

What is Asset Based Lending?

Asset-Based loans provide businesses with immediate funds and ongoing cash flow in the form of a revolving line of credit based on a percentage of the value of the company's assets, such as commercial accounts receivable, inventory, and machinery & equipment. Interest is calculated on the funds advanced.

Many companies use Asset-Based Lending as a constant source of working capital and borrowers only pay interest on the funds they draw. Companies also use Asset-Based lending when they haven't been able to secure financing through a traditional lender for a multitude of reasons.

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Top 5 Reasons Companies Choose Asset-Based Lending

- Optimize working capital / Cash Flow
 - Support continued growth
 - Take advantage of opportunities
 - Need for flexible and customized package based on short term assets
 - Did not qualify for traditional financing due to high growth, limited sales history or restructuring situations
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Transaction Size

Asset-based revolving lines of credit range from \$500,000 to \$3 million.

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Criteria

Most companies qualifying for an Asset Based Loan will be Commercial Business Owners in manufacturing, wholesale, staffing, transportation or business services generating valid and verifiable commercial accounts receivable.

In most cases, annual sales range between \$3 to \$30 million. The due diligence period for lines of credit approval are often 15 to 30 days and require the following:

- Two years of tax returns
- High Quality Account Debtors (Customers)
- Tangible Equity in Balance Sheet
- Cash Lockbox Receipts through SCC
- Low Dilutions of Accounts Receivable
- Personal Guaranty from ownership group
- First secured position on all assets of borrower
- Satisfactory Third Party collateral field examination prior to funding

How does Asset Based Lending work?



Company

Annual sales of \$3 million. Growth goal of 20% or higher within the next year.



Local Bank - Apply

Provides bank with financial documents and collateral report. Company is offered a small, one time loan, which is not a solution long term. Bank offers \$100K term loan.



Sterling Commercial Credit

Company contacts SCC for Asset Based Line of Credit. Able to leverage short term assets, accounts receivable, inventory and equipment. Funding provided every week based on asset level.



Reports

Company reports weekly values of accounts receivable and inventory to SCC. Able to draw from their line of credit each week.



Proposal

SCC issues proposal to company within 48 hours, offering an 80% advance on accounts receivable & a 40% advance on finished goods inventory. SCC proposed \$500,000 line of credit.



Payments

Payments are sent from the debtor base directly to Sterling Lockbox, used to pay down their line of credit daily.



Success

The company is able to use weekly cash flow for new line of credit, and to support growth.