

# 10 WAYS TO GET BUSINESS CREDIT LINES & LOANS BASED ON ONLY YOUR REVENUE



**Name:**

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## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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# 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

## Funding Your Business

Turning to business credit to get the money to build your business is a **smart business choice**. Alternative funding sources can also help, although you might be tempted to try a traditional lender or credit provider, like a bank or a credit union. However, these more traditional sources might not work for startup companies or businesses in industries which are seen as being 'high risk'.

Therefore, instead, here are 10 proven ways to get business credit lines and loans, and it's only based on your company's revenue.

### 1. Revenue lending

One place you can turn to is business revenue lending and cash advances. **These are not loans**. Rather, business revenue lending (also called cash flow financing) is an advance. It is based upon the expected future sales and revenues of a business. You can get **72 hour funding**.

Cash flow financing is one of the more popular types of business financing today. This is fast and easy money! All that is needed for approval is a 6-month bank statement review. You can typically get approval for 10 – 12% of your annual revenue. Therefore, \$600,000 in annual revenue can get your company a \$60,000 loan. And \$400,000 in annual revenue can get your business a \$40,000 loan.

There are **no collateral requirements!** Lenders will often lend to as low as a 500 FICO score. Some lenders don't have credit requirements at all.

Typically, you need to be in business for at least a year. You should have revenue of over \$10,000 monthly. You will need to have more than 10 monthly deposits. Also, you will need to be able to show a positive bank balance at the end of each month.

Cash flow financing has some serious benefits. Because once you have paid back half of your loan, then you will be offered another loan. The terms will get longer, and the rates will get better. Over 70% of funded customers will come back and get more money.



## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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### 2. Revenue lending line of credit

For information on just what a line of credit is, see #6.

While looking into revenue lending lines of credit, we found OnDeck and investigated their programs, rates, terms, and features. As with any financial product, rates can rise and fall; this is normal when it comes to financing. In addition to short term loans, OnDeck also offers \$5,000 - \$100,000 in revenue lending lines of credit, with a term of 6 months.



You will need to have annual revenue of \$100,000 or more, and a personal FICO Score of 600 or better. You must be in business 9 months or more. Note: there is 13.99% to 36% APR. OnDeck requires a **personal guarantee**.

We can help you find other revenue lending line of credit programs, both online and off.

### 3. Merchant cash advance

The idea of a merchant cash advance was first envisioned as a lump sum payment to a business in exchange for a percent of future credit and/or debit card sales. However, these days a merchant cash advance might describe **purchases of future credit card sales receivables** or even short term business loans.

For all options, we can help you find the best merchant cash advance provider for your particular situation, either online or off.

Programs offer differing benefits. Some charge administrative fees, whereas others have business size requirements (to assure that yours is what the lender feels is a small business), and still others are comfortable with high-risk borrowers. Our research turned up CAN Capital, Pearl Financing, and Yellowstone Capital.

As with all forms of financing, we can help you find the best merchant cash advance provider to best serve your particular needs.

### 4. Fast approvals using Artificial Intelligence

When researching fast approvals using AI, we took a closer look at Fundbox.

Fundbox offers invoice financing (factoring) and business lines of credit. There is no personal credit score requirement. Fundbox just wants to connect to your business bank account. They offer up to \$100,000 in credit.

FundBox's **fast approvals come from connecting directly to your business bank**

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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**account** and letting their AI do the rest. As with all forms of financing, we can help you connect to the best and fastest approvals with respect to your particular situation.

### 5. Term loans

A term loan is pretty much exactly what it sounds like. It's a loan from a lending institution, for a specific amount, which has a certain **fixed term** when the money is due back in full with interest. There is a specified repayment schedule although interest can be variable if that is what's in the agreement. Some term loans come with prepayment penalties (check with the provider).

There are also several online providers of term loans. Some of the providers we came across in our research are Bond Street, CAN Capital (again), Lending Club, and QuarterSpot.

Online term loan providers have varying requirements, including ownership percentage or time in business or annual revenue minimum requirements (sometimes minimum revenue requirements were calculated on a monthly basis). They will sometimes pull your personal credit or require a minimal FICO score.

Terms varied, from six months to five years. Loan amounts ran the gamut from \$2,500 to \$1,000,000. Some places gave quotes in minutes whereas others gave offers over the course of days. In addition, as should be expected, the rates varied. Providers sometimes had origination fees or prepayment penalties. Interest rates ran from 5.99% - 29.99%, with **APRs running from 8% to as high as 40%**.

