



Why Loan Stacking is Business Suicide & What to Do Instead

Businesses can easily apply for funding with multiple lenders at once in today's digital society. This allows you to increase the odds of approval and ensure you receive the best terms. However, when businesses aren't fully funded with one loan, they're sometimes tempted to accept two or more in a practice known as "loan stacking."

Risks of Loan Stacking

Even though loan stacking isn't illegal, it can have serious and lasting consequences.

Multiple Loans Increase Your Risk of Default

The more debt you have, the less likely you are to be able to keep up with payments.

Loan Stacking May Violate Your Original Loan Agreement

Many lenders have clauses that prevent you from seeking other loans. They can penalize you or demand payment in full if you break your contract.

Your Credit Score Will Take a Hit

Increased debt and opening new accounts damages your credit score, which hurts your loan prospects, insurance, trade credit, and more.

Additional Loans Will Have Higher Interest Rates

Additional fees and higher interest rates associated with loan stacking increase the cost of borrowing considerably.

You Can Get Trapped in a Negative Cycle of Debt

It is tough to dig yourself out of debt in these situations. Sadly, many small businesses don't and end up closing.

Alternatives to Loan Stacking for Small Business Owners

If you need more cash than one loan can provide, these alternatives can help.

Ask Your Current Lender for Help

Have a frank conversation with your current lender about how much you need and how you intend to leverage the cash. They may have alternate programs or be able to increase your loan amount.

Explore Refinancing Options

Consolidating your loans into a single loan with a lower interest rate and monthly payment may be a viable solution for some businesses.

Avoid Loan Stacking with Invoice Factoring

Factoring can help you bridge cash flow gaps, so you don't need to take out loans. Plus, there's no debt to repay, so it doesn't have the same negative consequences as loans.

Request a Complimentary Factoring Rate Quote from Charter Capital

With decades of experience helping businesses like yours and competitive rates that keep more money in your pocket, Charter Capital can help your business cover expenses and grow without accruing debt. To learn more or get started, [request a complimentary factoring rate quote](#).

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Charter Capital makes it easy to secure capital when you need it most. Use your factoring cash to fund growth initiatives right away, or simply be prepared in case your business needs a quick cash injection later.

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