

The Owner's Guide to Getting Funded

8 Signals of a Fundable Business

What every Business Owner should know before
applying for Working Capital or an SBA 7(a) Loan.



BEFORE WE BEGIN

You will Apply for Funding a Handful of Times. The Underwriter does it every day!

You built the Business. You know exactly what that big Contract is worth, why the slow season always turns around, and why this year is different from last year. The Underwriter reviewing your application knows none of that — and isn't paid to take your word for it.

Here is the part few people say out loud: a funding decision is not made in the meeting where you present your case. It is made in the months before you ever apply — in how clean your books are, how much of your cash flow is already spoken for, and whether the story your numbers tell matches the story you're telling. By the time a Lender is reviewing your file, the questions that decide approval, amount, and terms have already been answered by how the Business runs today.

The good news is that those questions are knowable. Lenders evaluate Small and Mid-Sized Businesses through a consistent lens — eight Signals that explain why two Businesses asking for the same amount get very different answers. None of them requires a bigger Business; they require a better-documented one. Score yourself honestly on each Signal, give attention to your two or three weakest — and when you're ready to apply, you walk in prepared instead of hopeful.



WHY THIS MATTERS NOW

Funding is a Preparation Problem, not just a Timing Problem

Every Owner eventually needs Capital that doesn't cost Ownership — Payroll to cover, Inventory to buy, a Contract too big to fund from cash flow alone. Getting a yes quickly means treating the application like a case to be proven, not a form to be filled out.

Lenders are remarkably consistent about what they need to see before they say yes. Underwriting data and SBA guidelines point to eight core Signals that shape whether an application moves fast, moves slow, or doesn't move at all. This guide walks through each Signal in plain English — what it means, why it matters, what to watch, and what to do about it now.

42%

of financing applicants received the full amount they sought in 2025 — 22% received none.

\$45.1B

in SBA lending in FY2025 — a record year, up 44.7% over FY2024.

57%

full-approval rate at small banks — higher than large banks, online lenders, or finance companies. The Lender you approach matters as much as your numbers.

The 8 Signals of a Fundable Business

Grounded in the Five C's of Credit — Character, Capacity, Capital, Collateral, and Conditions — the lens Lenders use to evaluate Businesses, expanded into 8-Signals you can assess and strengthen.

68% vs. 42%

Approval rate for firms with steady month-over-month revenue growth of 10%+, versus the ~42% overall full-approval rate.

01

Debt Service Coverage

Cash flow that comfortably covers what you're asking to repay

02

Time in Business

A track record long enough to trust, not just a plan

03

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Business and personal credit that doesn't raise questions

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Existing Debt Load

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A specific, defensible reason for the money

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Owner Equity Injection

How much of your own Capital is already in the Business

01

SIGNAL 01 OF 08

Debt Service Coverage

Cash flow that comfortably covers what you're asking to repay.

WHAT IT MEANS

Debt Service Coverage is the first number an Underwriter calculates — how much cash flow you generate against how much you'd owe on the new loan, on top of what you already carry. A Business that clears this bar with room to spare moves through underwriting fast; one that's tight invites a smaller offer or a decline.

WHY IT MATTERS

A DSCR near the minimum leaves no margin for a slow month, and Lenders price that risk into the offer — a smaller amount, a shorter term, or a decline. A DSCR with real cushion is the single fastest way to move an application from "maybe" to "yes".

SIGNALS TO WATCH

- Cash flow covers total debt payments with room to spare
- Seasonal dips don't threaten a missed payment
- EBITDA add-backs are documented, not estimated
- Cash flow trend is stable or improving, not declining

PRACTICAL STEPS

- Calculate your own DSCR before a Lender does
- Pay down or consolidate high-cost debt ahead of applying
- Time the application to a strong cash flow period, not a lean one
- Document add-backs with receipts, not estimates

THE NUMBER

1.15x – 1.25x

Typical minimum Debt Service Coverage Ratio; practitioners often target 2.0x for added comfort.

ASK YOURSELF

Would your cash flow comfortably cover the amount you're looking to borrow — or just barely?

02

SIGNAL 02 OF 08

Time in Business

A track record long enough to trust, not just a plan.

WHAT IT MEANS

Time in Business is proof, not paperwork — evidence the Business has survived a slow season, a lost Customer, or an unexpected cost, and kept operating. Lenders read operating history as the clearest signal that a plan actually works in practice.

WHY IT MATTERS

A newer Business isn't unfundable, but it carries a heavier documentation burden — and often a smaller ask or a co-signer requirement. A longer, stable track record shifts the conversation from "can this survive" to "how fast can we close."

SIGNALS TO WATCH

- Continuous operating history without significant gaps
- At least one full economic cycle or slow season weathered
- Ownership and entity structure stable and documented
- Prior debt, if any, repaid on schedule

PRACTICAL STEPS

- Keep entity formation and licensing docs current and accessible
- Maintain a clean, continuous Business Banking History
- Document how the Business handled its hardest stretch
- If newer, be ready to lean harder on collateral and owner credit

THE NUMBER

2+ Years

Typical minimum operating history most SBA 7(a) Lenders require, though it varies by lender and loan size.