### 6. Lines of credit

A line of credit is a lending arrangement between a financial institution like a bank and a business. A **credit account is extended to the borrower**. It has a maximum credit limit to borrow against. The money does not have to be used for a pre-specified purchase, so it is a bit like a credit card without the plastic. Lines of credit can be secured or unsecured.

The difference between Secured and Unsecured Lines of Credit is as follows. Secured Lines of Credit: The credit grantor has established a lien against an asset belonging to the borrower. This asset becomes collateral. It can be seized or liquidated by the lender in the event of default. Unsecured Lines of Credit: No asset acts as collateral, so the lender assumes a much larger risk. None of the borrower's major assets can be seized if they default.



## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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### **Credit lines provide unique advantages to borrowers including flexibility.**

Borrowers can use their line of credit and only pay interest on what they use, unlike loans where they pay interest on the full amount borrowed. Credit lines can be reused. As you acquire a balance and pay that balance off, you can use that available credit again, and again. Credit lines are revolving accounts much like credit cards; contrast other forms of financing like installment loans. In many cases, lines of credit are unsecured, much like credit cards are. There are some credit lines which are secured, and therefore easier to qualify for. Credit lines are the most commonly requested loan type within the business world. Although they are very popular, true credit lines are rare and hard to find. Many are also very tough to qualify as they require good credit, good time in business, and good financials.



You may have seen ads for 0% credit lines for \$50,000 - \$250,000, or more. A **0% program is ideal for startup companies**, high-risk industries, and those who don't have or want to provide proof of cash flow or collateral. Hence unlike asset-based lending, you don't need to show or provide assets as collateral for approval. And unlike cash advances, you don't need to be in business 6 - 12 months or have consistent cash flow for approval.

You **only pay on what you owe, not like a loan**. Hence if you are approved for \$100,000, you won't make payments on \$100,000. You only make payments on the balance you owe. If you charged \$4,000 on the account, you only need to make payments on that \$4,000, and during the 0% interest period, you don't pay interest.

It is possible to get cards that only report to business credit reporting agencies, not the consumer agencies. You can use this credit, even with high utilization, with no adverse impact on your consumer credit. This is important because utilization is 30% of the consumer FICO score. And when you use more than 30% of your limit on an account which reports to consumer CRAs, you can really lower your consumer scores.

Often when you apply for consumer credit, there is an inquiry on your consumer report. When other lenders see these, they won't approve you for more credit as they don't know how much other new credit you have recently obtained. Hence they only approve you if you have less than 2 inquiries on your report within the last 6 months; more will get you declined.

The 0% rate is an obvious benefit, but it's only available for a limited time. Even if the lender doesn't say the 0% rates will end, they will, because interest is how these companies make their money. Usually the 0% rate holds for 6 - 18 months and no more, although some sources will consider an extension if you request one.

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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Note that **credit cards are not the same as credit lines**. A credit line is more like a debit card. And most credit lines don't offer 0% like many cards do. But credit lines do let you take cash out of the line at the same rate as the line is for, such as 8%. Plus with credit cards, you can't take cash out on them without paying a hefty cash advance fee of usually 20% or higher. These are the main differences.

One difference is in methodology. A lending source works on your behalf to secure credit cards for you. The company is not a lender, or card issuer. Instead they function as experts in obtaining credit cards, and work to apply to get you the most credit they can secure. Nearly always, their tactics to get you credit result in much more than you could get on your own. This is because they are going for multiple cards for you.

These are **AR or revenue-based credit lines**. Interest rates are .5 - .7%. You can get an immediate approval, and fund the next day! This is an actual, real working capital credit line. The lender plugs directly into your bank account or your accounting software like QuickBooks for fast approvals. You can get approval for up to \$100,000. You get 12 - 24 weeks to pay back whatever you use from this credit line. You are charged .5 - .7% in interest for every week the money is outstanding. This is equivalent to around \$50 for every \$1,000 borrowed. Typical initial approvals are under \$50,000. To get up to \$100,000, they typically want to see 2 years of tax returns as well. Once the tax returns are provided and perused, you typically get more money the next day.

