

Advisor Business Loans

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## How To Get A Business Loan In 5 Steps

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begin or which documents are required.

Here's a simple guide that walks you through the process of evaluating your options and how to apply for a small business loan in five easy steps.

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Via OnDeck's Website

Loan amounts	\$5,000 to \$250,000
APR	Varies by loan
Minimum credit score	625

## 1. Decide Why You Need Financing

There's more than one kind of small business loan. Deciding why you need financing will help you choose the right kind of loan. Here are a few common scenarios:

**Buy new equipment** Some [lenders offer equipment loans](#). This type of loan is designed to help you purchase business equipment, like machinery or office furniture. The loan is secured by the equipment, so the lender can seize it if you fail to repay the loan.

**Borrow a small amount of money.** If you need to borrow a small amount of money, consider applying for a microloan. The U.S. Small Business Administration (SBA) has a Microloan program that allows qualified applicants to borrow up to \$50,000. In addition, there are not-for-profit organizations that offer microloans, such as Kiva and the Women's Microfinance Initiative.

**Establish a business.** Since most lenders have minimum time in business requirements, it can be tough to find one that will issue you a [startup loan for a new business](#). If you're just starting out, you may have to apply for a microloan or a [business credit card](#). You may find it easier to qualify for a [business credit card](#) than other types of business loans since approval is based on your personal credit score.

**Pay for day-to-day operations.** A [working capital loan](#)—a short-term loan used to cover daily expenses, like

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your funding quickly, some options may be better than others.

Many loans, including loans from banks and credit unions, can take 30 or more days to be funded. Yet, this can vary based on the lender and your application, including if any asset backing the loan needs to be assessed.

If you need a quick turnaround time for funding, some SBA loans can be funded within 10 days, and there are online lenders that offer [fast business loans](#). These loans, which include both traditional loans and equipment loans, can be funded within a day in some cases.

## 2. Check Your Eligibility

Although [business loan](#) requirements vary, here are four things lenders are likely to consider when reviewing your [small business loan](#) application:

**Credit score.** When you apply for a business loan, a lender will review your personal and [business credit scores](#). They help the lender assess the likelihood you'll repay your loan. In general, the higher your credit score, the greater your chances of loan approval and receiving a low interest rate.

**Collateral and/or personal guarantee.** Some lenders require you to pledge [collateral](#)—something of value, such as equipment or inventory—it can seize if you default on the loan. Some lenders may also require a personal guarantee, meaning you have to secure the loan with personal assets, such as your savings, home or other valuable possessions.

**Time in business.** A traditional bank typically requires a business to have been in operation for at least two years, while an online lender usually requires only one year. If you've been operating your business for less than one year, don't get discouraged. Some online lenders will approve qualified applicants who have only been in business for six months.

**Annual revenue.** Your total annual sales are also a relevant factor. Before applying, ask a lender what the requirements are and review your business finances to see if you meet them.

## 3. Compare Business Lending Options

There are several places you can find small business loans. Here are four of the most common types of lenders.

**Online Lenders**

**Traditional Banks**

**Microlenders**

**SBA Lenders**

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# Business Loan Calculator

Calculate the costs and payments of a business loan.



Loan amount

50,000

Loan term

5

Year



APR

5

%

Calculate

**Total Cost**

**\$56,613.70**

Monthly Payment

**\$943.56**

Total Interest

**\$6,613.70**

[Show Amortization Schedule And Graph](#) ▾

## 4. Gather the Required Documents

Once you understand your lending options, gather the required documents. A lender will likely ask for these items:

Personal and business tax returns

Business licenses

Articles of incorporation

Personal and business bank statements

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Loan amounts	\$500 to \$5 million
APR Range	As low as 3%
Minimum credit score	560

[Details](#)

## 5. Submit Your Application

The final step is to submit your small business loan application. Depending on what lender you've decided to work with, you can do this online or in person.

Here's some information a lender might ask for:

- Your name
- Business name
- Social Security number (SSN)
- Desired loan amount
- Loan purpose
- Business Tax ID
- Annual revenue

Once you submit your application, you'll have to wait for an approval decision. If your loan is approved, a lender will send you a loan agreement to sign before issuing your funds or a line of credit you can draw from.

## Types of Business Loans

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**Term loans.** Term loans are traditional installment loans that are repaid over predetermined terms. Banks, credit unions and online lenders all offer these loans and while some have limited uses, many can be used for most business-related expenses. They're typically available up to \$500,000 with APRs starting around 9%.

**Lines of credit.** A [business line of credit](#) is a form of financing that your business can draw from on an as-needed basis, making it a good option for ongoing cash flow issues. The borrower has access to the line of credit for a set period of time up to a predetermined limit. Once that draw period is over, the borrower has to repay the loan, with interest. APRs are typically anywhere between 10% and 99%.

**Invoice factoring and financing.** With [invoice factoring](#), your business sells outstanding invoices to a factoring company at a discount. This can be an effective way to get paid for outstanding invoices quickly, rather than waiting for customers to pay. APRs for invoice factoring are typically between 10% and 79%.

**Merchant cash advance.** A [merchant cash advance](#) works by giving a lender a portion of your future sales, making this a good option for businesses that have a high volume of sales and need cash quickly. A lender will lend your business money and then that money will be repaid with a percentage of your sales on a daily or weekly basis.

**Equipment financing.** [Equipment financing](#) funds the purchase of equipment or machinery, with the purchased equipment backing the loan. These loans can be used for anything from office furniture to manufacturing equipment, and terms can be as long as 25 years with limits of up to \$1 million.

#### Pro Tip

Before applying for a business loan, thoroughly evaluate your business needs. Determine the purpose of the loan, whether it's for expansion, working capital, equipment purchase or something else. This will help you choose the most suitable loan type.

## How To Get Approved for a Business Loan

Business loan eligibility requirements vary by lender, but in general, you and your business must meet these qualifications to get a business loan:

**Credit score.** Most lenders will require a personal credit score of at least 670. If your business has been in operation for at least two years, many lenders will also have [business credit score](#) requirements.

**Time in business.** Lenders will often require your business to have been in operation for at least six months to two years.

**Business revenue.** To qualify for a business loan, your business will need \$100,000 to \$250,000 in annual business revenue.

## How To Choose the Right Business Loan for You

Choosing the best business loan comes down to comparing loans you qualify for and determining which loan is the

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**Repayment terms.** Terms for business loans can range from one year to 25 years. Choosing a long loan term can decrease your monthly payments but increases how much interest you'll pay over time. The right loan term for you depends on your goals and what installment payments you can afford.

**Funding speed.** While business loans from major banks might provide competitive rates for borrowers with strong credit, the application process can be cumbersome. If funding speed is a high priority, online lenders may offer faster funding.

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Loan amounts	\$5,000 to \$3,000,000
APR range	Varies by product
Minimum Credit Score	550

[Details](#)

## Frequently Asked Questions (FAQs)

- + How hard is it to get a business loan?
- + What credit score is needed for a business loan?
- + How can I get a business loan with no money?
- + Can I get a business loan with bad credit?
- + How can I get approved for a business loan without collateral?
- + How can I get a business loan from a bank?

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