

SBA-CAPITAL.COM

In Business Since 1982

Specializing in SBA Financing

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THE SBA 7(a) LOAN READINESS WORKBOOK

Everything You Need to Obtain SBA 7(a) Loans

Fully Prepared — and Completely Confident

Compiled by Hershel Pierce | 40+ Years of SBA Lending Experience

This workbook is yours to use — with any lender, any broker, any bank.

What's Inside:

- ✓ Business Financial Self-Assessment
- ✓ Personal Financial Checklist
- ✓ EBITDA & Debt Coverage Calculator
- ✓ Complete Document Checklist
- ✓ Questions to Ask Every Lender
- ✓ Deal Killers to Avoid
- ✓ 6-Week Timeline Overview

A Note From Hershel:

I've been packaging SBA loans since 1982. In all that time, I've seen one thing kill more deals than bad credit or weak financials: being unprepared.

This workbook levels the playing field. Fill it out before you talk to anyone — and you'll walk in knowing your numbers cold.

— *Hershel Pierce, SBA-Capital.com*

How to Use This Workbook

Read this first — it'll save you a lot of time

This workbook is designed to get you lender-ready before you sit down with a single banker, broker, or SBA lender. It doesn't matter if you use SBA-Capital or someone else — the preparation is the same, and the lenders who see prepared borrowers close deals faster and on better terms.

Three Ways to Use This Workbook

01 Buying a Business Use Sections 1-4 to analyze the target business and your own readiness.	02 Refinancing Existing Debt Focus on Sections 3-5 to quantify potential savings and prepare documentation.	03 Commercial Real Estate Use the full workbook — the SBA 504 program has specific nuances addressed here.
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Hershel's Tip

Fill this out in pencil first — or use this digital version. Numbers change as you dig deeper into the deal, and you'll want to update them. The goal isn't perfection; it's arriving at a lender conversation knowing your numbers cold.

SBA 7(a) vs. SBA 504 — Know Which One You Need

The two most common SBA programs work very differently. Here's the short version:

	SBA 7(a)	SBA 504
Best for	Business acquisitions, working capital, equipment, refinancing	Commercial real estate, major equipment (long-lived fixed assets)
Loan Size	Up to \$5 million	Up to \$5.5 million (CDC portion); no cap on total project
Down Payment	Typically 10%–20%	Typically 20% down
Terms	Up to 10 years (25 yrs for real estate)	20–25 year fixed rate on CDC portion
Rates	Variable or fixed; typically Prime + spread	Fixed rate on CDC portion; competitive conventional on bank portion
Can include working capital?	Yes	No

Section 1: Business Financial Snapshot

Understanding the numbers before any lender does

Whether you're buying a business or refinancing one you already own, the lender will scrutinize three years of financial history. Do it yourself first — it's the single most important thing you can do to prepare.

1A — Basic Business Information

Business Name	
Type of Business / Industry	
Years in Operation	
Number of Locations	
Current Owner's Name	
Asking Price or Current Loan Balance	
Estimated Business Value / Appraisal	

1B — Three-Year Revenue & Profitability

Enter figures from tax returns or CPA-prepared financials. If buying a business, request these from the seller before proceeding.

Line Item	Year 1 (Oldest)	Year 2	Year 3 (Most Recent)
Gross Revenue / Sales	\$	\$	\$
Cost of Goods Sold (COGS)	\$	\$	\$
Gross Profit	\$	\$	\$
Total Operating Expenses	\$	\$	\$
Owner's Salary / Draw	\$	\$	\$
Net Income (from tax return)	\$	\$	\$

Depreciation & Amortization	\$	\$	\$
Interest Expense	\$	\$	\$
Owner's Discretionary Add-backs	\$	\$	\$

What Are Add-backs?

Add-backs are legitimate business expenses that benefit the owner but won't continue under new ownership — things like a personal vehicle, one-time legal fees, or above-market owner salary. Lenders allow these to increase your EBITDA. Keep a list with documentation for each add-back you claim.

Section 2: Your EBITDA & Debt Coverage Ratio

The two numbers every lender cares about most

These two calculations determine whether the business can afford the loan you're requesting. Run these numbers before your first lender conversation — and know them cold.

2A — Calculate EBITDA

EBITDA stands for Earnings Before Interest, Taxes, Depreciation, and Amortization. Lenders use it to measure true operating cash flow, stripped of accounting adjustments.

