

THE INS AND OUTS OF
QUALIFYING
FOR A SMALL
BUSINESS
LOAN



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INTRODUCTION

Even when things are going smoothly, it's not uncommon for business owners to need outside cash infusions from time to time. No company is immune from incurring unbudgeted expenses. And in the event they want to grow, businesses need access to cash so they're able to absorb these expenses while keeping the rest of their operations running like clockwork.

As mentioned in our previous ebook, there are a number of funding options available to restaurateurs and construction business owners. They can decide to sell a stake in their business to an investor, but in the process they give up control of their company. They can partner with an organization that offers invoice factoring or merchant cash advances, but they have to be willing to forego a significant chunk of their revenues in order to do so. They can even raise their prices a bit in order to generate additional revenue—but at the risk of alienating their customers.

Due to the downsides associated with the aforementioned financing options, a majority of business owners choose a more traditional source of funding: loans. In fact, according to a recent study by the Small Business Administration, **63% of business owners** who are looking for funding have their sights set on securing small business loans.

Unfortunately, that same study revealed that only 27% of business owners who apply for loans through traditional banking institutions actually had their applications approved. Phrased another way, nearly three out of four business owners who go through the seemingly endless amount of hoops needed to apply for a traditional loan are ultimately doing so in vain.

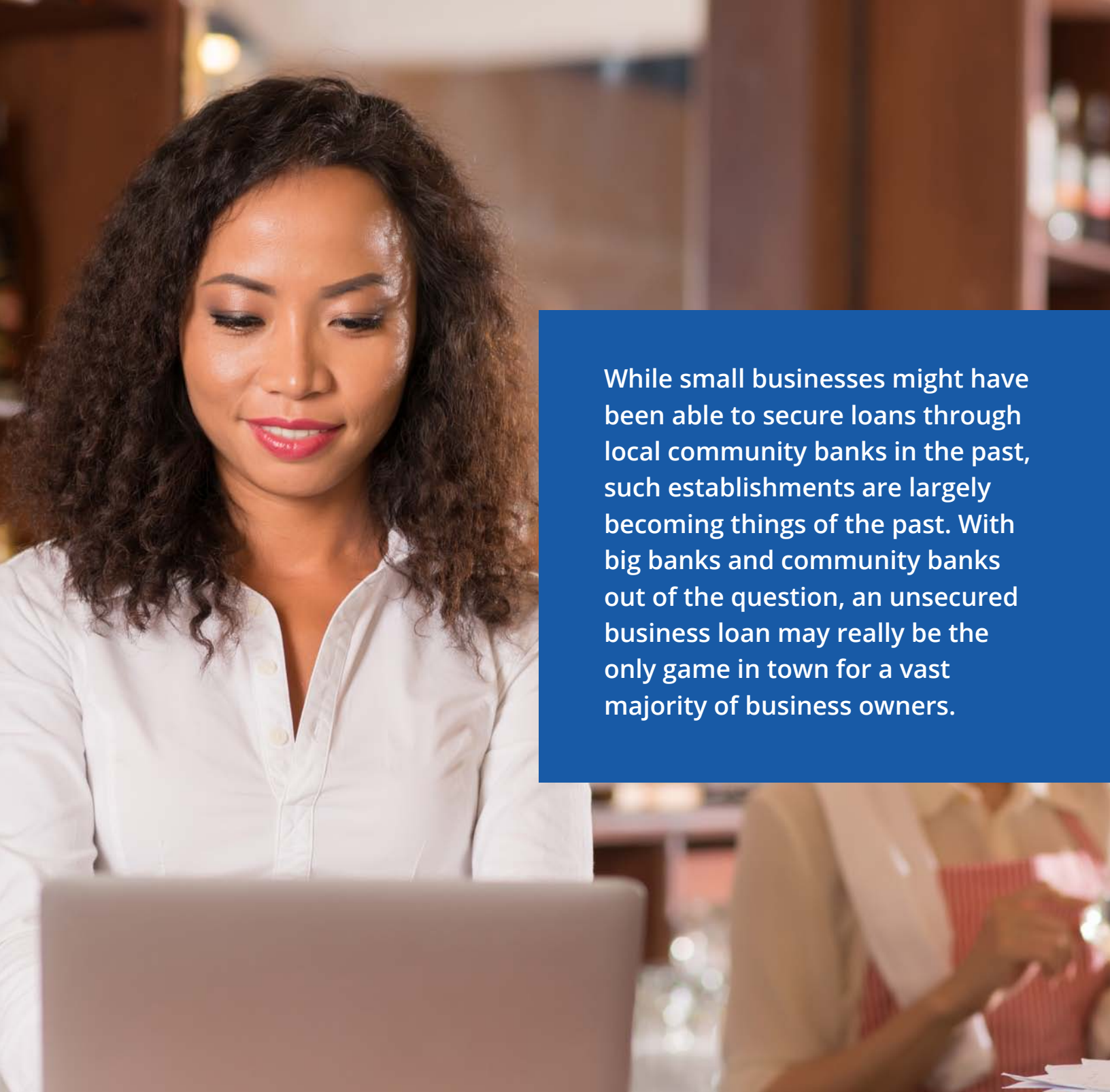
Why is that?