Here is an AR or Revenue-Based Credit Line Case Study: a client in a high-risk industry came in. He got an immediate approval for \$6,000. And then he provided his tax returns and was approved for \$30,000. Rather than getting in on a program where he would have to pay 30%, we got him into this program, and he only had to pay .5%.

There are 2 ways to qualify for this program: outstanding accounts receivable, or these are businesses or individual customers that owe your company money but are paying you back the money they owe. This will show up in your accounting software or tax returns or bank account.

The other way to qualify for this program is that you must have consistent revenue of \$100,000 or more; this makes lenders more comfortable about loaning money to you. They are more confident that you have the ability to pay it back. Whether you qualify under outstanding accounts receivable or consistent revenue of \$100,000 or more, you also must be in business for one year.

If they are looking at your accounting software, they want to see accounts receivable or consistent revenue (or both). If they are looking into your bank account, then they

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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want to see good bank account management. That means no overdrafts, no NSF (nonsufficient funds). They want to see positive ending bank balances at the end of each month. There are no business or consumer credit score requirements. There is **no credit pull** at all!

There are other kinds of credit lines.

**SBA Express:** access to a credit line for well-qualified borrowers. You can get approved for up to \$350,000. Interest rates vary; the SBA lets banks charge as much as 6.5% over their base rate. Loans over \$25,000 will require collateral.

**Alternative SBA Credit Lines:** private investors and alternative lenders also offer credit lines. They usually require good personal credit for approval. Unlike with SBA, many of them don't require good bank or business credit approval. Almost all of these types of programs require 2 years' of tax returns, and those tax returns must show a profit.

**Securities financing:** you can get financing regardless of personal credit if you have some type of stocks or bonds. You can also get approved if you have someone wanting to use their stocks or bonds as collateral for financing. Personal credit quality doesn't matter as there are no consumer credit requirements for approval.

Online providers Foundation Group, Fundera, and Lendio also offer lines of credit. Provider requirements varied, as some checked personal credit scores whereas others had a time in business requirement. Terms ran from five months to six years, with one provider (Foundation) charging a closing fee. Rates also varied, running from 8% - 25%, with APRs ranging from 7.99% – 29.99%.

### 7. SBA loans

The Small Business Administration has various CAPLines loan programs (see #8) and SBA Express. The SBA's lending partners actually make the loans. The SBA also offers research grants, if your company engages in scientific research and development.

The SBA uses the FICO SBSS (Small Business Scoring Service). These scores reflect likelihood of an applicant paying their bills timely. Scores range from 0 to 300 and the higher scores mean lower risk. Therefore, the higher score you have, the better. Personal and business credit history plus financial data go into the total score calculation.

For SBA loans, you will not be approved with a score under 140. However, they typically set a cutoff as high as 160. Below that, you will probably be denied because



## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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of being too high a risk. Chances are good an SBA lender won't even submit your application to SBA if your score doesn't meet the threshold.

You usually need to show some time in business. The **most popular SBA loan for working capital is the 7(a)**. Approvals for up to \$750,000. Rates are usually 2-4% above prime rate. All owners with more than 20% ownership must provide a personal guarantee. Good consumer credit is required.

Not every business will qualify for an SBA loan. And be aware: all SBA loan applications require a great deal of paperwork.

### 7(a) Loans

You must demonstrate a need for funds, and have a **sound business purpose** in mind. Your business must meet SBA's size standards, and be considered small within your particular industry. You have to operate for profit and must have reasonable equity to invest.

A company must do, or propose to do business in the United States or its possessions. Plus the company must have tried to use other financial resources. These include personal assets (AKA bootstrapping), before applying.

The 7(a) Program allows for loan amounts of up to \$5 million to fund startup costs, buy equipment, etc. A company can also buy new land (this includes construction costs); repair existing capital; buy or expand an existing business; refinance existing debt; or buy machinery, fixtures, furniture, supplies or materials.

7(a) fund benefits include flexibility, longer terms and potentially lower down payments versus other financing options. Plus there are specialized programs for entrepreneurs who are interested in exporting; or are located in underserved communities; or who are members of the military community, and those looking to meet short-term and cyclical working capital needs.

Most such loans are repaid with monthly payments of principal and interest. For fixed-rate loans, the payments stay the same, since the interest rate is constant. For variable-rate loans, a lender can require a different-sized payment amount when the interest rate changes.

