



FAQs

Supplemental Line of Credit

Q. Why did Alloya require capital before offering a line of credit, when now you are offering a line of credit without capital?

A. Alloya still requires members to contribute capital based on settlement activity. Many members have inquired about increasing their line of credit but are unable to contribute additional capital. The Supplemental Line of Credit serves this need. It is designed to enable members to effectively position their liquidity to meet seasonal cycles and fluctuating business demands at any time throughout the year. In addition, your capital-based line remains free and more flexible. Alloya still recommends additional capital contributions to access a larger line where possible.

Q. Why do you charge a fee? You already review my financial statements.

A. Alloya's capital plan is based on activity, meaning members contribute based on their transactions with Alloya. In keeping with this model, those members who want access to a larger line but do not want to or cannot contribute capital will contribute in the form of a fee.

Q. Can any member get additional availability?

A. No. The Supplemental Line of Credit is available only to members with an acceptable credit profile who have contributed capital at the minimum level.

Q. What collateral do I need?

A. Most Alloya members have pledged all assets to secure their line of credit. In almost all cases no additional collateral needs to be pledged. In those cases where specific collateral is pledged, additional collateral may have to be pledged to secure the availability of the additional line.

Q. How else does the Supplemental Line of Credit differ from my capital-based line?

A. The Supplemental Line of Credit may only be used for term debt up to 365 days, while the capital based line can be used for term loans of a longer duration.

Q. How much should I report as "line of credit available" on my 5300?

A. Report the total amount of your capital-based line and your supplemental line.

Q. How does this fee compare to bank lines of credit?

A. When available, which is becoming more rare, banks will typically charge a 1% origination fee and a 0.25%-1% unused fee per year.