

# Comparing secured and unsecured credit

You may have heard of loans and lines of credit. But do you understand the basics of the two major types of credit – secured and unsecured – and what sets them apart? Here’s a rundown of how these credit options can help you expand the possibilities for your business.



**Secured credit:** Extends business credit based on specific, pledged assets that reduce risk for the lender.



**Unsecured credit:** Extends business credit based on your overall creditworthiness, both business and personal.

## Typically based on:

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| <ul style="list-style-type: none"> <li>• A percentage of the asset value being pledged as collateral – whether secured by a cash deposit or the asset that is being purchased or refinanced (commercial real estate, vehicles, and industrial equipment)</li> </ul> | <ul style="list-style-type: none"> <li>• Credit histories (both personal and business)</li> <li>• Business cash flow or other attributes like industry type, especially for larger loans</li> </ul> |
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## Key features:

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| <ul style="list-style-type: none"> <li>• Generally lower interest rates than unsecured credit</li> <li>• Can allow for larger limits/amounts, longer terms</li> <li>• Can offer specialized features to make purchasing vehicles or equipment easier</li> <li>• May help to establish or rebuild your business credit</li> </ul> | <ul style="list-style-type: none"> <li>• Typically available to businesses with at least two years of profitable operation</li> <li>• May be used for most business purposes</li> <li>• Amount depends on credit histories, business cash flow, or both</li> </ul> |
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## Best if you have:

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| <ul style="list-style-type: none"> <li>• Sufficient cash flow to pay off a major asset purchase</li> <li>• Cash-secured options: little or no credit history, or past credit challenges</li> </ul> | <ul style="list-style-type: none"> <li>• Solid personal and business credit histories</li> <li>• Sustained business cash flow</li> </ul> |
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## Best used for:

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| <ul style="list-style-type: none"> <li>• Purchasing property or equipment for long-term business goals</li> <li>• Making a commercial real estate investment</li> <li>• Locking in a lower interest rate</li> <li>• Cash-secured options:             <ul style="list-style-type: none"> <li>◦ Gaining access to credit tools for which you couldn’t otherwise qualify</li> <li>◦ Building credit for the future</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Leveraging credit to help run or grow your business</li> <li>• Getting access to cash for just about any business purpose</li> <li>• Preserving existing cash on hand for future needs</li> </ul> |
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To explore your credit options, use our Credit Finder Tool: [wellsfargoworks.com/credit-finder](https://wellsfargoworks.com/credit-finder).