### SBA Express

SBA Express is a faster means of securing a SBA loan. These loans go up to \$250,000. Rates usually range from 2-4% above prime rate. Also available is **Community Express**



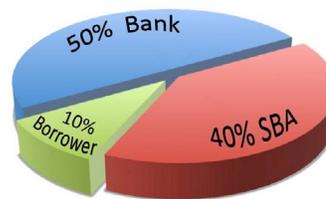
## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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### for low and moderate income entrepreneurs.

SBA Express offers access to a credit line for well-qualified borrowers. Approvals go up to \$350,000. Interest rates vary; SBA lets banks charge as much as 6.5% over their base rate. Loans over \$25,000 require collateral. For approval you need:

- Balance sheet & income statement
- Account receivables
- Collateral
- Articles of incorporation
- Business licenses
- Contracts with 3rd parties
- Lease



### SBA 504

This is the SBA's second-most popular loan type, often used to **buy land, equipment, or real estate**. The bank funds the loan; SBA generally guarantees up to 40%. You can usually get a loan up to \$1 million. Typically, you contribute 10% of the equity.

You must operate your business for profit, with a feasible business plan and relevant management expertise. A company must do business in the United States or its territories. The company must have tried to use other financing, and this includes personal assets (e. g. bootstrapping), before applying for a loan.

Your business must have a tangible net worth of under \$15 million, and it must have an average net income of less than \$5 million after taxes for the last 2 years. A business must be able to repay the loan on time from its projected operating cash flow. Maximum loan amounts are determined by usage. For land and buildings, the loan term is 20 years; it's a 10-year term for machinery and equipment.

### SBA 7(m)

7(m) is their **microloan program**. Loans up to \$35,000 for working capital and growth. Average loan amounts are about \$13,000. Funds come straight from the SBA. This is unlike the 7(a), where funds come from a bank. SBA's Microloan Program provides short-term loans up to \$50,000 to help small businesses startup and expand.

The SBA makes funds available through specially designated intermediary lenders. These are nonprofit community-based organizations with experience in lending,

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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management, and technical assistance. These intermediaries make loans to eligible borrowers.

Microloans have to be repaid in six years and can be used for:

- Working capital
- Buying inventory or supplies
- Purchasing furniture or fixtures
- Buying machinery or equipment

### 8. SBA CapLines

The SBA says: *"CAPLines is the umbrella program under which SBA helps business owners meet short-term and cyclical working capital needs"*.

Loan amounts are available up to \$5 million. Loan qualification requirements are the same as with other SBA programs. Loan or revolving types are available.

There are **four kinds of SBA CapLines**:

- **Seasonal Line** – Advances against anticipated inventory and accounts receivables, meant to help seasonal businesses.
- **Contract Line** – Finances direct labor and material cost associated with performing assignable contracts.
- **Builders Line** – Meant for general contractors or builders constructing or renovating commercial or residential buildings. Finance direct labor-and material costs, where the building project serves as the collateral.
- **Working Capital Line** – Asset-based revolving line of credit. Borrowers have to use the loan for short term working capital or operating needs. The funds cannot be used to pay delinquent withholding taxes or the link (such as state sales tax), or for floor planning. If used to acquire fixed assets, lender must refinance that portion of the line into an appropriate term facility no later than 90 days after the lender discovers the line was used to finance a fixed asset.

#### 1 – Seasonal Line of Credit

This program **supports the buildup of accounts receivable, inventory, or labor and materials beyond normal usage due to the need for seasonal inventory.**



## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

The loan advances against your company's anticipated inventory and accounts receivables. Your company has to have been in business for a period of twelve months and it must be able to demonstrate it has a definite and established seasonal pattern. This type of loan can be used repeatedly after a clean-up period of 30 days, when it can be used to finance a new season's activity. The maturity for these kinds of loans can also be for up to five years. The company might not have another seasonal line of credit outstanding. However, it can have other lines which it is using for its non-seasonal working capital needs.



### 2 – Contract Loan Program

A borrower can use this particular program to **finance costs associated with contracts, subcontracts, or purchase orders**. You can also use this kind of loan to finance direct labor and material costs associated with the performance of assignable contracts. The proceeds can be disbursed even before the work starts. If you use this loan for one contract or subcontract when all of the expenses are incurred before the purchaser pays, then the loan will generally not revolve. If the loan is used for more than one contract or subcontract, or if it is used for any contracts and subcontracts where the purchaser pays before all of the work is accomplished, then the line of credit can revolve. The maturity of this type of loan is generally based upon the length of the contract, but for no longer than 10 years. Contract payments often go directly to the lender. However, alternative structures are available.

