



# 5 THINGS YOU MUST KNOW

TO MAXIMIZE YOUR  
CHANCE OF  
GETTING A  
BUSINESS LOAN



## Business loans have been a great part of companies' success especially in their first years

because they are frequently used to acquire inventory, purchase equipment, rent operating space, recruit staff, and pay for a variety of other needs when starting a business or growing an existing one.

New companies, on the other hand, may find it difficult to get business loans.

Be mindful of these five potential stumbling obstacles if you want to receive a loan.

You will also get some tricks along the way to deal with those challenges.

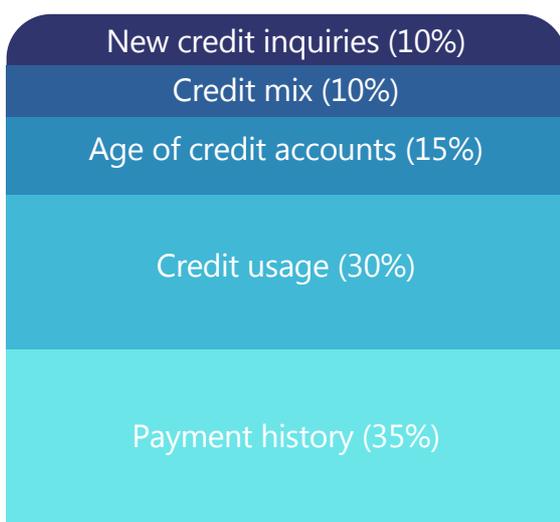
If you're ready, let's get started.

## 1. BAD BUSINESS OR PERSONAL CREDIT

When you apply for a small company loan, your business and personal credit score may be one of the most significant criteria a lender considers. According to a poll conducted by the National Small Business Association, 20% of small business owners who applied for funding were denied because of a poor credit score.

Your company credit information shows lenders how you've handled credit commitments in the past and if you'll be able to pay your bills on time in the future. It's a good idea to check your company credit reports before applying for a small business loan to make sure they're in good shape.

### THERE ARE FIVE DISTINCT FACTORS THAT BUILD A CREDIT SCORE:



### 5 ways to raise your credit score quickly

- Analyze your credit score to see why it is so low.
- Reduce your credit usage % by paying down your revolving credit as much as possible (ideally keeping it as low as 10% for a better credit score improvement)
- You can also request to increase your credit limit to help you respect that ratio.
- Remove everything that isn't correct (especially late payments).
- Add yourself as an authorized user to a long historical account with a good payment record and, ideally, a low use rate. Ideally, that account is from someone you trust, like friends or relatives. Without any effort, this is the quickest way to improve your score.

## 2. CASH FLOW CONSTRAINT

When it comes to measuring the health of your business, cash flow is the way to know how much cash you have on hand to repay a loan. It's generally the first thing lenders look at. Low cash flow is a problem that most lenders cannot afford to ignore. As a result, it's the first element you should think about when evaluating whether you can afford a loan or not.

Calculating your cash flow at least quarterly is one of the preventative strategies. That way, you get a better view of your finance and cut out any unnecessary costs to optimize your cash flow before meeting potential lenders if you take that step.



### HOW TO KNOW HOW MUCH YOU CAN GET?

Divide your net operating income by your total yearly debt to establish your debt service coverage ratio, which will tell you how much of a loan payment you can afford.

If your cash flow is equal to your monthly loan payments, you'll have a ratio of one.

Though a ratio of one is okay, lenders prefer a ratio of 1.35, which shows you have a financial cushion.





### 3. LACK OF A WELL-THOUGHT-OUT BUSINESS PLAN

Although it's not unusual for very small firms to operate without a formal business plan – or even a plan at all – you'll still need to invest the time and effort necessary to create a complete business plan before contacting a lender.

Your chances of getting the huge loan you desire are low if you don't have a written strategy in place with financial data and projections.

A typical business plan contains a summary of your company, market, products/services, and financials.

You should also be prepared to describe how you intend to use the funds you seek and your plan to repay it

#### **Important: BE SPECIFIC**

For example, instead of asking for \$50,000, say that you will need \$37,000 to hire new people, \$10,000 to buy equipment, and \$3000 on advertising)

#### 4. AN EXCESSIVE NUMBER OF LOAN APPLICATIONS

Some business owners believe that by asking for many loans at once, it would be sufficient to cover all of their bases. They will be able to select and choose from a variety of prospective offers this way. But, opening too many loan applications at once, might raise red flags with credit bureaus.

#### 5. LACK OF ORGANIZATION

Business owners must have their act together before approaching potential lenders.

That includes having all the documents you'll need to submit your loan application on hand.



### GOOD TO KNOW

#### What to include in your documentation?

When applying for small company loans, it's crucial to know what information the lenders want so you can find the required documentation. Typically, you'll require the following documents:

- Personal and business financial statements
- Tax returns from the last three years
- Three months' worth of bank statements
- Reports on accounts receivable and a detailed business plan
- Evidence of ownership of the business (business licenses and registrations, etc)



---

## **BONUS - NEGLECTING TO SEEK PROFESSIONAL GUIDANCE**

Lenders want to see that you've thoughtful advice from a qualified specialist before applying for a loan.

Accountants are an example that provides valuable assistance to small business owners. That's why, at Rapid Finance, on top of our lending service, we offer financial advice, so you can put all the chance on your side and get the loan that you need.

If you are looking to receive a loan for your business, our unconventional method of financing has supported the growth of numerous Canadian businesses of all sizes, allowing them to realize their project and grow. Our goal is to accommodate your business not just quickly but also efficiently. Because of our high approval rate, you might get your business loan in as little as 24 hours.

**Apply online at**

**[RAPIDFINANCECO.COM/APPLY-NOW](https://RAPIDFINANCECO.COM/APPLY-NOW)**

**Or by calling us at**

**514-342-4488**

And start seeing your business grow to its full potential!

We are glad to meet you soon.



**FURTHER  
WAYS TO  
CONNECT  
WITH US**



514-342-4488



[www.rapidfinanceco.com/](http://www.rapidfinanceco.com/)



4480 Ch. de la Cote de Liesse  
Suite 311  
Mont-Royal, Qc H4N 2R1



@rapidfinanceco