

Marketplace finance is a popular alternative to traditional business loans. We put together this comparison to help you get a better understanding of the differences between the two.

	Working Capital Advance	Traditional Loans
Speed	Approval within 24 hours; funding 5 to 7 days later	Typically could take anywhere from 60 – 90 days
Credit	Minimum FICO score of 500+	Credit score must be strong – often above 620 or 650
Terms	Typically 3 to 15 months. Longer terms available for established businesses with profitable tax returns and financials	Anywhere from 3 to 5 years
Rates	Market and term driven – ranges from 12% to 40%	Market driven – ranges from 6% to 10%
Size of advance	Range from \$10,000 to \$500,000	Generally \$250,000 to millions
Payment structure	If paid through credit card sales payment fluctuates, if paid through bank payment is fixed. Payment is daily	Fixed monthly payment and many cases balloon at end of term
Paperwork to prepare	<ul style="list-style-type: none"> ➤ One page application ➤ 4 months bank statements ➤ 4 months processing statements ➤ Proof of ownership ➤ Driver’s license ➤ Business license ➤ For amounts over \$100,000 tax return and financials 	<ul style="list-style-type: none"> ➤ Lengthy loan application ➤ Business plan ➤ 2 to 3 years personal and business tax return ➤ Financial statements ➤ Accounts receivable/accounts payable ➤ Legal docs; may include licenses, registrations, 3rd party contracts, commercial leases etc.
Credit bureaus	Payment performance not reported to credit bureaus. Only in case of default	Payment performance reported to credit bureaus
Approval rates	Typically in the 60% to 70% range	Varies by type of bank – typically in the 20% - 40% range
Main roadblocks to funding	<ul style="list-style-type: none"> ➤ Start up business ➤ Very poor FICO ➤ Inconsistent credit card sales and bank deposits ➤ Bankruptcy released less than 6 months 	<ul style="list-style-type: none"> ➤ Not meeting rigorous credit requirements (time in business, profitability) ➤ Lack of collateral ➤ Business type considered risky