In the aftermath of the recent financial collapse, **banks have understandably tightened their purses**. Instead of taking on the risks associated with lending money to new companies or businesses that have less than ideal credit scores, traditional financial institutions will generally only fund owners who have enviable creditworthiness from both a personal and business perspective. So long as they're trying to borrow hefty sums of money, that is, as banks typically like to lend to the highest bidder. Large corporate banks simply find that it's not profitable enough to underwrite small business loans due to a number of stringent requirements—which require a lot of work to process.



Generally speaking, banks will ask you to provide a wealth of personal information (e.g., current and previous addresses, criminal history and education level). They'll also make you present a comprehensive business plan that explains your restaurant or construction company in great detail—from your mission statement to the products you offer to how you market your brand and everything in between. Most banks will also ask you to submit a few years' worth of income tax returns (again, both personal and business), as well as your company's financial statements. If all that wasn't enough, many banks will ask you to put up collateral—like your home, your car or even your business—in order to secure financing. That way, in the event you default on your loan, the bank doesn't take a huge financial hit. Instead, it can recoup its losses by seizing your collateral.



While small businesses might have been able to secure loans through local community banks in the past, such establishments are largely becoming things of the past. With big banks and community banks out of the question, an unsecured business loan may really be the only game in town for a vast majority of business owners.

When you're running your own business, time is money. Many small business owners simply don't have endless hours to devote to going through a long, drawn out loan application process only to likely face rejection. On top of that, a good chunk of them simply don't want to risk putting up collateral—assuming they have it in the first place.

UNSECURED SMALL BUSINESS LOANS ARE MORE POPULAR THAN EVER

Luckily, small business owners—even those with poor credit scores—aren't completely out of options. Instead of applying for small business loans through traditional financial institutions, **many of them are turning to alternative non-bank lenders** to secure the funds they need to take their companies to the next level.

Small business owners can't afford to sit around crossing their fingers and hoping a bank signs off on their loans. When money is needed, it's needed quickly.

The good news is that, unlike their more traditional counterparts, alternative lenders don't force loan applicants to fill out endless amounts of paperwork. In fact, the application process can be wrapped up in as little as 15 minutes. If approved, funds can be available the next day. And as an added bonus, many alternative lenders don't require borrowers to put up any collateral in exchange for funding, which makes the loans they issue unsecured.





Because alternative lenders are willing to give significant sums of money to newer businesses without asking for any collateral in return, unsecured loans are considered riskier than their more traditional counterparts. As a result of lenders taking bigger chances, interest rates attached to these loans may be higher. While these higher rates may scare some business owners, so long as they have a plan for the money and an expected rate of profit that exceeds the interest rate, they shouldn't worry.

Due to the more liberal lending policies of these alternative institutions and the fact that they're able to fund small businesses within one or two days, there's no shortage of small business owners who are eager to apply for this type of funding—particularly since many of them are unable to get funds anywhere else.

Are you interested in obtaining an unsecured small business loan for your restaurant or construction company? If so, it's time to get your ducks in order and familiarize yourself with the loan process—if for no other reason than to make it as simple as possible.

WHAT INFORMATION DO YOU NEED TO APPLY FOR AN UNSECURED SMALL BUSINESS LOAN?

As you begin your search for an unsecured small business loan for your business, you'll quickly see that there are a ton of lenders to choose from. But before you begin the application process with any of them, you'll first need to put together some documentation and other information. This includes:



Business Information

Lenders can't exactly fund your company if they don't know where to send a check. Prior to applying for an unsecured loan, gather general information about your business—its legal name and address, the business tax ID number, the type of entity your company is (e.g., partnership, LLC or sole proprietorship), the date you incorporated your business and what industry you operate in. You'll also need to tell your lender whether you rent or own your business property.