Line Item	Where It Comes From	Your Number
Net Income	Line from tax return or P&L	\$ _____
+ Interest Expense	From financial statements	\$ _____
+ Depreciation	From tax return Schedule C or K-1	\$ _____
+ Amortization	From tax return or P&L	\$ _____
+ Owner Add-backs	Documented, non-recurring items	\$ _____
= EBITDA	Sum of all lines above	\$ _____

2B — Calculate Your Debt Coverage Ratio (DCR)

The Debt Coverage Ratio (DCR) tells lenders how comfortably the business can make its loan payments. Most SBA lenders require a minimum DCR of 1.25x — meaning for every \$1.00 in debt payments, the business generates \$1.25 in available cash.

Line Item	How to Calculate	Your Number
EBITDA	From Section 2A above	\$ _____
Estimated Annual Debt Service	Monthly payment × 12 (use an online SBA loan calculator)	\$ _____
DCR	EBITDA ÷ Annual Debt Service	_____ x

DCR 1.35x or Higher

Strong position. Most lenders will be comfortable. You have room to negotiate terms.

DCR 1.25x – 1.34x

Meets the minimum threshold. You'll qualify, but lenders may ask for more documentation.

DCR Below 1.25x

Red flag territory. Consider a larger down payment, requesting a lower purchase price, or renegotiating terms.

Hershel's Tip

I see borrowers get surprised by this calculation all the time. Run it before you fall in love with a business. A DCR of 1.15x doesn't mean the deal is dead — it might mean the asking price is too high, or the owner has been hiding add-backs. Do the math first.

Section 3: Personal Financial Readiness

Lenders evaluate YOU as much as the business

Even when the business numbers look great, lenders still dig into your personal financial picture. Here's how to know where you stand before they do.

3A — Personal Financial Snapshot

Full Legal Name	
Social Security Number	
Current Address	
Years at Current Address	
Current Employer / Business	
Annual Personal Income (W-2 or Schedule C)	
Spouse/Partner Income (if applicable)	

3B — Personal Assets & Liabilities

List your current assets and debts. Lenders use this to calculate your personal net worth and assess collateral availability.

Assets (What You Own)	Liabilities (What You Owe)
Primary Residence Value: \$ _____	Primary Mortgage Balance: \$ _____
Other Real Estate: \$ _____	Other Mortgages: \$ _____
Business Interests: \$ _____	Business Loans: \$ _____
Checking / Savings: \$ _____	Auto Loans: \$ _____
Retirement Accounts (IRA/401k): \$ _____	Student Loans: \$ _____
Stocks / Investments: \$ _____	Credit Card Balances: \$ _____
Vehicles: \$ _____	Other Debt: \$ _____
Other Assets: \$ _____	
TOTAL ASSETS: \$ _____	TOTAL LIABILITIES: \$ _____
	NET WORTH (Assets – Liabilities): \$ _____

3C — Credit Health Check

Before any lender pulls your credit, you should know what's on it. Pull your own report at annualcreditreport.com (free, won't affect your score).

Estimated Credit Score (all 3 bureaus)	
Any Late Payments in Last 3 Years?	
Any Judgments or Liens?	
Any Bankruptcies? (When?)	
Current Monthly Debt Payments (total)	

680+ Score

Strong position. Most SBA lenders will consider your application without credit-related conditions.

640–679 Score

Workable. You may face additional scrutiny or requirements. Address any errors on your report before applying.

Below 640 Score

Most SBA lenders will decline. Work on your credit profile before applying — 6 to 12 months of improvement can make a significant difference.

Section 4: The Complete Document Checklist

Don't walk into a lender conversation without these

This is the complete list of what every SBA lender will eventually need from you. Having these ready — or knowing exactly where to get them — puts you days ahead of other borrowers.

4A — Business Documents

From the Business (or Seller, if Acquiring)

- Three years of business tax returns (Federal — all schedules)
- Three years of profit & loss statements (P&L), CPA-prepared preferred
- Three years of balance sheets
- Current year-to-date P&L (within 90 days)
- Current year-to-date balance sheet
- Business debt schedule (list of all outstanding loans, balances, payments)
- List of equipment / assets with approximate values
- Business lease agreement (if applicable — how long is remaining term?)
- Business licenses and permits
- Articles of Incorporation / Organization (LLC Operating Agreement)
- Franchise agreement (if applicable)
- Accounts receivable and accounts payable aging reports (if applicable)
- Business valuation or appraisal (if buying a business)
- Letter of Intent (LOI) or signed purchase agreement (if buying)
- Environmental reports (Phase I at minimum; Phase II if flagged)

4B — Personal Documents (All Owners with 20%+ Ownership)

