

# What is a lien?

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We're glad you asked, because this is something that confuses a lot of people. In a nutshell, a lien is a legal right granted over property to make sure payments are made on a debt. It's pretty common for lenders to place liens on property that is used as collateral for a small business loan.

The property doesn't change hands as long as payments are made and the borrower doesn't default. However, if the borrower fails to repay the debt, then the lien gives the lender the right to seize the property to recoup some of the financial losses incurred by the unpaid debt.

While this might sound a little bit scary, remember that the property only changes hands if the debt obligation isn't fulfilled - nothing happens as long as regular minimum payments are made.

When you apply for a small business loan through Lendio, our funding managers take the time to explain every nook and cranny of your loan, including whether a lender may place a lien on your property. We want you to understand all the benefits, obligations, and risks so you can choose the best loan for your business.

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