

Questions to ask your lender before taking a loan

The Small Business Borrowers' Bill of Rights is a set of basic rights that puts small business borrowers at the center of the lending process and promotes transparency and fairness in lending. Based on the principles in the Borrowers' Bill of Rights as a guide, here is a series of questions you can ask of lenders and brokers to learn more about your loan offer.

Checklist

- What is the annualized interest rate or APR? Take note if you don't get a straight answer. Knowing the annualized interest rate of your loan will allow you to compare it with your other options.¹
- What are all the fees? Are they included in the interest rate quoted? What are the payment amounts and frequency?
- What is the full cost of the loan over its lifetime?
- If I prepay, must I pay back *anything* other than the principal I borrowed? If so, what is the prepayment cost? Some lenders may apply financing charges even if you pay off your loan early. Although it's a cost, they may explain this as a "prepayment discount."
- If I take a second loan with you in the future, will I be "double dipped"? That is, will I need to pay any financing charges on the existing principal of my previous loan?
- Will any short deadlines be imposed on me to accept my loan offer? You shouldn't be pressured into accepting a loan within an arbitrarily fast time frame.
- Will you report my loan repayment information to major credit bureaus so I can build my business credit? Will you report positive as well as negative information? If I am unable to repay, how will you try and collect on the loan?
- If working with a broker, ask:
 - What is the annualized interest rate or APR of each option you are presenting me?
 - What will you, the broker, be paid for each option, by me or by the lender? Do you make more money if I take certain loans?
 - Can I see an overall summary of what types of loans borrowers who work with you end up with? What's the average interest rate? How many take a bank loan, medium-term online loan, or merchant cash advance or short-term loan?

For more information about the Borrowers' Bill of Rights, including frequently asked questions, visit <http://www.responsiblebusinesslending.org>

¹ Note: Measures like "factor rate," "Total Interest Percentage," and "cents on the dollar" are NOT annualized interest rates. If you need help calculating the annualized interest rate, you can use these calculators: <https://www.nav.com/business-loan-calculators/>