- Three years of personal tax returns (Federal — all pages and schedules)
- Completed SBA personal financial statement (SBA Form 413)
- Government-issued photo ID (driver's license or passport)
- Resume or business experience summary
- Statement of personal history (SBA Form 912, if applicable)

- List of any other businesses owned or previously owned
- Explanation letter for any credit issues, judgments, or bankruptcies

4C — If Purchasing Commercial Real Estate (SBA 504)

- Property appraisal (MAI-certified)
- Phase I Environmental Site Assessment
- Property survey
- Preliminary title report
- Current lease agreements for any tenant-occupied space
- Construction contracts and bids (if improvements are planned)
- Building inspection report

Hershel's Tip

The #1 reason deals slow down is missing documents. Make one folder — physical or digital — with all of this organized and labeled. When a lender asks for something, you send it the same day. That speed alone tells a lender you're serious, and serious borrowers get better treatment.

4D — Document Status Tracker

Use this to track what you have, what you've requested, and what's still missing.

Document	Have It	Requested	Still Need
3 Years Business Tax Returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Years P&L Statements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Years Balance Sheets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
YTD P&L (current year)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business Debt Schedule	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lease Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Years Personal Tax Returns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SBA Form 413 (Personal Financial Statement)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Government-Issue Photo ID	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resume / Business Bio	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Business Valuation / Appraisal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Letter of Intent / Purchase Agreement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section 5: Questions to Ask Any Lender

A prepared borrower is a confident borrower

Most borrowers show up to lender conversations and just answer questions. The best borrowers ask their own. Here are the questions that separate people who get good deals from people who get whatever the bank feels like offering.

5A — Before You Commit to a Lender

Question to Ask	Why It Matters
Are you an SBA Preferred Lender (PLP)?	PLP lenders can approve loans in-house — much faster than non-PLP lenders that must submit to the SBA for approval.
How many SBA 7(a) loans did you close last year?	Experience matters. A lender who does 3 SBA loans a year is very different from one who does 300.
What is your typical timeline from application to closing?	Six weeks is realistic for a well-packaged deal. Anything over 90 days is a yellow flag.
What are your specific underwriting requirements for this type of business?	Some lenders have industry-specific overlays. Know their requirements before you invest time.
Will you hold this loan in-house, or sell it on the secondary market?	Lenders who sell loans may have stricter packaging requirements.
What is your minimum credit score requirement?	Requirements vary. Don't waste time with a lender whose threshold you don't meet.

What equity injection (down payment) will you require?	SBA is typically 10%, but some lenders and deal types require 20-30%.
Will you allow seller financing to count toward the equity injection?	Some lenders allow seller-held notes to count — this can significantly reduce your out-of-pocket.

5B — About the Loan Structure

Question to Ask	Why It Matters
Can closing costs and SBA fees be rolled into the loan?	Out-of-pocket at closing can run \$20,000–\$50,000+. Knowing upfront helps you plan cash.
Can working capital be included in the loan?	This is a huge SBA advantage — don't leave it on the table if you need it.
Is the rate fixed or variable? What's the current spread over Prime?	SBA 7(a) rates fluctuate with Prime. Understand your rate structure and worst-case scenario.
Are there prepayment penalties?	Standard SBA 7(a) loans have prepayment fees in years 1-3. Know the terms.
Can renovation or equipment costs be included in the financing?	A well-packaged SBA loan can include improvements — but it has to be structured correctly from the start.
What happens if the appraisal comes in below the purchase price?	Have this conversation before you're in it — not after.

5C — My Notes From Lender Conversations

Lender / Institution 1	Lender / Institution 2
Name: _____	Name: _____
PLP Status: Y / N	PLP Status: Y / N
Rate Quoted: _____	Rate Quoted: _____
Down Payment Required: _____	Down Payment Required: _____
Timeline Estimated: _____	Timeline Estimated: _____
Working Capital Included: Y / N	Working Capital Included: Y / N
Overall Impression: _____	Overall Impression: _____

Section 6: Deal Killers — And How to Avoid Them

The avoidable mistakes that sink otherwise solid deals

In 40+ years of SBA lending, I've seen the same mistakes kill deals over and over. Most of them are completely avoidable — but only if you know about them in advance.

