Business Loan Qualification Guide: Improving Your Credit

If you've been denied business financing or won't qualify due to your credit score, you're not alone. According to the results of a Federal Reserve Small Business Credit survey, credit score is one of the most common reasons that business owners are denied for at least some of their funding request.

Luckily, now that you're armed with this information, there are a handful of actions you can take to improve your chances of qualification in the future—and we're here to help. Follow this guide to assess your credit situation and identify which steps will help you improve your credit score—plus, find out how we can support you along the way.

For more information on improving your credit score, check out our guide here and find additional business resources on the Fundera Ledger.

Fast Facts

To qualify for the best business loans, you'll want your personal credit score to be or higher. **650**

Your personal credit score is often one of the most important qualifications a lender will consider when you apply for financing.

What You Can Do

1. Pay Off Existing Debts
2. Reduce Credit Utilization
3. Dispute Derogatory Marks on Credit Report
4. Mitigate Hard Inquiries

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Steps to Follow:

1 Pay Off Existing Debts

You'll want to pay down any debts that could be affecting your credit—credit cards (both business and personal), personal loans, outstanding bills, and any other debts. Ideally, you'll want to get to the point where you can show a positive history of paying your debts on time.

2 Reduce Credit Utilization

Aim to reduce your credit utilization, or, in other words, the amount of credit you use in relation to the amount that's extended to you—to under 30%. To reduce your credit utilization, you can pay off your credit cards, lines of credit, and personal loans—so that you're using the credit you've been given, but aren't maxing it out.

3 Dispute Derogatory Marks on Credit Report

Check your free credit report to review your history and dispute any derogatory marks—including collections, tax liens, bankruptcies, and civil judgements—that are inaccurate. Along these lines, you can also pay off any accounts in collections to help improve your score more quickly.

4 Mitigate Hard Inquiries

On a longer-term basis, it's important to mitigate hard inquiries—in which your credit is checked or pulled. You may receive a hard credit check when applying for a credit card, mortgage, or even renting an apartment. These credit inquiries can stay on your credit report for six months—and therefore, you'll want to avoid these pulls when applying for business financing.

How Fundera Can Help

We're here to help you through this process so that you can successfully improve your credit score and qualify for the financing you need.

Because your credit score can change so quickly, you can expect a check-in call from us on a weekly basis to review your progress. We'll be checking in to discuss: If you've paid down your debts, the results of disputes or derogatory marks on your credit report, and how you can prepare for future opportunities. Finally, we'll do a soft credit check and collect your current bank statement to review your credit status and determine when you're ready to reapply for financing.

Although we'll be checking in with you regularly, you should feel free to reach out to your Fundera rep with questions or updates throughout the process.