

## WHAT DOCUMENTS ARE REQUIRED FOR GETTING A PERSONAL LOAN?

Most lenders will want to see proof of income on top of identification.

By: Emily Sherman - June 26, 2023

When you apply for a personal loan, your application is approved based on whether you meet requirements including a solid credit score, favorable debt-to-income ratio and more. In order to prove you qualify, many lenders require that applicants submit supporting documentation alongside their application.

Make sure you are ready to provide these documents, which can include pay stubs, utility bills and more, before you apply.

### What Documents Are Required for Getting a Personal Loan?

Different lenders will require different documents alongside your personal loan application, which itself will typically ask for your personal information like name and date of birth, income and the amount you are requesting.

Still, there are some common requests to be prepared for.

“Credit score, income and how much you’re looking to borrow will all determine how likely you are to receive a loan,” says Brandon Ashton, director of retirement security at Cornerstone Financial Services. “Be prepared to show pay stubs, tax returns and W-2s.”

Although the exact documents can vary, they all fall into categories of proving your credit history, identity, address and income.

### Social Security Number

According to Jason Werner, financial advisor and founder of Werner Financial, you’ll need to provide either a Social Security number or Tax Identification Number as part of your personal loan application in order for the lender to provide a credit check.

Be sure to prepare for any effect of a hard inquiry to your credit score.

### Proof of Identity

Banks need to ensure the person borrowing money is who they say they are, so don’t be surprised if you are asked to provide proof of identity alongside your credit application.

“Common supporting documents to prove an applicant’s identity are pretty much any government-issued photo ID, such as a passport, state identification card or driver’s license,” says Ohan Kayikchyan, money coach and certified financial planner.

### Proof of Address

Some lenders also require personal loan applicants to submit proof of address, to show they actually live at the one provided.

Typically, this involves sharing a copy of a utility bill, lease agreement, bank statement or any other similar official document listing both your name and your current residential address.

### Proof of Income or Employment

Finally, lenders could request proof of employment or income to ensure you are able to pay back the amount you plan to borrow. For many applicants, this is as simple as sharing a copy of your pay stub, though self-employed or retired individuals might have to share additional information.

Proof of income may include pay stubs, employment letters or income tax returns, depending on your source of income.

“Self-employed individuals may need to provide additional documentation such as business financial statements (profit and loss or income statement or business tax returns),” says Werner. “Also, it is more favorable for self-employed individuals to be in business for as long as possible, as it shows a strong record of being able to produce income even though working for oneself.”

Jake Hill, CEO and founder of DebtHammer, adds that Social Security and disability income are also valid sources of income for a loan application, and you could be asked to share a bank statement or income tax record to prove you have this money coming in.

### What if I Am Missing a Document Required for a Personal Loan?

If you don’t immediately have a document available that your lender requests, you might be able to track it down or work with the lender to choose an alternative option.

“If you are missing a major part of the personal loan application, such as income statements, it’s best to contact the lender or financial institution directly,” says Werner. “They may be able to provide guidance on alternative documents you can provide or alternative ways to verify your income, such as bank statements showing regular deposits.”

It’s possible that your loan application could be denied because of insufficient documentation, though your lender is required to inform you if this is the case.

“When a personal loan application gets declined, the lenders are required by the law to inform the applicant of the reason for the decline within a certain timeline,” Kayikchyan says. “In case there are any additional documents

or steps required to possibly overturn the declined status to approval, the notice will list them as well.”

### What Are the Current Personal Loan Rates?

Personal loan interest rates decreased this week for both the 36-month and 60-month loan terms. Here are the average personal loan rates offered to well-qualified applicants with a credit score of 720 or greater, as of June 19:

- Three-year personal loan term: 20.47% (down from 21.25% a week ago).
- Five-year personal loan term: 21.72% (down from 21.94% a week ago).

Personal loan rates vary widely based on creditworthiness. Borrowers with very good or excellent credit scores will see much lower interest rates than those with fair or poor credit. Often, borrowers with bad credit will apply for a secured personal loan that uses an asset as collateral in order to achieve lower rates:

In cases of missing documents, you might be able to get the decline decision overturned, Kayikchyan adds. Or, you could potentially add a co-signer if your income or credit history is deemed insufficient.

### Alternative Borrowing Options If You Aren’t Approved for a Personal Loan

If you don’t qualify for a personal loan, there are still options for borrowing money, all of which come with their own requirements.

“Personal loans will almost always be better than payday loans,” Hill says. “But there still may be a few other tools in your arsenal to avoid a high-interest personal loan.”

For instance, Werner recommends turning to a credit card or peer-to-peer lending service, assuming you can find an affordable interest rate.

“Peer-to-peer lending platforms connect borrowers directly with individual lenders,” Werner says. “They often have simplified application processes and may be more flexible than traditional banks. However, interest rates and terms can vary, so it’s important to carefully compare options.”

Werner notes that you can use a credit card for smaller purchases or to cover short-term expenses. “However, be mindful of high interest rates and make sure to manage your credit card debt responsibly,” he says.

Jason is the founder of Werner Financial in Indianapolis, Indiana. He has over 10 years in the industry as a registered investment advisor and holds Series 6, 7, 62, 63, & 65 licenses. Werner Financial aims to be the advisor on your team that helps you achieve all the goals you have set for yourself, your business, and or your family.

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