#	Deal Killer	How to Avoid It
1	Incomplete Loan Package	Submit everything on the first request. Lenders lose confidence — and sometimes interest — when borrowers trickle in documents.
2	Tax Returns Don't Match Financial Statements	This is an immediate red flag. Your tax returns and P&Ls must tell the same story. Discrepancies require written explanation at minimum, and sometimes kill deals entirely.
3	Undisclosed Debts	A lender will run your credit and background. If they find a judgment, lien, or loan you didn't mention, trust evaporates. Disclose everything upfront with an explanation.
4	Business Revenue Is Declining Year Over Year	A business with shrinking revenue needs a compelling narrative — and documented reasons. If it's trending down with no clear explanation, most lenders will pass.
5	Environmental Issues on the Property	A Phase I Environmental Assessment flags prior contamination or risk. A Phase II (more invasive testing) can add months and significant cost. Know before you offer.
6	Lease Expiration Too Soon	SBA lenders want the lease term to outlast the loan term — or at least have renewal options that get you there. A lease with 2 years left on a 10-year loan is a problem.
7	The Seller Won't Provide Clean Financials	If a seller hesitates to provide three years of tax returns, that's your answer. Either the numbers don't support the asking price, or something is being hidden. Walk away.
8	Too Little Equity Injection	SBA minimum down payment is typically 20%, but deals with minimal down payments face more scrutiny. If you're light on capital, be prepared to explain where your cash is coming from.
9	Business Is Too Dependent on One Customer	If a single customer represents 40%+ of revenue and they leave — the business can't service the debt. Lenders know this and will ask.
10	Borrower Changes the Deal Mid-Process	Renegotiating the purchase price or terms after underwriting starts is a deal-killer. It can invalidate the appraisal and restart the clock. Agree to terms — then stick with them.

Hershel's Tip

Most of these deal killers aren't fatal — they're just fatal if they surprise your lender. The difference between a deal that closes and one that doesn't is almost always preparation and communication. If you have an issue, get ahead of it with a written explanation before anyone asks.

Section 7: The 6-Week Closing Timeline

Know what to expect — and when to expect it

A well-packaged SBA 7(a) loan closes in approximately six weeks from application. Here's what's happening each week and what you can do to keep things moving.

Week	What the Lender Is Doing	What You Should Be Doing
Week 1	Receiving and reviewing your complete loan package. Initial credit review. Ordering third-party reports (appraisal, environmental).	Respond to any document requests within 24 hours. Do NOT apply for new credit. Keep your financial picture stable.
Week 2	Underwriting begins. Loan officer reviews EBITDA, DCR, personal financial statement, credit. Packaging for SBA submission (if non-PLP lender).	Stay available. Underwriters often have quick questions that can wait — or can hold up the process. Be the borrower who answers same-day.
Week 3	Appraisal is conducted. Environmental assessment continues. SBA reviews submission if non-PLP. Initial approval or conditional approval issued.	Review the appraisal when it arrives. If it comes in low, discuss your options with your lender before reacting. Ask what conditions are attached to the approval.
Week 4	Satisfying approval conditions. Title search underway. Lender preparing loan documents. Seller and buyer reviewing purchase agreement details.	Address any outstanding conditions immediately. Confirm that your attorney has reviewed the purchase agreement. Confirm your down payment funds are liquid and in one account.
Week 5	Final loan documents prepared. Title insurance commitment received. Closing disclosure issued. Buyer and seller coordinate closing date.	Review all closing documents carefully. Do not make any large purchases or financial moves. Confirm wire transfer instructions directly with the title company (verify by phone — wire fraud is real).

Week 6	Closing day. Funds disbursed to seller. Deed and lien documents recorded. Keys handed over.	Show up prepared. Bring valid ID. Celebrate — you earned it.
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The Golden Rule of Closing

The fastest deals close because of the borrower, not despite them. Every time a lender asks for something and doesn't hear back for 3 days, the clock stops. Be the borrower who responds same-day, every time. It genuinely makes a difference.

My Target Dates

Target Application Submit Date	
Target Closing Date	
Lease Expiration / Renewal Date	
Purchase Agreement Expiration	

Ready to Take the Next Step?

You've done the work. Now let's talk about your deal.

About SBA-Capital

I'm Hershel Pierce. I've been packaging SBA loans since 1982. In four decades, I've financed businesses across virtually every industry in every market cycle.

I specialize in exactly two things: SBA 7(a) loans and SBA 504 loans, starting at \$500,000. I don't have a call center. I don't have 47 different products. I have one job — packaging your deal correctly so it closes.

If you've filled out this workbook and you'd like a free EBITDA analysis and pre-qualification review — no cost, no obligation — text me. We'll know within days whether your deal has legs.

— Hershel Pierce

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Free Pre-Qualification

No cost. No obligation. Just answers.

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