STRETCHLEARN · WORKBOOK

Small Business Lending & Loans — Workbook

This workbook turns the course into a loan-ready application. Work through it in order: you will assess yourself the way a lender will, calculate the exact numbers underwriters use, choose the right product, and assemble a package that earns a yes. Use the templates to build your debt schedule, DSCR model, lender comparison, and use-of-funds statement.

How Lenders Think: The Credit Decision

Pre-qualify yourself against the 5 Cs and the ratios before any lender does.

Worksheet: Your 5 Cs Self-Assessment

Fill in honest numbers and notes for each of the 5 Cs. Anything weak here is a likely reason for decline; flag it now so you can fix it before applying.

Character: Personal FICO score

Character: Years in business

Character: Any liens, judgments, or bankruptcies (Y/N + details)

Character: Business credit (PAYDEX / Experian Intelliscore)

Capacity: Calculated DSCR (from the model template)

Capital: Equity injection you can contribute (dollars and % of project)

Collateral: Assets available to pledge (type and estimated value)

Conditions: Loan purpose in one sentence

Conditions: Industry risk notes (seasonality, competition)

Exercise: Calculate Your DSCR

Using your most recent tax return or P and L, work the DSCR formula step by step. Then test it against a target loan amount. Aim for 1.25 or higher.

- Start with net income, then add back depreciation, interest expense, and (if applicable) owner salary. What is your adjusted Net Operating Income?

- Estimate the annual debt service on the loan you want (use an online loan calculator: amount, rate, term).

• Divide NOI by total annual debt service. What is your DSCR, and is it at or above 1.25?

• If it is below 1.25, which lever fixes it fastest: borrow less, extend the term, or grow cash flow? Write your plan.

Checklist: Credit Clean-Up Before You Apply

[ ] Pull all 3 personal bureau reports free at AnnualCreditReport.com
[ ] Pull business reports: Dun & Bradstreet, Experian Business, Equifax Business
[ ] Dispute any errors in writing and track resolution
[ ] Pay revolving balances below 30% of limits before the application
[ ] Resolve or set a documented payment plan for any tax liens or collections
[ ] Open or confirm 2-3 net-30 vendor accounts that report (e.g., Uline, Quill, Grainger)
[ ] Confirm you have a D-U-N-S number and an active PAYDEX score

The Loan Product Menu: Term Loans and Lines of Credit

Match the product and the channel to your actual need and timeline.

Exercise: Term Loan vs. Line of Credit Decision

Diagnose what kind of capital you truly need. Term loans buy things; lines of credit handle timing. Answer for your specific situation.

• Is your need a one-time, defined purchase (renovation, acquisition, equipment) or a recurring cash-flow gap (payroll, seasonal inventory)?

• If recurring, how many times per year would you draw and repay? Does a revolving line fit better than a lump sum?

• What is the useful life of what you are funding, and does your proposed term match it?

• Could you open a line of credit now, while financials are strong, as insurance for later?

Worksheet: Lender Channel Shortlist

List specific lenders in each channel you will approach, in tier order from cheapest to fastest. Apply top-down.

Tier 1 bank/credit union #1 (name, relationship Y/N, est. rate)

Tier 1 bank/credit union #2 (name, relationship Y/N, est. rate)

CDFI or community lender (name, focus, est. credit minimum)

Online/fintech lender #1 (name, est. APR, funding speed)

Online/fintech lender #2 (name, est. APR, funding speed)

My realistic qualification tier (FICO, years in business, revenue)

Checklist: Pick the Right Product

[ ] Confirmed whether I need a term loan (buying) or a line of credit (timing)
[ ] Matched the loan term to the useful life of the asset or need
[ ] Identified secured vs. unsecured options and their rate difference

[ ] Noted any annual cleanup/rest period requirement on a line of credit
[ ] Started at the cheapest channel I can realistically qualify for
[ ] Confirmed where I bank can see my deposit history to de-risk me

SBA Loans and Equipment Financing

Choose the right SBA program or asset-based product for your purpose.

Exercise: Which SBA Program Fits

Use the program-to-purpose logic from the course to select the right SBA path, then identify a lender who can deliver it.

