Ascendus®

BUSINESS RESOURCE · ACCESS TO CAPITAL

Interest rate, APR, and understanding your loan type

Learn which number shows the true cost of a loan, and what drives the product your loan consultant matches you with.

Every small business owner comparing financing offers runs into the same two numbers, and the same questions about what they mean. One lender quotes a rate. Another quotes something slightly different for what looks like the same loan. The difference is usually the gap between an interest rate and an APR, and knowing which one you are looking at changes how you compare offers.

> *Knowing your numbers is how you protect the outcome you are borrowing for.*

Whether that is a bigger location, new equipment, or the working capital to take on a new client, two things drive that clarity: understanding what separates your interest rate from your APR, and understanding how Ascendus matches you with the loan product built for your business.

3 things that separate your interest rate from your APR

01

Your interest rate is the base cost of borrowing

It is the percentage charged on the amount you borrow, and it is usually the number lenders lead with.

02

Your APR adds in what the interest rate leaves out

Origination fees, closing costs and other charges get rolled into one annualized number, which is why the APR is almost always higher than the interest rate on the same loan.

03

The APR is the number built for comparison

Two loans with the same interest rate can have very different APRs once fees are added in. When you compare offers side by side, the APR tells you the true cost.

Understanding your loan type

At Ascendus, your loan consultant matches you with the loan product built for your business's stage and needs. Knowing what typically drives that match helps you understand what you are offered, and what to ask about.

Microloan	Often fits a business earlier in its track record: equipment, inventory, or a first loan for a business that is still building its history. It tends to move faster, and it is sized for a defined purpose.
Line of credit	Often fits recurring or unpredictable cash needs. If cash flow moves in waves, payroll one week and a big supply order the next, a line of credit lets the business draw what it needs, when it needs it, and pay interest only on what has been used.
SBA loan	Often fits larger, longer-term investments: buying property, a major expansion, or an amount that outgrows a microloan. It usually means a longer application process and more documentation, in exchange for larger amounts and often lower rates. The SBA also runs its own microloan program, smaller capital paired with technical assistance, worth asking about if a larger SBA loan is not the right fit yet.

Worth knowing: a merchant cash advance is an advance against future sales. It is unregulated, often expensive, and it does not build the credit history that opens up better financing later. The APR is the more reliable number for comparing the true cost of credit across lenders.

YOUR ACTION STEP **Before your next application**

Know what you are offered and why

Your loan consultant weighs your revenue, time in business and what you are financing to find the right fit. Ask directly what is included in your APR, and what factors matched you with your specific product. Understanding that reasoning helps you know what to expect, and what might change for your next application.

TRUSTED SOURCES

- TD Bank, Learning Center, Borrowing money
- Chase, Business Resource Center, Business Resource Center

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