

Bank of America casts a wider net with secured small-business card

Article

The news: Bank of America launched the Business Advantage Unlimited Cash Rewards Secured credit card for entrepreneurs and small businesses, per a press release. It also introduced the Start a Business Center (a small-business digital resource library) and plans to launch the Secured Business Advantage Credit Line later this year.

Here's how it works: The card carries no annual fee and lets customers choose a credit line deposit between \$1,000 and \$10,000 to act as their credit limit.

- Cardholders earn unlimited 1.5% cash back on all transactions and can qualify for Bank of America's Preferred Rewards for Business program.
- The card can help build or improve cardholders' credit. Bank of America will periodically assess account activity to upgrade qualified clients to other cards.

What this means: Because the card is self-funded, its main advantage is helping users build credit, which could appeal to entrepreneurs and small-business owners with poor or thin credit histories.

The credit-building feature can help new entrepreneurs who want to establish healthy credit histories for their businesses. With a sufficient credit score, they can potentially upgrade to an unsecured card that offers enhanced rewards and purchasing power.

The opportunity: The card lets Bank of America cast a wider net and reel in business customers that have the potential to become stronger revenue-generating sources down the road.

- Users who improve their credit scores with the secured card may be more likely to stick with Bank of America for more advanced credit solutions because they've already established a relationship with the issuer. Bank of America can upgrade those users to more profitable cards and offer other financing tools like loans and lines of credit—two of the most sought-after financing products by small businesses, [per](#) the Federal Reserve.
- The issuer's new offerings might also help Bank of America ward off fintech competition by making it easier to access more robust financing solutions. Fintechs have tapped into small-business demand for financing solutions and pose a threat to players like Bank of America: **20% of small businesses** that applied for credit in 2020 went through online nonbank lenders, and **that share rose to 27%** in 2021, [per](#) the Fed.

Financing and Credit Products Sought by US Small Businesses, Oct 2020

% of respondents

Loan or line of credit

89%

Credit card

21%

Merchant cash advance

8%

Trade credit

8%

Leasing

7%

Equity investment

6%

Factoring

3%

Other

3%

Note: n=3,382; small businesses have less than 500 employees; excludes emergency funding applications

Source: Federal Reserve Banks, "Small Business Credit Survey: 2021 Report on Employer Firms" in collaboration with the NORC at the University of Chicago, Feb 3, 2021

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