### 3 – Builders Line

This program can provide **financing for small contractors or developers to construct or rehabilitate residential or commercial property for sale to a third party not known at the time construction and/or rehabilitation starts**. Maturity for this loan is usually three years, but that can be extended for up to five years, if necessary, in order to facilitate the sale of the property. You must use the proceeds solely for direct expenses involving acquisition, significant rehabilitation and/or immediate construction of residential or commercial structures. The purchase of the land can be included so long as it does not exceed 20% of the proceeds of the loan. Plus you can use up to five percent of the proceeds for community improvements to benefit the overall property.

This type of loan is specially designed for general contractors or builders who construct or renovate residential or commercial structures. Borrowers like you use this type of loan in order to finance direct labor and material costs. In this instance, the building project serves as the collateral.

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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### 4 – Working Capital Line of Credit

This specific program works as a **revolving line of credit** (for up to \$5,000,000) for your business. You use it in order to obtain short-term working capital. Businesses which usually use these lines will provide credit to their customers or they might have inventory as their primary asset. Loan disbursements are generally based upon the size of a borrower's accounts receivable and/or their inventory. Loan repayment comes collecting accounts receivable or selling inventory. There can be added collateral servicing and monitoring. For this, the lender can charge the borrower additional fees.

### 9. Private investor financing

Two popular ways of getting private investor financing are angel investors and venture capitalists.

First, we looked at **angel investors**. According to Investopedia: *“Angel investors invest in small startups or entrepreneurs. Often, angel investors are among an entrepreneur's family and friends. The capital angel investors provide may be a one-time investment to help the business propel or an ongoing injection of money to support and carry the company through its difficult early stages.”*

The term 'Angel Investor' comes from Broadway Theater. Angels were originally the investors who backed plays, and they still do so. They are also called patrons of the arts.

Anyone can be an Angel Investor. Angels are not covered by the Securities Exchange Commission's (SEC) standards for accredited investors, but a lot of them are accredited investors anyway. To become an accredited investor, an angel has to have a minimal net worth of \$1 million, and an annual income of \$200,000.

According to *Inc.* Magazine, the biggest angel investor is Jeff Clavier, who has invested up to \$6 million in almost 20 companies. He is the founder of a seed venture capital company in Silicon Valley, Uncork Capital. Mr. Clavier is both an angel and a venture capitalist.

However, there are a number of angels who aren't millionaires. They could be friends or colleagues sitting on home equity, or local professionals who are looking to invest. Consider people you know well and people you don't know so well.

Affiliated angels are people you know, such as friends and family; coworkers, managers, and employees; and



## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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customers, suppliers, vendors, and even competitors. Unaffiliated angels are the people you don't know, like area professionals; entrepreneurs; and middle managers unsure about their financial futures, looking for an investment. Unaffiliated investors are likely to, obviously, need more assurances from you than the people you know will.

**Angels are informal investors.** They generally invest in the start of a company. This is in exchange, usually, for equity. They can even invest via a crowdfunding platform.

The most profitable angel investment of all time was Google. Jeff Bezos gave \$125,000 in 1998, investing at 4¢/share. Bezos also got in on Twitter in its second round of funding. This is why, according to Bloomberg, he's worth over \$100 billion.

Angel investors who seed startups which fail in their early stages will lose their investments completely. Therefore, professional **angel investors look for opportunities for a defined exit strategy; acquisitions or initial public offerings (IPOs).**

The effective internal rate of returns for an angel investor's successful portfolio runs from 20 – 30%. This is a higher rate than banks will take. But bank loans and credit are often not an option for startups. As a result, angel investments can be ideal for entrepreneurs who are still financially struggling during the startup phase.

Companies can connect to affiliated angel investors by just asking. Companies connect to unaffiliated angel investors in much the same way they can connect to other people who can help them who they don't know, or don't know well, such as through cold calling, advertising, business brokers, and intermediaries and networking.

To find angel investors online, try Gust (Used to be called Angel Soft), at: [www.gust.com](http://www.gust.com). They keep a database of investors, companies, and programs. Startups can also search for business plan competitions and more.