Personal Information

Aside from your business information, alternative lenders will also want to know some things about you personally. Be sure to have your social security number, home address, phone number and email address handy.



Bank Statements

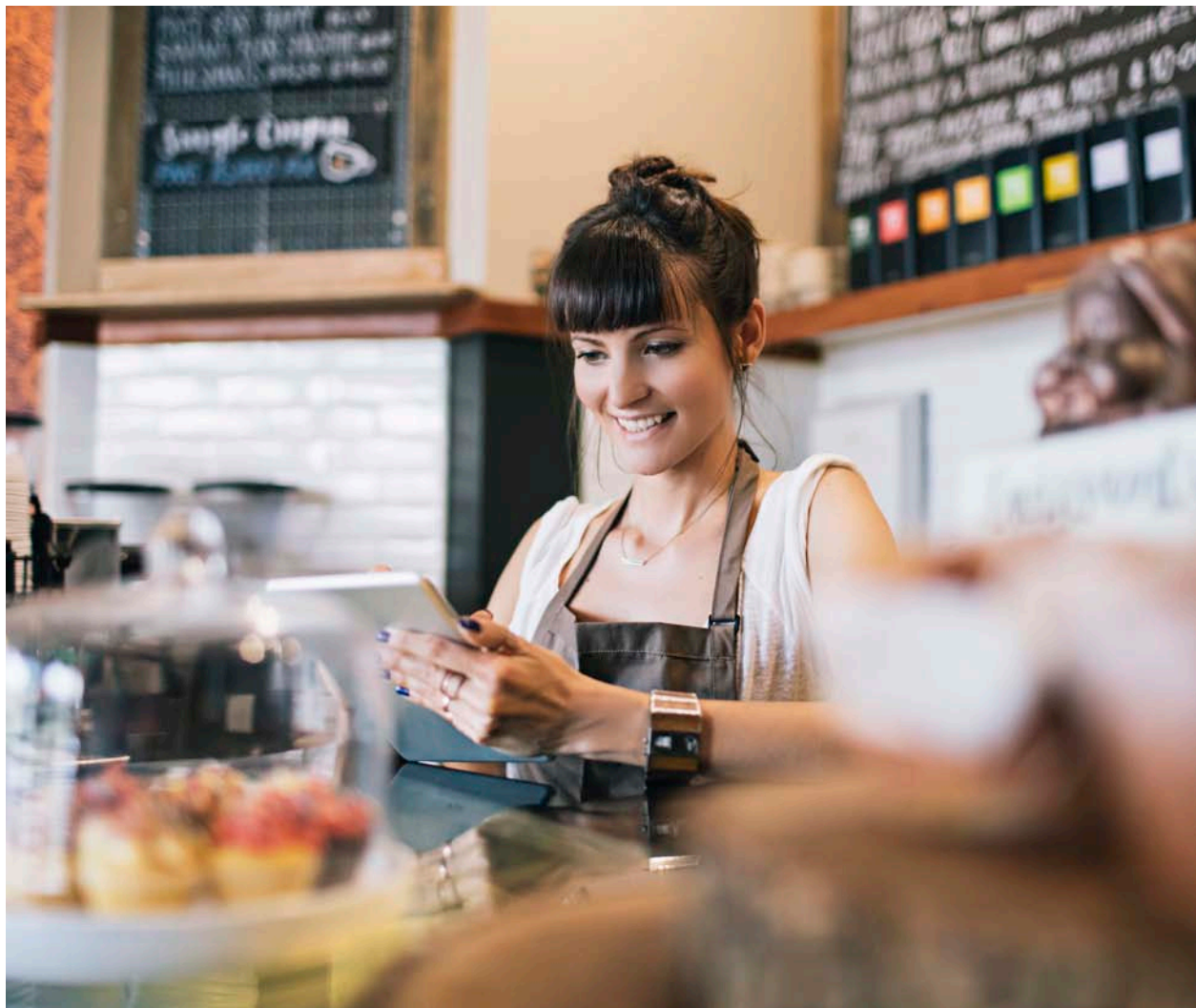
Traditional financial institutions require loan applicants to submit a wealth of financial statements. While they need much less information to make a decision, alternative lenders will still ask for around three months' worth of your business' banks statements. This makes sense—especially considering the fact that alternative lenders don't require collateral for unsecured small business loans. Lenders need at least some data to base their decision on.



