Prospa

Cheat sheet

Business loan terms

Key terms

Principal
The original amount you borrow, before interest or fees are added.

Loan term
The time you agree to repay the loan. Shorter terms often mean higher repayments but lower total interest.

APR (Annual Percentage Rate)
The total annual cost of a loan. This includes the interest rate and most fees. Use it to compare offers more accurately.

Interest rate
The base cost of borrowing, expressed as a percentage. Unlike APR, it doesn't include fees.

Simple interest
Interest calculated only on the original loan amount (the principal).

Compound interest
Interest calculated on both the principal and any previously added interest. This is less common for business loans.

Balloon payment
A large payment due at the end of some loans. These often follow smaller repayments throughout the loan term.

Early repayment
Paying off your loan before the agreed term ends. Some lenders charge a fee for this, but others, including Prospa, do not.

Most common loan types

Loan Type	What it's for	How it works
Term Loan	Larger investments such as equipment or fit-outs	One lump sum, repaid over a fixed period
Line of Credit	Short-term cash flow needs	Draw down funds as needed and only pay interest on what you use
Working Capital Loan	Payroll, stock, supplier costs	Short-term loan to cover operational expenses

Three smart questions to ask before you sign

1. What's included in the APR and what's not?
2. Is the interest rate fixed or variable
3. Are there fees for paying off the loan early?