ASK YOURSELF

*Could you show a Lender
3 Years of operating
history without a gap
you'd need to explain?*

03

SIGNAL 03 OF 08

Credit Profile

Business and Personal Credit that doesn't raise questions.

WHAT IT MEANS

Credit Profile covers both sides — the Business's payment history and the Owner's personal credit, since most Small Business lending still relies on a personal guaranty. A profile free of surprises lets an Underwriter move straight to the numbers instead of stopping to ask what happened.

WHY IT MATTERS

A credit issue doesn't have to be disqualifying, but an unexplained one is. Lenders discount for uncertainty — a documented explanation for a past dip reads very differently than a surprise the Underwriter finds on their own.

SIGNALS TO WATCH

- Personal credit score within your target Lender's range
- Business credit file established and reporting
- No unresolved liens, judgments, or delinquencies
- Credit utilization trending down, not up

PRACTICAL STEPS

- Pull your Personal and Business credit before a Lender does
- Resolve any liens, judgments or reporting errors before applying
- Write a one-paragraph explanation for any past credit event
- Pay down revolving balances to lower utilization before applying

THE NUMBER

680+

Personal Credit Score most SBA 7(a) Lenders prefer; some will work with 650–670 for strong applications.

ASK YOURSELF

If a Lender pulled your credit today, is there anything you'd need and be prepared to explain?

04

SIGNAL 04 OF 08

Collateral & Assets

What backs the loan if the plan doesn't go as planned.

WHAT IT MEANS

Collateral & Assets is the Lender's answer to "what if." Equipment, real estate, inventory, or receivables that can be pledged reduce the Lender's downside — and often move a marginal application from decline to approved, or from a smaller amount to the full ask.

WHY IT MATTERS

Two Businesses with identical cash flow can get different offers based on collateral alone — it's the difference between a Lender underwriting the plan and underwriting the downside. Owners who inventory their collateral ahead of time control that conversation instead of reacting to it.

SIGNALS TO WATCH

- Business assets titled clearly and free of existing liens
- Equipment and real estate values documented, not estimated
- Personal collateral available if the Business falls short
- No collateral tied up in undisclosed prior obligations

PRACTICAL STEPS

- Inventory pledgeable Business and personal assets pre-application
- Clear liens on assets you intend to offer as collateral
- Get current valuations on real estate or major equipment
- Know any collateral shortfall before the Lender does

THE NUMBER

Up to 85%

of appraised commercial real estate value; equipment typically 50–75%; inventory discounted roughly 10%.

ASK YOURSELF

If cash flow weren't enough, what could you put behind the loan — and what is it worth?

05

SIGNAL 05 OF 08

Existing Debt Load

How much of your cash flow is already spoken for.

WHAT IT MEANS

Existing Debt Load is every payment already coming out of the Business before a new loan is added on top. A Lender isn't just asking whether you can service the new debt — they're asking whether you can service all of it, together, if a slow month arrives.

WHY IT MATTERS

Stacked debt is one of the fastest ways to turn a strong Business into a declined application — not because the Business is weak, but because the math no longer works once every obligation is added up. Lenders see this pattern often, and it reads as distress even when it isn't.

SIGNALS TO WATCH

- Total monthly debt obligations documented in one place
- No high-cost, short-term debt stacked on the books
- Existing debt-to-income ratio within your target Lender's limits
- No recent pattern of taking on new debt to cover old debt

PRACTICAL STEPS

- List every current debt obligation with rate, term, and payment
- Pay off or refinance high-cost, short-term debt before applying
- Avoid taking on new debt in the months before you apply
- Be ready to explain any recent new borrowing in plain terms

THE NUMBER

39%

of firms carry over \$100,000 in outstanding debt — increasingly contributing to loan denials

ASK YOURSELF

Would your current debt payments leave real room for one more — or would it be tight?

06

SIGNAL 06 OF 08

Use of Funds clarity

A specific, defensible reason for the money — not "general operating."

WHAT IT MEANS

Use of Funds is whether you can say, in one sentence, exactly what the money does and how it pays for itself — Inventory for a specific order, equipment for a named Contract, payroll to bridge a documented gap. A vague answer reads as an unclear plan, even when the underlying need is real.

WHY IT MATTERS

"General working capital" is the hardest request to underwrite, because there's nothing concrete to evaluate. A specific, well-documented use of funds gives the Lender something to say yes to — and often moves the application through faster.

SIGNALS TO WATCH

- A specific dollar breakdown for how funds will be used
- A clear link between funding and revenue or cost outcome
- No mixing of Business and personal use in the request
- A repayment story that ties directly to the use of funds

PRACTICAL STEPS

- Write a one-page use-of-funds breakdown before you apply
- Attach the Contract, purchase order or quote behind the request
- Separate the ask into clear categories, not a lump sum
- Connect each dollar to a specific, expected outcome

THE NUMBER

56%

of small business owners cited operating expenses — the most common financing need.

