



## What is Alternative Lending?



**Alternative Lending** is a term to describe a broad range of lending products and services for small business owners, outside of traditional options available at a bank or credit union. For example, Alternative Lenders can be FinTech or Peer-to-Peer (P2P) lenders.

## What are the types of alternative lending options available to small business owners?

Alternative lenders offer many types of products and services to those who meet eligibility requirements. The range of products is broad and includes unsecured products such as merchant cash advances, term loans (working capital loan, restaurant loan, retail loan, equipment loan etc.), credit cards and lines of credit, and also secured invoice loan products. The services they provide include one-on-one (online and or by phone) support services and business and strategy advice.

## Within these lending options, what are some of the criteria that is important to consider?

It is important to be prepared with personal information, business information and bank statements. Different Alternative Lenders and their products will have different criteria, but a few examples of considerations would be around **whether your business is incorporated in Canada, being in business for 1+ year already, having \$100,000+ in annual revenue, and a personal credit score of 610+.**

## What should a small business owner consider when evaluating options?

A small business owner should consider the following key questions:

- How will they use the financing - to launch a business, expand or cover daily expenses?
- Does the owner have assets that can be used as collateral?
- How quickly does the owner need financing?
- Does the alternative lender have a secure website?
- Who is the lender - can you read reviews about the company?
- What is the application and loan process like?
- How much can a small business owner borrow and what are the minimum and maximum terms that they can borrow for?

“In Ontario, of the hundreds of thousands of small businesses that are out there, I would suspect there are 50,000 small businesses in Ontario looking at FinTech companies for borrowing.”

– Kevin Clark, Chair of the Canadian Lenders Association

## What are some of the misconceptions about alternative lending options?

**Misconception:** Alternative lending is unregulated and/or not credible, approval times are lengthy, and new businesses aren't approved.

**Reality:** Alternative Lenders are regulated, credible and continuously growing across Canada and in Ontario

**Reality:** Approval can be received very quickly – sometimes in as little as 24-48 hrs

**Reality:** New businesses can be approved for certain products with some Alternative Lenders

## Advice on how a small business owner should get started when looking for financing

Research the alternative lender, read online reviews and certify that their website is secure. Consider the purpose of the loan and why the money is needed to help determine the loan type that best suits the business needs. Consider how much debt the business currently has, as well as the business' repayment history.

### “Did You Know”

The # of alternative lending loans **doubled** between

**2016-2018**

There are **20+** FinTech lenders in Ontario