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Before You Apply for Another Loan, Build the File Lenders Actually Review

By Askia Jones · About an 11-minute read

A practical guide to how small-business lending decisions get made, what to have ready before you apply, and what to do if the answer is no.

Most owners who need money do the same thing: fill out an application, hit submit and wait. When the answer is no, or "not that much," it's easy to decide lenders just don't lend to businesses like yours.

Sometimes the problem really is the lender. But often the application was missing what the lender needed to say yes. A loan decision is a judgment about a file: your numbers, your credit, your plan for the money and your ability to repay. A thin file gets a thin answer.

So before you apply for another loan, build the file. Below: what the Federal Reserve's latest data says about Black-owned businesses and financing, what lenders review, a checklist, your rights if you're turned down, and where else to apply.

What the numbers say

The Federal Reserve Banks' Small Business Credit Survey asks firms with fewer than 500 employees about their finances each year. Its latest chartbook on race and ethnicity covers employer firms (at least one employee besides the owner) surveyed from September to November 2025. 1 For Black-owned firms:

• Money is the pressure point. Half (50%) of Black-owned employer firms named credit availability as a financial challenge in the prior 12 months, compared with 27% of white-owned firms. Seventy-three percent struggled to pay operating expenses. 1

• Owners are filling the gap themselves. Among Black-owned firms with financial challenges, 69% used the owner's personal funds to cope. 1

• Fewer full approvals. Of Black-owned firms that applied for a loan, line of credit or merchant cash advance (MCA), 32% got the full amount they sought, 32% got part of it and 36% were denied. For white-owned applicants, the figures were 57% fully approved and 17% denied. 1 The 32% full-approval rate is down from 35% in the prior survey year, according to the Federal Reserve's FRED database. 2

• Most applications were for day-to-day needs. Among Black-owned applicants, 76% sought financing to meet operating expenses and 57% to expand. 1

• Many requests were small. Forty-three percent of Black-owned applicants sought $50,000 or less in total. 1

Two cautions. The survey isn't a random sample; the Fed weights responses to Census data on small employer firms. 1,2 And it describes outcomes, not causes.

Still, one practical point stands out: nearly two-thirds of Black-owned applicants got at least some of what they asked for. Applying is not hopeless. Applying unprepared is expensive.

The borrowers who never apply

The most striking number in the survey isn't about denials. It's about firms that never asked.

Forty-two percent of Black-owned employer firms didn't apply for any financing in the prior 12 months. Asked for their main reason, 32% of those nonapplicants said they were discouraged, meaning they didn't think they would be approved. Only 8% of white-owned nonapplicants gave that reason. Another 31% of Black-owned nonapplicants said they were debt averse, and 29% said they didn't need financing. 1 By our arithmetic, that is about 13% of all Black-owned employer firms sitting out because they expected a no.

Some caution is wise; not borrowing is often the right call. But a discouraged borrower gets no answer, no reasons and no path to a better application. A denied applicant, as you'll see below, has a legal right to learn why.

If you have a real need and a realistic way to repay, don't talk yourself out of applying. Apply with a file strong enough to test the market fairly.

What lenders actually review

The FDIC and the SBA teach financing through a free curriculum called Money Smart for Small Business. Its financing module explains underwriting, the process lenders use to decide, through the "five Cs": 3

• Character: your track record of repaying debts, judged through credit history, references and your dealings with the lender.

• Capacity: whether cash flow, revenue and profit can cover the payment. Lenders check financial statements and tax returns to confirm the business can handle new debt.

• Capital: cash reserves and assets that could carry the business, and the loan, through a rough patch.

• Collateral: assets such as equipment, inventory or real estate pledged as security.

- Conditions: outside factors, including your market, your industry and the purpose of the loan.

The guide adds that, depending on a business's size, structure and maturity, lenders may evaluate the owner personally. 3 The Fed survey shows how common that is. Only 11% of Black-owned employer firms said they rely on a business credit score alone; 42% rely on the owner's personal score and 47% on both. 1 Among Black-owned firms with debt, 54% had signed a personal guarantee and 30% had pledged personal assets. 1 For most small businesses, your personal credit is part of the loan file.