Investment Ideas

There's no sense in applying for a loan if you have no idea what you're going to use the money for. Most lenders will require you to submit some information relating to how you plan on using the loan. You don't have to get super specific; generally speaking, most lenders will allow you to use the money for any business expense. Just know whether you're likely to use the money to cover marketing expenses, buy new equipment or hire additional construction workers or wait staff—that sort of thing. You'll also need to have a ballpark idea of how much money you're going to ask for as well as how soon you need funding. Two things to remember: Don't take out considerably more money than you need unless you're okay with incurring unnecessary interest expenses. And if you don't need money overnight, you may be able to receive a more favorable rate.

Once you've assembled all of this relevant information, your company is one step closer to securing the funds it needs to reach the next level. Now it's time to take a look at the next steps in the process.



THE LOAN PROCESS: PLANNING & TIMELINES

Contrary to what you might think, applying for an unsecured loan is incredibly easier than filling out a form at the nearest bank. For starters, most reputable alternative lenders have solid web presences. Great lenders enable you to complete the entire application process online—which should take you 15 minutes or even less. Talk about convenience.

To get started, you first need to find a lender you want to partner with. Do your due diligence by spending a decent amount of time researching your options. Look for lenders that have been in business for an extended period of time. The best lenders will be favorably reviewed by a number of satisfied customers, and chances are they'll have great grades from the Better Business Bureau. Once you've tracked down a lender you want to work with, it's time to begin the application process.



How will an alternative lender decide whether or not you're qualified for a loan? While they may look at your credit score like traditional financiers, alternative lenders are more interested in your business' track record and whether you've been able to consistently maintain steady cash flow. Traditional banks are most likely to lend to companies that have been in business for at least three years. Alternative lenders, on the other hand, are willing to extend funds to restaurants and construction companies that have been in business for at least one year and have been able to generate \$100,000 in annual revenue.

It's worth highlighting the fact that, though they consider a number of factors before determining whether to lend money, alternative lenders are most interested in cash flow. For instance, if you own a restaurant or construction business and can demonstrate you've maintained a consistent bank balance for at least a quarter, you're in a great position to get funding. Consistency is key.

It bears repeating that you should only try to secure the money you absolutely need to secure in order to help your business reach its full potential. Ending up with a bigger loan than you need will force you to stomach higher interest payments that would otherwise be avoidable.

On the flipside, lenders may hesitate to loan you the full amount you're requesting. For example, you may want an unsecured loan of \$500,000, but an alternative lender might only approve you for \$250,000. Don't let this discourage you from applying in the first place. Once you've established a solid relationship with a lender and proven that you make your payments on time, you will be able to acquire more funds as needed.



In any case, if an alternative lender approves your application for an unsecured small business loan, you'll be able to put your money to use almost immediately. Whereas loans secured through traditional banking institutions **might take 30 or even 60 days** to show up in your bank account, alternative lenders expedite the process considerably. Believe it or not, loans can be transferred to your account within 24 hours—which means you'll be able to start growing your business right away. But how?

WAYS TO INVEST YOUR UNSECURED SMALL BUSINESS LOAN

Has your restaurant or construction company been in business for at least one year and demonstrated the ability to generate revenue and maintain consistent cash flow? If so, you're virtually certain to get approved for an unsecured small business loan. While loans from traditional banking institutions usually require you to explicitly state how you are going to use the money, unsecured loans are nowhere near as restrictive.

With that in mind, let's take a look at some ways you can invest your unsecured business loan and grow your company:

Purchase new equipment or materials.

Maybe your restaurant needs a new stove and new cooking materials. Maybe your construction company needs a new backhoe and a lot of building supplies. You can use an unsecured loan to finance the purchase of any new equipment, supplies, materials or other inventory.

Move to a new location.

Let's say you've had your eye on an enviable piece of land for some time. If your restaurant or construction office was located there, business would be booming. But moving costs money—and a lot of it at that. An unsecured small business loan can help you cover the expenses you incur during the move.

Renovate an existing location.

When's the last time you gave your dining room a facelift? Do you really think your decaying front office is going to convince folks that yours is the construction company best suited to handle the job? Unsecured loans can be used to remodel your restaurant or your office, giving your business a more modern look.

