

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 if you can’t repay.



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

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| <ul style="list-style-type: none"> • The general assets of the business • Collateral if necessary | <ul style="list-style-type: none"> • The general assets of the business only |
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Key features:

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| <ul style="list-style-type: none"> • 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 • Cash-secured options requiring a “collateralized” deposit account with advances allowed up to a specified portion of the pledged collateral | <ul style="list-style-type: none"> • Typically available to businesses with at least two years of profitable operation • Can be used for just about any business purpose • Amount depends on credit histories, business cash flow, or both |
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Best if you have:

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

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| <ul style="list-style-type: none"> • Property or equipment for long-term business goals • A commercial real estate investment • Locking in a lower interest rate • Cash-secured options: <ul style="list-style-type: none"> ◦ Gaining access to credit tools for which you couldn’t otherwise qualify ◦ Building credit for the future | <ul style="list-style-type: none"> • 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 |
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To explore your credit options, use our Credit Finder Tool: wellsfargoworks.com/credit-finder.