
Getting to *Loan Ready*

If you do not currently qualify for a loan but are interested in obtaining financing for your business in the future, there are a number of steps you can take to strengthen and prepare your application before you approach a lender. By completing these steps in advance of submitting an application, you can increase your chances of getting approved and help to ensure that you are considered *loan ready* by the lender.

Improve Your Credit Score

Many loan applicants are turned down due to low credit scores. However, there are resources available to help you improve your credit.

The first step is to learn what contributes to your credit score and get a copy of your credit report. This information can be found at www.nyc.gov/nycbusiness under the Financing Assistance tab, in a document titled "[Understanding Your Credit](#)." You can also obtain a copy of your credit report at www.annualcreditreport.com

After you have obtained a copy of your credit report and read through the "Understanding Your Credit" document, you may want to consider getting help from a credit repair counselor. To learn more about how to improve your credit and find a credit repair counselor, visit the Office of Financial Empowerment on the web at www.nyc.gov/ofe

Demonstrate Sufficient Cash Flow

In order for your loan application to be approved, the lender must be confident that you will have enough money to make your monthly loan payments. Small business owners and entrepreneurs can help to demonstrate adequate cash flow by :

1. Paying off existing debt
 - a. Reducing personal and business debt to a reasonable level is a key factor in demonstrating your ability to make monthly loan payments
2. Increasing profits
3. Accumulating savings
4. Reporting profits accurately on tax returns
 - a. Many small business owners do not accurately report their income and profits on their taxes and are therefore unable to demonstrate sufficient cash flow when lenders examine tax returns to verify profits

To get an estimate of monthly loan payments and to help determine whether or not you have sufficient cash flow to afford the loan you are seeking, use loan calculators such as those found on www.bankrate.com.

Correctly Prepare Supporting Financial Documentation

Assembling and correctly completing supporting documentation is a necessary step to ensure that your loan application is taken seriously and processed quickly. While lenders differ in the documentation they require as part of the loan application process, the following documents are commonly requested:

- Business plan
- Written explanation justifying the amount you wish to request and how it will be used
- Credit report
- Personal income tax returns (*previous 3 years*)
- Bank statements (*previous 3 months*)
- Cash flow projections

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- Profit and loss projections
 - Lease
 - Debt summary statement
 - Personal Balance Sheet
 - Balance sheet and profit and loss statements (operating businesses only)
 - Copies of business income tax returns (operating businesses only)

After you have gathered the documents above, an Account Manager from an NYC Business Solutions Center can provide technical assistance to ensure that your documents are completed correctly and help you to identify an appropriate lender or next steps.

Create a Strong Business Plan

A strong business plan is a key component of the loan application for startup businesses. NYC Business Solutions offers two courses that can assist you in drafting a business plan: Business Planning Basics and Entrepreneurship Bootcamp. To find out more about NYC Business Solutions courses and to register for a course, please visit us on the web at www.nyc.gov/nycbusiness.

Obtain Permits, Licenses, and Other Documentation Required to Legally Operate Your Business

In order to legally operate your business and to qualify for a loan, it is important that you obtain all required permits and licenses. Depending on the type of business, you may also be required to obtain insurance.

To assist you in this process, the Department of Small Business Services offers NYC Business Express (www.nyc.gov/businessexpress), an online, one-stop tool that makes starting, operating and expanding a business clearer, faster and simpler. The website provides all of the license, permit, tax and incentive information and applications businesses need to operate in New York City.