

Choosing the Right Loan



Given the wealth of options, finding the right business loan can seem very challenging. It is important to research information about the loan product and application process before approaching a lender for a loan. Here are some useful resources designed to help you make smart credit decisions.

Loan Products: Loan and business credit products commonly fall into two categories: short-term (business credit cards and lines of credit) or long term (term loans). Generally, short-term loans have to be repaid within one year, while long-term loans have a repayment period of one year or longer. Click on the links below for more information on small business loan options:

1. [“Credit Fundamentals – Learning the Basics”](#) (Citibank)
2. [“Credit Fundamentals – Other Credit Options to Consider”](#) (Citibank)
3. [“Credit for Small Businesses”](#) (Capital One)
4. [“Business Guidance – Financing Options”](#) (HSBC)

Loan Features: When choosing a loan amount, you should consider the features of the loan. Two key loan features are: repayment term and interest rate.

Repayment term: The repayment term determines the amount of time you have to repay the loan and whether you will be expected to make payments in installments or in a one lump sum.

Interest rate: An interest rate is the cost of borrowing a loan and is added to the total amount you borrow from a lender. Interest rates are either fixed or variable. Fixed rates remain the same and variable rates can adjust at any time during the loan repayment term. Here are some links that help you understand these two key loan features:

1. [“Credit Fundamentals – How Much Can You Afford”](#) (Citibank)
2. [“Small Business Loan Calculator”](#) (TD Bank)
3. [“Repayment Calculator”](#) (Wells Fargo)

Loan Approval Criteria: Lenders generally evaluate loan applicants on five factors when deciding whether to approve a loan, also known as the Five C’s of Credit. Click the links below for more information on what lenders consider before making a loan approval decision:

1. [“What Lenders Look For”](#) (Wells Fargo)
2. [“Financing Your Business: Step 3 – The Five C’s of Credit”](#) (Chase)
3. [“Credit Fundamentals – The Five C’s of Good Credit”](#) (Citibank)

Loan Application Process: In addition to the application, lenders will ask you to provide several supporting documents in your loan application package. Preparing a strong loan application package can improve your chances of being approved. Regardless if you are applying for a traditional loan or a SBA loan, here are some tools that will help you know what to expect during the application process:

1. [“Financing Your Business: Step 4 – Gathering Documentation”](#) (Chase)
2. [“Credit for Small Businesses: Applying for a Business Loan”](#) (Capital One)
3. [“Business Guidance – Application Process”](#) (HSBC)
4. [“Credit Fundamentals – Applying for Credit”](#) (Citibank)
5. [Video Discussion on “Tips to Prepare Your SBA \(loan\) Application”](#) (Wells Fargo)

To learn more about any of these topics, please enroll in the next [Business Financial Management](#) at your local NYC Business Solutions Center.