

# Five Steps to Secure Your Small Business Loan

By Forbes Advisor

Your chances of approval depend on the lender's requirements and how well you meet them, so applying with little to no preparation risks denial. Experts at Forbes Advisor offer their guidance and the five steps you need to follow to secure a small business loan.

## 1. Consider Why You Need a Loan

There are various types of small business loans, some of which will be more suitable based on your financing needs. For instance, if you require more equipment for your business, such as computers and printers, you can apply for an equipment loan. However, the lender can seize any equipment you finance through the loan if you fail to repay because the asset serves as collateral.

Alternatively, you can apply for a working capital loan, which you can use for business operating expenses such as payroll. You can even apply for a microloan if you only need to borrow a small sum.

These are just some of the options that you can choose from, so it's essential to consider what you need most before you start browsing for loans.

## 2. Evaluate Your Eligibility

Your personal and business credit score is one of the main factors that lenders will take into consideration. A higher credit score increases your odds of approval and receiving a low interest rate.

Additionally, lenders may require you to pledge collateral, meaning a valuable item like equipment or real estate that the lender can seize if you default on the loan. Lenders also typically require a personal guarantee, which means you legally agree to repay the loan with your personal assets if the business cannot.

Lenders also look at the amount of time you have spent in business. A traditional bank will typically require two years of operation, but an online lender may accept businesses that have been in business for as short as six months to one year.



Annual revenue is another consideration for lenders, so it is important to find out their requirements for annual sales, typically \$100,000 to \$250,000, and then assess your business to see if you qualify.

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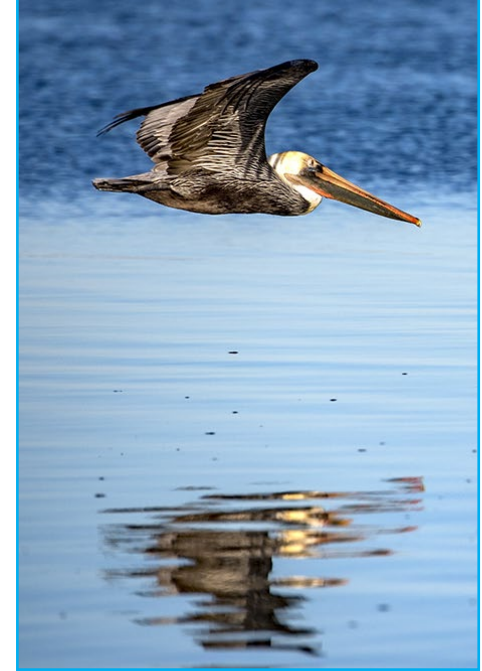
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