Look up investment groups; this includes a profile with information on which industries they typically fund. When you look up programs, this includes deadlines and basic information like the \$\$ amount they fund. And when you look up companies, it includes a profile where the founders can add basic data and a pitch video. Gust gives the search for angel investors more organization, but it's not the only way to find angels.

*Entrepreneur Magazine* suggests sites like Funding Post and ACE-NET. They also suggest trying every possible investor because **being turned down by 100 investors doesn't mean the 101st will turn you down.** In addition, *Entrepreneur* notes that angel investors will often start small, so if you can prove your concept to

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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them, and they start to see success, then they might add more funding.

Angel investor groups' focusing and requirements vary; some concentrate on local startups only. Read up before you ask; don't waste yours and the angels' time if there won't be a fit.

Angels are not quite the same as venture capitalists. An angel investor will typically invest in early-stage or startup companies, in exchange for a 20 – 25% return on their investment. Angel investors tend to invest less, and will also want less control, than venture capitalists tend to.

What is a **venture capitalist**? According to Investopedia: *"A venture capitalist is an investor who either provides capital to startup ventures or supports small companies that wish to expand but do not have access to equities markets. Venture capitalists are willing to invest in such companies because they can earn a massive return on their investments if these companies are a success."*

Venture capitalists will also give money to help build new startups, if the VCs believe a company has both high-growth and high-risk potential. These can be fast-growth companies with an exit strategy already in place. Venture capitalists will often look to recover their investment within a 3-5 year time frame. They will also, often, want to own a larger piece of a company if not a controlling stake. People like Jeff Clavier do both, probably depending on the amount of risk and the expected amount of return.

Apart from Clavier, other well-known venture capitalists include Facebook's first investor, Jeremy Levine (also Pinterest's largest investor); Early Facebook investor Jim Breyer; Twitter investor Peter Fenton; PayPal's cofounder, Peter Theiland; and Chris Sacca, who is an early investor in both Twitter and Uber.

One path to becoming a VC is via tech-oriented investment banking. The other, more common method is through serial entrepreneurship. That is, a person with a company (or companies) backed by VCs, is more likely to eventually become a VC.

Venture capitalism is fairly new; it only goes back to about World War II. Before that, companies would have wealthy backers; those were the Vanderbilts or the Rockefellers. Venture capitalism meant new companies did not have to be backed with old money.



Fairchild Semiconductor was the first startup backed with venture capital. They were founded in 1957 and funded in 1959. At the time, VCs would set up limited partnerships to hold investments, where professionals would act as general partners, and anyone supplying

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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capital would be passive partners with more limited control. That is still, usually, the way it's done.

Venture capitalists **look for a strong management team; a large potential market and a unique product or service, with a strong competitive advantage.** They also seek opportunities in industries they have familiarity with, and the chance to own a large percent of the company, so they can influence its direction.



Venture capitalists can experience significant losses if their picks fail. However, these investors are typically wealthy. They are often so wealthy that they can afford to take the risks associated with funding young and unproven companies, so long as they seem to have a great idea and a great management team.

A Venture capital firm is put together when a fund is created from pooled money. These funds come from the venture capital firm itself; wealthy persons; pension funds; foundations; insurance carriers; or corporate pension funds, etc.

All partners have part ownership over the fund. However, the VC firm controls where the fund is invested. Investments are usually into businesses or ventures which most banks or capital markets would consider too risky for an investment. The venture capital firm serves as the general partner. The insurance companies, pension funds, etc. are all limited partners.

Venture capital fund managers are paid with management fees and carried interest. Depending on the VC firm, about 20% of the profits go to the company managing the private equity fund, while the rest goes to the limited partners who invested into the fund. General partners usually get an additional 2% fee.

While roles will vary, there are usually three positions within a VC firm: associates; principals and partners.

Associates usually have experience in business consulting or finance. They sometimes have a degree in business. They often do more analytical work, and analyze business models, industry trends and subsections. They also work with companies in the firm's portfolio. Associates will start off as junior associates and move up to senior associate positions after a few years.

A principal serves as a mid-level professional. They generally serve on the board of portfolio companies, and are often in charge of making sure the companies in the VC firm's portfolio are operating smoothly. They are in charge of identifying investment opportunities for the firm, and also negotiate terms for both acquisition and exit.

Principals can become partners; this depends on the returns they generate from the

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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deals they make. Partners are mainly focused on identifying areas or specific businesses for investment. They also approve deals such as investments or exits. Partners sometimes sit on the board of portfolio companies. In general, their role is to represent the VC firm.