What makes a file strong? According to the FDIC guide, loan officers emphasize accurate, consistent financial statements backed by documentation; a clear explanation of how the loan will be used; realistic cash-flow projections; credit issues addressed up front; a well-organized business plan; and a neat, complete package. 3

Build your loan file: a checklist

No two lenders ask for exactly the same documents; for 7(a) loans, the SBA says requirements vary with loan size and the lender's process. 4 But the core is consistent. This table draws on the FDIC guide, the SBA's business-plan guidance and a standard business debt schedule form. 3,5,6

What to prepare	What it shows the lender	Get it ready
Loan request and use of funds	How much you need, what it buys and how it pays off	Write one page: amount, itemized uses, timeline and how the spending raises revenue or cuts costs. Attach quotes, estimates or purchase agreements.
Financial statements	Capacity and capital	Profit and loss statement, balance sheet and cash-flow statement. Lenders may want several years, plus a current year-to-date set.
Cash-flow projection	Ability to repay	Monthly for the first year, with written assumptions. Show the new loan payment inside the numbers.
Business tax returns	That your statements hold up	Recent years, complete with all schedules. Make sure they match your financial statements, or explain why not.
Personal tax returns and credit	Character, especially for smaller and younger firms	Pull your credit reports before the lender does, dispute errors and briefly explain past problems up front. 7

What to prepare	What it shows the lender	Get it ready
Debt schedule	What you already owe	List every loan, lease and note payable: lender, original amount, current balance, rate, monthly payment, maturity date and collateral. Date it to match your latest balance sheet.
Collateral list	Collateral	Equipment, vehicles, inventory, real estate or other assets, with estimated values.
Business plan	Conditions and judgment	Lenders commonly request a traditional plan. If you're asking for funding, include a funding request and financial projections that match it.

Two details matter more than owners expect. First, consistency: if your tax return, profit and loss statement and application tell three different revenue stories, a lender will notice. Second, use of funds: the SBA advises describing exactly what the money is for, such as equipment, materials, salaries or bills until revenue increases, and matching your projections to the request. 5 "Working capital" with no detail is a weak answer.

An illustrative example

Illustrative example. The business, the owner and every figure below are fictional, created for this article to show a common pattern. They are not drawn from a real application.

Renée runs a three-person commercial cleaning company. She lands an office-park contract and applies online for $60,000 for a second van and two new cleaners. Her application says the money is for "growth." She uploads last year's tax return and a bank statement.

She is denied. The notice lists two reasons: insufficient cash flow for the requested debt and unverified income. The problems are in her file. Her tax return shows less income than her deposits suggest, because she mixes personal and business spending. She never mentioned the contract. And an equipment loan she still owes isn't listed anywhere.

Over two months, Renée separates her accounts, has her bookkeeper produce a clean year-to-date profit and loss statement and balance sheet, and writes a one-page use-of-funds memo: $38,000 for the van, backed by a dealer quote, and $22,000 to cover payroll for the first 90 days of the contract, backed by a copy of the signed agreement. She adds a debt schedule showing the equipment loan and a 12-month cash-flow projection with the new payment built in.

She takes the new file to a local CDFI and the credit union where she banks. Whatever the answer, she knows exactly what a lender will see.

If the answer is no: your right to know why

Many owners don't know this right exists. Under the Equal Credit Opportunity Act (ECOA) and Regulation B, the Consumer Financial Protection Bureau (CFPB) rule that implements it, lenders must notify applicants of "adverse action." That includes a denial, or a refusal to lend substantially the amount or on substantially the terms you requested unless you accept a counteroffer. 8,9

Here is how it works for business credit, in plain terms: 8

• If your business had gross revenues of $1 million or less last fiscal year, the lender generally must notify you of its decision within 30 days of receiving a completed application, orally or in writing. You are entitled to a statement of the specific reasons, or to a disclosure of your right to them; request them within 60 days and the lender must provide them within 30 days. That disclosure may come with the application rather than the denial, so keep everything you're given.

• If your business had more than $1 million in revenue, the lender must notify you within a reasonable time, and must give written reasons if you ask in writing within 60 days.

