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.

<table>
<thead>
<tr>
<th>Secured credit:</th>
<th>Unsecured credit:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extends business credit based on specific, pledged assets that reduce risk for the lender.</td>
<td>Extends business credit based on your overall creditworthiness, both business and personal.</td>
</tr>
</tbody>
</table>

**Typically based on:**

- 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)
- Credit histories (both personal and business)
- Business cash flow or other attributes like industry type, especially for larger loans

**Key features:**

- Generally lower interest rates than unsecured credit
- Can allow for larger limits/amounts, longer terms
- Can offer specialized features to make purchasing vehicles or equipment easier
- May help to establish or rebuild your business credit
- Typically available to businesses with at least two years of profitable operation
- May be used for most business purposes
- Amount depends on credit histories, business cash flow, or both

**Best if you have:**

- Sufficient cash flow to pay off a major asset purchase
- Cash-secured options: little or no credit history, or past credit challenges
- Solid personal and business credit histories
- Sustained business cash flow

**Best used for:**

- Purchasing property or equipment for long-term business goals
- Making a commercial real estate investment
- Locking in a lower interest rate
- Cash-secured options:
  - Gaining access to credit tools for which you couldn’t otherwise qualify
  - Building credit for the future
- Leveraging credit to help run or grow your business
- Getting access to cash for just about any business purpose
- Preserving existing cash on hand for future needs

To explore your credit options, use our Credit Finder Tool: wellsfargoworks.com/credit-finder.