• Is this for owner-occupied real estate or major long-life equipment (favoring 504), flexible-use capital up to $5M (favoring 7(a)), or under $50K for a young business (favoring a Microloan/CDFI)?

• What down payment can you make: 10% (504/established), or 15-20% (startup/special-use)?

• Is your chosen bank an SBA Preferred Lender (PLP)? How many 7(a) loans did they close last year?

• Does your DSCR still clear 1.15+ on the long SBA term you would use?

Worksheet: Equipment Lease-vs-Buy Comparison

Fill in the totals for buying/financing versus each lease option for a specific piece of equipment, then circle the lowest true cost given how long you will use it.

Equipment description and purchase price

Expected useful life / years you will actually use it

Finance/buy: down payment + total of payments + buyout

Capital lease ($1 buyout): total of payments + buyout

Operating lease (FMV): total of payments + end-of-term option

Section 179 / depreciation benefit available (Y/N + est. tax savings)

Lowest true-cost option for my usage horizon

Checklist: SBA & Equipment Readiness

[ ] Selected the correct SBA program (7(a), 504, or Microloan) for the purpose
[ ] Confirmed eligibility (for-profit, U.S.-based, meets SBA size standards)
[ ] Located an SBA Preferred Lender to shorten approval time
[ ] Prepared the 10% (or 15-20%) equity injection
[ ] Decided lease vs. buy based on the asset's useful life
[ ] Confirmed Section 179 eligibility with my accountant

Getting Approved: The Application, the Offer, the Signature

Assemble the package, compare offers on true cost, and negotiate before signing.

Checklist: Loan Application Package Assembly

[ ] Business + personal tax returns (last 3 years)
[ ] Year-to-date P&L and Balance Sheet (within 60 days)
[ ] Business bank statements (last 3-12 months)
[ ] Personal Financial Statement (SBA Form 413 if applicable)
[ ] Debt schedule for every existing loan (from the template)
[ ] Entity docs: articles, operating agreement/bylaws, licenses, leases
[ ] Use-of-funds statement tying each dollar to a purpose
[ ] Business plan + financial projections (for larger/SBA loans)
[ ] One-page cover memo (amount, purpose, term, DSCR, time in business)
[ ] Reconciled numbers: tax return, P&L, and deposits tell one story

Exercise: Convert Every Offer to True Cost

For each offer, compute the real annualized cost so you compare apples to apples. Convert any factor rate to a total dollar cost and APR.

• For each offer, what is the APR in writing (including origination and fees)?

• If an offer uses a factor rate, multiply: amount x factor = total repayment. What is the dollar cost?

• Annualize that cost over the actual repayment period. What is the effective APR?

• Which offer has the lowest total cost, and does any need for speed justify paying more?

Worksheet: Term Negotiation & Red-Flag Review

Before signing, record the negotiable terms you will push on and screen the contract for traps.

Rate I will request (and competing offer as leverage)

Origination fee: current vs. target

Prepayment penalty: present? Negotiate to none/declining

Personal guarantee: full / limited / capped / milestone release

Financial covenants (e.g., min DSCR) I must maintain — can I comply?

Blanket UCC lien: narrow to specific collateral? (Y/N)

Red flags present (daily withdrawals, double-dipping, stacking, pressure to sign)

Your Action Plan

1. Pull all personal and business credit reports and fix errors at least 60-90 days before applying.
2. Calculate your DSCR; if below 1.25, adjust loan size, term, or grow cash flow until it clears.
3. Decide whether you need a term loan (buying) or a line of credit (timing), and the right SBA/equipment product.
4. Build a tiered lender shortlist and apply cheapest-first (bank/credit union, then CDFI, then online).
5. Assemble the full application package and reconcile tax returns, P&L, and bank deposits to one consistent story.
6. Write a one-page cover memo framing the request, purpose, term, and your computed DSCR.
7. Collect at least two competing offers so you have negotiating leverage.
8. Convert every offer to APR and true total cost; convert any factor rate before deciding.
9. Negotiate rate, fees, prepayment penalty, personal guarantee, and lien scope before signing.
10. Read the full agreement (or have an attorney/accountant review it), confirm covenants are livable, then sign.