

Three Ways to Fund Your Small Business Without Collateral

By Berrak Sarikaya, Lendio

Lending money can be a risky business, which is why most traditional lenders require borrowers to put up collateral for a loan. Collateral is simply a valuable asset, such as your house, car, or even a savings account in your name. In the event you're unable to pay back your loan, collateral provides insurance for the lender; they can seize and liquidate it to recoup some of their loss.

You may be a financially stable and qualified small business, but the economy can be fickle. Most lenders don't want to carry the risk of a borrower defaulting on a loan, which is why they ask for valuable assets to secure your financing.

Related: [What's the difference between secured and unsecured business loans?](#)

If it's time to get funding for your small business but you don't have collateral to secure a business loan, you may think you're out of both options and luck. Know there are [financing options outside of traditional loans](#), and you don't have to settle for incredibly high rates or unfavorable terms to get them.

SBA Loans

The Small Business Administration (SBA) establishes the guidelines for loans and then guarantees a portion of those loans. Because of their strict guidelines and guarantees, lenders are more confident, which means higher rates of approval for small business owners seeking financing. The benefits of an SBA loan don't stop there. There are a couple different types of SBA loans to ensure you're getting the right kind of financing to fit your needs.

- **SBA 7(a) loan:** This is probably the loan you're most familiar with as a small business owner. Most of the time, you don't need more than few thousand dollars to help you find your footing, which is why the SBA 7(a) loan is a great option since loans less than \$25,000 may not require collateral. You can use the funding from an SBA 7(a) loan to buy land, refinance existing debt, cover construction costs, or buy supplies for your business.
- **SBA 504 loan:** While this is similar to the 7(a) loan, it's actually a little more complicated. SBA 504 loans are for funding specific projects, which means a more thorough examination of your project costs. You must also use your 504 loan to finance a fixed asset, and your business must have a tangible net worth of more than \$15 million.

While unsecured SBA loans are significantly easier to attain than a loan from a traditional bank, they're known for being more paperwork intensive, with a much longer time to fund and a higher rate of rejection than direct online lenders.

Business credit cards

A [business credit card](#) is a great option for a small business owner who is getting established or wants to have a more instant source of funds for the unexpected. Business credit cards are great supplements to any other financing you may have in place for your business, with a lot more flexibility.

Bonus: The right credit card is also a great umbrella for your business [in case of a rainy day](#).

Loans from online lenders

When the world is at your fingertips thanks to technology, shouldn't there be better options for finding financing for your small business? Online lenders have become more mainstream over the past few years, giving business owners more accessible options to fund their dreams.

No two businesses are alike, which is why term loans from online lenders are structured to fit the needs of ***your*** business, whatever they may be. By design, business loans from online lenders are more flexible and fund faster, precisely what small business owners need. You can choose from two types:

- [Business term loans](#): With a business term loan, lenders advance you a lump sum that you repay over the course of the next 12 to 60 months. Since these loans usually have a fixed interest rate or fixed flat fee, it's easier for you to plan your monthly repayment rate. The application and funding process for these loans are a lot easier and faster than traditional loans.
- [Working capital loans](#): Sometimes, you need a quick injection of cash into your business due to unexpected expenses. If you've been in business for two or more years, you could qualify for a short-term loan. These are easier to qualify for (usually within a 24-hour period), and the payback period is usually between 3 and 18 months.

If you're not familiar with collateral-free loan options, it can feel intimidating to evaluate them on your own. Working with a small business specialist like Credibly ensures you'll find the right loan for your business and will also help you get the best deal out there.

Author Bio:

A regular contributor to the [Lendio blog](#), Berrak Sarikaya is a natural conversation driver and an [amplifier](#), motivated by a firm belief in owning who you are instead of trying to fit the mold. As a content strategist and creator, she's worked with startups, small businesses, Fortune 500 companies, and agencies in the B2B and B2C landscape.