Venture funding comes in stages and not all at once. Usually, there are **six stages**. These more or less correspond to these stages of a company's development:

- **Seed funding:** The earliest round of financing needed to prove a new idea; it comes from angel investors or, lately, equity crowdfunding
- **Start-up:** Early stage firms which need funding for their expenses from marketing and product development
- **Growth (Series A round):** Early sales and manufacturing funds; it's typically where VCs enter the picture. Series A is essentially the first institutional round. Here is where most companies will have the most growth.
- **Second-Round (AKA Series B):** This is working capital for early stage companies which are selling product, but not yet turning a profit
- **Expansion:** AKA Mezzanine financing; it is expansion money for a newly-profitable business
- **Bridge Financing:** a startup seeks funding between full VC rounds. The aim is to raise smaller amounts of money instead of a full round; usually the existing investors will participate

Vcs usually leave via a secondary sale, an IPO, or an acquisition.

### 10. Business Credit

Business Credit is credit in your business's name and not your own. It takes some time to build. But if built the right way, you can save time, and also save your consumer credit scores.

Business credit **starts with company legitimacy**. Bake legitimacy into your business with a DBA; a professional website with email on the same domain; a toll-free number and fax number on 411.com; and a professional business address – a virtual address is acceptable so long as it isn't a PO box or a UPS box – Regus is one company that sells virtual addresses.

## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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One proven method of getting started in building credit is what's also called vendor or **trade credit**. This is often credit for items you purchase all the time. True starter credit can give you Net 30 terms. You will often need to buy a few things you don't need, and you may need to reapply if not accepted. In addition, not every vendor reports trade credit to the credit bureaus, so find out if your vendor does and act accordingly.

Vendor credit is often very easy to get. It establishes a relationship with your company and the vendor. It often supports a local business. For trade credit, work with **at least 5 vendors** who report to at least one of the CRAs. Eight or more such vendors are ideal.

Here are three we like:

- Monopolize Your Marketplace
- Uline Office Supplies
- Quill Shipping Supplies

Even non-reporting trade lines can help if you request a trade reference. Per Dun & Bradstreet (<http://www.dnb.com/perspectives/finance-credit-risk/what-is-trade-credit-and-how-can-it-help-your-business.html>): Suppliers reporting their positive experiences to the credit reporting bureaus are creating what are called trade references. **Trade references** can often give potential lenders a clearer perspective on your ability to pay back. This is information beyond just the numbers. It can make it clear if you engage in risky practices, such as putting off paying your suppliers to pay utilities. It's some of the only subjective information in a credit report, because objective data comes from reporting vendors, court dockets, etc.

Do you have 5 – 8 trade lines reporting? Then move onto **revolving store credit**. This is places like Walmart. You're more likely to find what you need. Once you have established decent vendor credit, your business should be able to qualify for store credit. Do you recall when you were building personal credit? Some of the first places to send you credit offers were probably businesses. The same can work for business credit.

Sometimes, in order to establish good store credit, you will just have to buy some things you do not need. This is to get a payment history going. Why not consider donating those things to charity?

Do you have 10 revolving store credit lines reporting? Then **move onto fleet credit**. This is credit to maintain and repair vehicles. It is places like Chevron. Fleet credit is a credit card



## 10 Ways to get Business Credit Lines and Loans Based on Only your Revenue

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which helps your business to maintain a set of vehicles. These are usually fuel cards. They can be used to purchase fuel, repairs, and maintenance. You could provide fleet cards to all of your business's drivers for their company use.

Keep going with trade accounts. Consider all of the vendors you work with regularly, and open trade accounts. Try office supplies, cleaning services, caterers, or vehicle repairers. You're working toward 10 – 14 or more trade accounts.

Do you have 14 fleet credit lines reporting? Then you can move onto **cash credit**. This is from companies such as MasterCard. It's accepted in a lot more places. Good business credit will help you get loans in the future. This cash credit serves as a short-term cash loan to a business. The lender provides this type of funding, but only after getting the required security to secure the loan. Once security for repayment is given, the business receiving the loan can continuously draw from the bank, up to a certain specified amount.

Having so many payment experiences, and enough time in business, your company might start qualifying for conventional loans. But **you might find you just don't need them after all.**