ASK YOURSELF

Can you state exactly what the money will accomplish — in one sentence?

07

SIGNAL 07 OF 08

Financial Documentation

Books clean enough for an Underwriter to trust on sight.

WHAT IT MEANS

Financial Documentation is the foundation every other Signal sits on — an Underwriter can't evaluate cash flow, debt load, or use of funds from numbers they don't trust. Clean, current statements move an application through underwriting in days instead of weeks.

WHY IT MATTERS

Every gap or inconsistency in your financials becomes a question the Underwriter has to ask — and every question adds days to the timeline. Businesses that arrive with clean, complete documentation are the ones that close fast.

SIGNALS TO WATCH

- Monthly financials current and reconciled, not months behind
- Tax returns and financial statements matching, not conflicting
- Bank statements consistent with reported revenue
- A CPA or bookkeeper who can answer Underwriter's questions

PRACTICAL STEPS

- Close your books monthly, not quarterly or annually
- Reconcile bank statements against financials before applying
- Have three years of tax returns and financials ready in advance
- Resolve tax return/financial discrepancies before a Lender does

THE NUMBER

2-4 weeks

the typical time saved with a complete, well-organized financial package versus an incomplete one.

ASK YOURSELF

Could you hand a Lender three years of clean financials today — or would you need weeks?

08

SIGNAL 08 OF 08

Owner Equity Injection

How much of your own Capital is already in the Business.

WHAT IT MEANS

Owner Equity Injection is your own skin in the game — Capital you've already put in, whether as startup investment, retained earnings left in the Business, or a direct injection tied to this request. Lenders read it as proof you're sharing the risk, not just asking someone else to take it.

WHY IT MATTERS

A Lender financing 100% of a request is taking on 100% of the risk — and prices accordingly, if they'll do it at all. An Owner with real Capital already in the Business is a partner in the outcome, not just an applicant, and Lenders underwrite that difference.

SIGNALS TO WATCH

- Documented history of Owner Capital invested in the Business
- Retained earnings reinvested rather than fully distributed
- A specific equity contribution planned with the funding request
- No pattern of drawing the Business down before applying

PRACTICAL STEPS

- Document all Capital you've contributed to the Business
- Reinvest some earnings rather than fully distributing them
- Plan a specific equity contribution tied to this request
- Be ready to explain your equity story in one paragraph

THE NUMBER

10%

Minimum SBA 7(a) equity injection — 5% cash, plus up to 5% from a full-standby seller note.

ASK YOURSELF

If a Lender asked how much of your own Capital is invested, would it strengthen your case?

PUTTING IT TOGETHER

Not all Signals are Equal — Prepare where it moves the Decision most

The fastest approvals come from fixing the two or three Signals where your Business is weakest before you ever submit an application — not from perfecting all eight at once.

01

Assess

A quick diagnostic across the eight Signals to score your Business and highlight the gaps that matter most.

02

Prioritize

Choose the top 2–3 Signals with the highest impact on approval odds, amount, or speed — not all eight at once.

03

Document

Pull together the statements, contracts, and records each weak Signal needs before you apply, not after a Lender asks.

04

Apply

Submit to the Lender whose products actually match your Signals — a matched application moves faster than a broad one.

Owners who prepare against these Signals apply once, to the right Lender, instead of shopping ten applications for a yes.

YOUR READINESS ASSESSMENT

You Know your Signals. Now see where you stand!

You've scored yourself Signal by Signal. The Funding Readiness Assessment takes it further — weighing what matters most for a clearer picture of your Fundability.

8 WEIGHTED SIGNALS · 1 MINUTE · IMMEDIATE RESULTS

ASSESS YOUR BUSINESS →

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WHERE DOES YOUR BUSINESS STAND?

One Confidential Call tells you where you stand

If any of these Signals gave you pause, one confidential conversation can show you where your Business stands. Bring your numbers, your questions — or just your uncertainty about what's next.

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REFERENCES

Sources and Further Reading

Statistics and industry benchmarks cited throughout this guide are drawn from the sources below, current as of 2026. Figures reflect published research and market data available at time of writing.

- Federal Reserve Banks — 2026 Report on Employer Firms: Findings from the 2025 Small Business Credit Survey
- U.S. Small Business Administration — SBA SOP 50 10 8, 7(a) Loan Program guidelines ([sba.gov](https://www.sba.gov))
- SBA 7(a) lender guides, 2026 editions — GoSBA Loans, Dealright, Bay Street Capital, PrimeRates
- SBA collateral valuation guidance — Nav, Crestmont Capital, Hartwell Labs (2026)
- Fora Financial — 2026 Small Business Lending Statistics and Trends
- Corporate Finance Institute — The Five C's of Credit