• The reasons must be specific. Regulation B says it is not enough for a lender to say only that you failed to meet its "internal standards or policies" or didn't reach a qualifying score on its credit-scoring system. 8

• If your application was incomplete, the lender must, within 30 days, either decide or send a written notice saying what's missing and giving a reasonable deadline. 8

• The notice must include an ECOA statement that creditors may not discriminate on the basis of race, color, religion, national origin, sex, marital status or age, among other protected characteristics, along with the name and address of the federal agency that oversees that lender. 8

There are exceptions. Trade credit and factoring follow the slower large-business rules, and lenders that received 150 or fewer applications in the previous calendar year may give notifications orally. 8

What to do with a denial:

1. Get the reasons in writing. If you only received a phone call, ask in writing within 60 days.

2. Sort the reasons into fixable and structural. Missing documents and unexplained credit items can be fixed in weeks. Thin cash flow may mean a smaller loan, a different product or more time.

3. Rebuild the file around the reasons, using the checklist above.

4. If you believe you were treated unfairly, the notice names the federal agency that supervises that lender. The FDIC also runs a Small Business Hotline for concerns about access to credit: 1-855-FDIC-BIZ (1-855-334-2249). 7

Where to apply: match the lender to the need

Among Black-owned loan, line of credit or MCA applicants, 43% applied to a large bank, 36% to an online lender, 20% to a small bank, 14% to a CDFI and 6% to a credit union. Yet 26% of Black-owned employer firms use a credit union and 34% a small bank. 1 If you already bank somewhere, start that conversation.

SBA 7(a) loans. The SBA's main loan program doesn't lend directly. It guarantees part of a loan made by a participating lender. Loans go up to $5 million and can be used for working capital, equipment, real estate, refinancing business debt and buying a business. To qualify, a business must, among other requirements, operate for profit in the U.S., be small under SBA standards, be creditworthy with a reasonable ability to repay, and be unable to get the credit on reasonable terms elsewhere. 4 You apply through a lender; the SBA's free Lender Match tool can connect you with one. 3,4 Among Black-owned loan applicants, 26% sought an SBA loan or line of credit. 1

SBA microloans. These loans go up to $50,000, and the SBA says the average is about $13,000. They're made through nonprofit, community-based intermediary lenders that also offer management and technical help. The maximum term is seven years, and microloans can't be used to pay existing debt or buy real estate. 10 Since 43% of Black-owned applicants sought $50,000 or less, 1 this program deserves a look.

CDFIs. Community development financial institutions are certified by the Treasury Department's CDFI Fund to serve low-income communities and people who lack access to financing. They include community development banks, credit unions and loan funds, must offer development services alongside financing, and operate in all 50 states, the District of Columbia, Guam and Puerto Rico. 11 The FDIC notes that CDFIs lend to businesses that may not qualify for bank financing and offer coaching. 3 Black-owned applicants were more than twice as likely as white-owned applicants to apply to a CDFI (14% vs. 6%). 1

Credit unions. The Fed survey describes credit unions as nonprofit cooperatives where members borrow from pooled deposits, and the FDIC notes that some offer microloan programs. 1,3

A word on merchant cash advances. An MCA gives you cash now in exchange for a share of future sales, usually collected daily. An FTC staff report describes repayment of the advance plus a "factor" often between 20% and 50%, typically within a few months to a year, with estimated APRs in the triple digits in some cases. It also flagged "stacking" multiple advances and contracts that waive your right to contest collection lawsuits. 12 The SBA's Office of Advocacy explains why a factor rate is not an interest rate: it applies to the whole amount up front and doesn't shrink as you pay down the balance. 13 Fourteen percent of Black-owned loan applicants sought an MCA. 1 If an offer is fast and asks few questions, figure the total dollars you'll repay and compare it with the options above before you sign.

Get free help building the file

The SBA's local assistance tool finds Small Business Development Centers, SCORE mentors and other partners offering free or low-cost counseling near you. 3,14 The FDIC's Money Smart for Small Business curriculum has modules on financing, business credit, financial statements, recordkeeping and cash flow. 7

Ready before you need it

The best time to build a loan file is before you need the money. When a contract, a breakdown or a slow season forces your hand, a ready file lets you compare offers instead of taking the first one.

Lenders say no for reasons. Some of those reasons are outside your control. Many aren't. Build the file, ask for the reasons, and keep applying where your business fits.

This article is general information, not financial or legal advice. Loan programs, rules and terms change; confirm details with the lender, the program and, when needed, a qualified accountant or attorney.

Follow BlackRefer Insights for more practical, sourced guides for Black business owners. And if you know a Black-owned business that belongs in the BlackRefer directory, refer it.

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Data in this article were current as of November 15, 2026. Survey figures describe the businesses each survey sampled and may change in later releases.

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