LOANRIDGE
Loan Approval Checklist

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What Lenders Look for and How to Prepare, 2026

The five factors every lender weighs

1 Credit history

Pulled from Experian, Equifax, or TransUnion. The score matters, but recent payment patterns (last 24 months) carry the most weight. Late payments, collections, and charge-offs hurt longer than the score alone suggests.

2 Income and employment

Lenders look for stability over a specific dollar amount. Same employer or industry for 12 to 24 months is the baseline. Self-employed borrowers need two years of tax returns plus business bank statements.

3 Debt-to-income ratio (DTI)

Total monthly debt payments divided by gross monthly income. Most personal-installment lenders cap DTI at 40 to 50 percent including the new loan. Paying down a credit card minimum lowers this number fast.

4 Loan purpose and amount

Consistency between the requested amount and the stated reason matters more than the reason itself. Borrowing the maximum the lender offers is rarely the right move; borrow what you need plus a small buffer.

5 Collateral or co-signer

Most personal loans are unsecured. Adding collateral (auto title, savings, home equity) or a co-signer with strong credit usually lowers the rate but raises the stakes if you default.

What to do the week before you apply

1 Pull your free credit report at annualcreditreport.com

Dispute any errors. Resolution can lift your score 20 to 60 points in 30 to 45 days at no cost.

2 Calculate your current DTI

Add up minimum monthly debt payments and divide by gross monthly income. Aim to keep the new loan payment under the lender cap of about 45 percent.

3 Gather your documents

Two recent pay stubs, last two years of tax returns, two months of bank statements, government photo ID. Self-employed: tax returns plus business bank statements.

4 Decide the exact amount you need

Round up by 10 percent for fees. Borrowing more than you need raises your DTI and your interest cost over the life of the loan.

5 Pre-qualify with one or two lenders first

Most online lenders run a soft credit pull for a quote, which does not affect your score. Compare APR, total finance charge, and any origination fees.

6 Avoid new credit applications in the 60 days before applying

Each hard inquiry shaves a few points off your score and signals borrower distress to the bureaus.

Authority resources

	annualcreditreport.com (federally authorized source)
	consumerfinance.gov (Consumer Financial Protection Bureau)
Identity theft:	identitytheft.gov (Federal Trade Commission)
Loan cost calculator:	consumerfinance.gov/owning-a-home

Soft-pull pre-qualification available at loanridge.com/contact/