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Factors to Compare Long-Term Business Loans

1. Loan Term Length

In general, longer repayment terms lead to lower payments. If you're entering a slow season or stabilizing your business, then a longer term may give your cash flow the breathing room you need. The best loan term aligns with your cash flow needs and financial rhythm right now, as well as supporting your long-term goals.



2. Interest Structure

Not all loans have a fixed interest rate paired with monthly payments, so make sure you understand how interest applies to your loan. Fixed-rate loans offer predictability. Your payments remain the same from month to month, making budgeting easier. Variable-rate loans can start lower, but you risk paying a higher monthly amount if the interest rates go up.



3. Repayment Schedules

It's easy to underestimate the long-term effect of monthly payments. Consider your business's monthly cash flow to determine how much you can afford to put toward your loan each month, and decide whether a predictable or flexible repayment schedule would better support your operations.



4. Prepayment Flexibility

Having the option to pay off your loan early without penalties can be a significant benefit that many business owners overlook. Look for lenders that allow early payoff with full interest savings if you think you might pay off the loan early. Then, when you hit a growth spurt or need to quickly reduce your liabilities, you have the flexibility to repay your loan without expensive penalties.



5. Collateral Requirements

Collateral lowers the risk for lenders. Thus, securing your long-term loan with your assets unlocks benefits like lower interest rates, longer repayment schedules, and higher funding amounts. Carefully consider what you are risking before agreeing to secured financing, and pick the loan option you can live with if everything goes wrong.



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