Open an additional location.

Want to grow your customer base? It may be time to open a second restaurant or another field office in a location that's more convenient to many of your projects. In doing so, you're able to tap into a whole new market. Unsecured loans can help you open additional strategic locations to grow your bottom line.

Hire additional staff.

You won't be able to provide great service to your customers if your wait staff is stretched too thin. Similarly, it's incredibly more difficult to complete construction projects on time when you're short-staffed. An unsecured business loan can be used to hire additional workers—thereby enabling your business to better serve its customers.

Launch a marketing campaign.

Even the most successful businesses in the world need to market their products and services. Struggling to find the funds necessary to launch a new ad campaign or marketing initiative? An unsecured small business loan may be just what you're looking for.

Cover operating costs.

Payroll, rent, taxes, utilities, insurance and invoices from vendors and suppliers. There's no end to the amount of recurring operating costs small business owners have to cover. Thanks to unsecured small business loans, you won't have to worry about where you'll find the money you need to stomach these costs.

Absorb unforeseen expenses.

No matter the industry, all business owners have to deal with unbudgeted costs every now and again. The funds from an unsecured loan give you the peace of mind that comes with knowing you'll be able to pay for the unexpected.

If you have a ton of ideas about how to invest your loan but aren't sure which avenue makes the most sense for your small business, don't sweat it. You can always talk to a financial consultant that knows the ins and outs of your industry. With their help, you can increase the chances you'll make the best decision for your company. At the very least, you'll be able to make a choice from a better-informed perspective.



TIPS TO INCREASE YOUR CHANCES FOR APPROVAL

As mentioned previously in this ebook, so long as your business has been open for at least a year, hauls in \$100,000 revenue annually and has been able to maintain consistent cash flow, it's highly likely that your small business will be approved for an unsecured small business loan. Still, there are ways you can increase your chances for approval. Here are three of them:



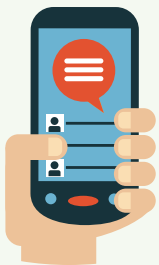
1. Maintain a consistent bank balance.

You won't be able to provide great service to your customers if your wait staff is stretched too thin. Similarly, it's incredibly more difficult to complete construction projects on time when you're short-staffed. An unsecured business loan can be used to hire additional workers—thereby enabling your business to better serve its customers.



2. Manage your online reputation.

Having a negative online reputation (e.g., complaints on consumer websites like Rip Off Report) may indicate to a lender that your business might not be the best fit for their loan product. Provide exemplary service to your customers always and you should avoid being on the receiving end of negative reviews and complaints.



3. Have a robust social media presence.

One of the easiest ways to prove you mean business to an alternative lender is by establishing and maintaining a strong presence on various social channels. For example, a Yelp page that has a ton of positive reviews should convince your lender that you are a legit business that's focused on serving customers to the best of your abilities. Similarly, a Facebook page with lots of likes, reviews and engagements on posts will be an asset. Whenever appropriate, ask your customers to review your products online. Believe it or not, lenders may perceive an absence of recent reviews to be almost as bad as having bad reviews.

Not only can managing your money masterfully and maintaining strong social presences help you secure a loan from an alternative lender, it's also just good business sense.

WHAT ARE YOU WAITING FOR? APPLY FOR AN UNSECURED SMALL BUSINESS LOAN TODAY!

Even the smartest restaurateurs and construction business owners can't help but stumble into cash problems every now and again—particularly when they're just starting out. Instead of allowing money shortages to distract you from focusing on the big picture, it's worth your while to seek outside financing the moment you anticipate cash gaps may materialize.



What's more, unsecured loans enable your business to take advantage of more opportunities to grow. How many times have you had to turn down an attractive opportunity because you were short on cash? Most small businesses in the United States need funding to grow. But most business owners don't have stockpiles of money they're sitting on for a rainy day. A business loan gives you the financial freedom you need to pursue the most lucrative opportunities—some of which may materialize when you least expect it.

Rather than opting to forego revenue through invoice factoring or merchant cash advances—or wasting a bunch of time applying for a bank loan you're unlikely to receive in the first place—you should strongly consider searching for an alternative lender that offers unsecured loans to small businesses. In doing so, you drastically increase the chances you'll get the funds you need to grow your company—and quickly. And remember, for many business owners, this is the only option.