

How To Prepare for a Credit Union Business Loan

Feeling unsure about where to start or how hard it is to get a business loan? This guide will walk you through the key steps to get you loan-ready.

Step 1: Know What You Need and Why

Before you decide to apply for a business loan, it's important to have all the information you need at hand. The more organized you are, the more likely you are to be approved.

Before you go and see your lender, you need to:

- Estimate total costs: equipment, inventory, setup, working capital.
- Decide how much you can contribute personally or through investors.
- Calculate how much you need to borrow. Make sure to add a buffer.
- Determine if you have the proper insurance to cover what you are purchasing.

Step 2: Plan Your Repayment Strategy

It's important to show that whatever you borrow, you can pay it back.

- Calculate how much you can repay monthly based on your projected income.
- Be realistic and conservative in your estimates. You want to borrow as little as possible, but enough to keep from borrowing again in a short span of time.
- Make sure to outline any other debt your business may have and how your repayment strategy may be affected.

Step 3: Gather Your Financial Documents

Having the right business loan documents ready can make the application process smoother and faster. Be prepared to provide:

- Two years of your business' most recent tax returns
- Most recent business year-end income statement and balance sheet
- Current income statement and balance sheet

Your accounting software can help you generate these reports.



Step 4: Understand Loan Security

When applying for a credit union business loan or a traditional bank loan, lenders often require some form of security to mitigate the risk they take. This helps provide the lender with reassurance if you are ever unable to repay the loan. You should:

- **Know what assets you can offer as collateral.** Thoroughly assess the value of the assets you're offering and consider alternatives if you're uncomfortable with the risk.
- **Understand the risks of secured loans.** If you are unable to pay your loan, you risk losing the assets you've used as collateral.
- **Offer strong security.** You can increase your chances of loan approval and negotiate better loan terms, like lower interest rates or more favorable repayment conditions.

The type of security required depends on the size of the loan, your business's financial standing, and the lender's specific requirements.

Step 5: Tell Your Business Story

To strengthen your application, provide a clear picture of how your business operates, including ownership, management, products or services, market conditions, and competition.

You'll need to:

- **Describe and provide** documentation of your business structure, ownership, and operations.
- **Explain** what you sell, who your customers are, and your competitive landscape.
- **Include** lease agreements, licenses, and other relevant documents.

Step 6: Demonstrate Financial Strength

It's important your business can generate enough income to meet your outgoing operations, current obligations, and your new loan payment requirements.

You should:

- Show that your business generates enough cash to cover expenses and loan payments.
- Ensure your financials are accurate and up to date.
- Consider working with UFCU to review your numbers.



By Your Side, Every Step of the Way

From business banking to financial planning, UFCU offers the tools to grow your business. Connect with our Business Services team to explore:

- [Business checking](#) and [savings](#) accounts to safely hold deposits and facilitate payments.
- Business loans, including [auto](#), [working capital](#), and [equipment loans](#) to acquire equipment and one time needs.
- [Business lines of credit](#) to provide cash during low sales or to take advantage of discount.
- [Business credit cards](#) to make purchases and defer payment until statement is issued and the due date arrives.
- [Insurance options](#)* to protect you and your business from loss.

Your growth deserves a strong foundation. [Talk to a UFCU Business Advisor and make it happen.](#)

Ready to Apply for a Business Loan?

Are you starting a new business or in the mood to expand? Either way, UFCU is here to help you secure the financing you need. We'll help you understand how hard it is to get a business loan and guide you through the required business loan documents. Apply for a UFCU Business Loan today and take the next step toward financial success.

Explore our options:

- [Business Auto Loans](#)
- [Equipment Loans](#)
- [Working Capital Loans](#)

Subject to credit eligibility. Certain restrictions apply. Federally insured by NCUA.

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