

Busting the 5 myths about small business lending

[Literature](#), [Mythology](#)



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With the growing accessibility of information online, modern entrepreneurs in search of to grow their businesses have a huge leg up on generations past. Yet for every bit of accurate and genuinely helpful advice, there is an increasing amount of misinformation and myths surrounding the small business lending space. Unfortunately, much of that misinformation can give business owners a false sense of their own eligibility for .

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Don't miss out on opportunities to secure funding for your business due to false information. Let's separate fact from fiction and bust five of the most common small business lending myths we hear every day.

Myth 1: Approval takes forever

Whether you're itching to move forward with a new business idea or need cash quickly to cover an unexpected expense, one of the most common questions business owners have when applying for funding is "How fast can I get cash in hand?"

You may hear from well-meaning friends and relatives that getting approved for a business loan can take weeks or even months, but that information is outdated. With new online loan applications, an organized business owner can complete their application in less than an hour, and it can be reviewed and approved within 24 hours of submission. Many lenders can even offer cash in hand in as little as two days.

While some borrowers may take additional time to gather financial statements or get their credit reports in better shape, once you hit "submit," the approval practice is very efficient. Don't let the fear of a long approval process hold you back from seeking a loan.

Myth 2: New businesses never qualify

The startup funding quandary is a difficult one. You need an established business to secure funding, but you need cash in hand to get your business off the ground. Seeking funding from or angel investors is a popular route for securing startup funding, but is it the only way?

Many startup entrepreneurs assume they need to be in business for a few years and have established business credit before they can qualify for a loan.

However, more and more lenders are specifically offering startup loans that require little or no business credit history to qualify.

Applying for a startup loan will involve more scrutiny into your personal finances than other types of business loans. Your personal credit score will be the most important part of the application. You may also be faced with less favorable rates than you would receive as an established business. But if you're committed to finding funding and open to the necessary conditions, securing a loan for your brand new business is possible.

Myth 3: Online lenders are con artists with unreasonable rates

We get it. The online alternative lending market is relatively new, and people are skeptical of new things. Unfortunately, many unscrupulous and brokers have engaged in predatory and dangerous lending practices, giving the entire industry a bad rap.

But in reality, some alternative lenders operating online offer single-digit interest rates. Those offering higher rates are often working with borrowers who are considered risky. Online lenders regularly consider a wide variety of borrower credentials aside from just the traditional credit report and score. Business owners who were turned down by their bank can frequently find the funding they need online.

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As with any financial transaction, it's critical that business owners do their about an online lender before signing the dotted line.

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Myth 4: Loan officers only care about your credit score

This myth, carried over from the outdated traditional bank model for loan approvals, can leave business owners with less-than-stellar credit feeling hopeless about their funding prospects. Luckily for these entrepreneurs, growth in the alternative lending sector has led to a larger spectrum of factors being considered in the loan approval process.

Many lenders will now give equal weight to your company's revenue history, and other financial documents in determining your loan eligibility. This information often paints a very different picture of a business and its owner's financial standing than what a credit score alone can convey.

Even so, before applying for a business loan, it is still important to take steps to make your credit report and score the best possible reflection of your financial history. Always make debt payments on time and manage your credit usage responsibly. Also frequently check your credit reports for accuracy. If you find errors, contact the reporting agencies to correct the mistakes.

Myth 5: Approval is determined by a heartless algorithm

Once upon a time, entrepreneurs seeking small business funding could walk into their local community bank, build face-to-face relationships with managers and loan officers and be confident they understood the whole picture behind their loan application, including the cold hard numbers as well as the more intangible elements of their qualifications as borrowers.

These days, technology has all but replaced those in-person banking relationships, creating the impression that loan approval decisions are controlled by nothing more than a few concrete variables and an algorithm saying “ yes” or “ no.”

But while you may have lost the ability to look your loan officer in the eye and strike a deal with a handshake, the modern funding process isn't actually as impersonal as this suggests. In reality, lenders consider a wide variety of objective, number-based factors as well as more subjective considerations, like your business and .

If you're concerned about certain elements of your loan application, like your credit score, take the time to flesh out your business plan, fully explaining how the funds you are borrowing will be used and how this investment will lead to a successful business. You'll read more about credit scores later in this chapter.

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Ultimately, your lender's main consideration is whether you will make your loan payments on time, every time. Your loan application should, both through financial documents and through your written statements, paint the best possible picture of your future ability to repay the loan.

If you do your research, stay organized and clearly and concisely convey this information to lenders on your loan application, your chances of being quickly matched with a loan will tremendously improve.