direct Lenders Offer Only Limited Options

Working with a direct lender puts you at a significant disadvantage: you'll only have access to their financing programs.

Every direct lender on the market has different guidelines, rates, and terms.

Some offer only one financing program with set rates.

Based on your financial situation, credit, industry, and cash flow, a different lender may be able to help you find better options, like:

- Lower rates
- Longer repayment terms
- Revolving lines of credit
- Larger loan amounts
- Early payoff discounts
- And more!

The right program can make all the difference in helping your business grow

This is the primary advantage of working with a marketplace or broker, over a direct lender.

Rather than making one offer, marketplaces and brokers can compare offers from multiple lenders so that you can find the program that works best for your business.

But while all brokers compare deals from multiple lenders, it's also important to understand that they're not all the same, either. Just because you're working with a broker or marketplace over a direct lender doesn't mean you have access to the best programs and products on the market.

Continued ⟶

Before settling on a broker/marketplace, you have to do your homework. Verify that their online reviews paint them as a trustworthy source of capital with all-encompassing programs, including access to:

- SBA loans
- Small business loans
- Business lines of credit
- Equipment financing
- Term loans
- And more!

The right program can make all the difference in helping your business grow.

Ready To Grow?

Congratulations on taking the first step toward a brighter future for your business!

Feedback from small business owners like you—along with information from top industry experts—has helped us create this informative free report.

But we're always looking to improve!

Please feel free to give us your feedback after reading this report, and let us know how we were able to help you and your business.

If you have any questions, are still unclear about something or need additional information, please feel free to contact us at:

(888) 973-0328

Our Business Financing Advisors at National are here to make sure that you receive accurate answers to all your questions and right business financing option for your business.

Through our 75+ lender marketplace, we can secure you the best deal: better rates, terms, and larger funding amounts for your business.

But more importantly, we take the time to understand your business, your needs, answer questions and match you with the right lender. We do all of this with no pressure or cheesy sales tactics.

Schedule a Call

This is rooted in our culture!
Our company was built by business owners for business owners.
We respect you and your business!

Have any questions, or want to learn specifics about realistic financing options that might be available to your business?

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