

WHAT EXACTLY IS A BUSINESS LINE OF CREDIT?

A business line of credit is A TYPE OF LOAN (credit account) USED FOR WORKING CAPITAL.

WHAT DOES PROPER USAGE LOOK LIKE?

1. USED SHORT TERM TO BUY INVENTORY
2. COVER UPFRONT PROJECT COSTS (LABOR/MATERIALS)
3. COVER SHORT-TERM PAYROLL NEEDS
4. STRICTLY FOR SHORT TERM CASH NEEDS
5. PAY IT DOWN/OFF REGULARLY

HOW ABOUT LOC MISUSE - WHAT NOT TO DO?

1. BUYING EQUIPMENT (use an equipment loan for that)
2. USING FOR TENANT IMPROVEMENTS (use a construction term loan for that)
3. TAKING OWNER DRAWS
4. PAYING OFF CREDIT CARDS (use a debt consolidation term loan for that)
5. USED AS TERM LOAN, NOT PAYING IT OFF (over time this will spoil your LOC and a bank may close the account)

THINGS BANKS LOOK FOR AS THEY MONITOR LINES OF CREDIT

1. TYPICALLY REVIEWED EVERY 12 MOS
2. LOOKING FOR AVG USAGE 60% usage or less
3. WANT TO SEE LOC "REST" FOR 30 DAYS EACH YEAR