A PLAYBOOK
FOR ESTABLISHED SERVICE-BUSINESS OWNERS

THE SCHUMANN GROUP

Lender Ready

How established service-business owners walk into the bank prepared, credible and confident



Get ready to apply before you need to.

By Dr. Melody Schumann, MBA

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WHY I WROTE THIS

The bank does not decline you because you lack effort. It declines you because your file is not ready.

My career in business began at AT&T, in the years when the government broke up the monopoly and we took the company apart and handed the pieces to the competitors. I spent 18 years there in finance, marketing and product management, finished my MBA along the way, and in 2003 took a severance package with retraining money and asked myself what came next. The answer was a classroom. For nearly two decades I taught business, personal finance, entrepreneurship and business law in Pennsylvania high schools. Then I retired, baked a great deal of bread, grew a garden, and within two or three years I was bored. I missed helping people with the things I know how to do.



DR. MELODY SCHUMANN, MBA
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So I started The Schumann Group and pointed it at the one moment when a business owner most needs an organized person in their corner: The loan application. Here is what that moment usually looks like. The cash is about to run out, or the main piece of equipment has died with six jobs pending, and an email arrives from the bank's underwriter with a 3-day deadline and a list of 35 documents. Three 5-page SBA forms. Three years of business and personal tax returns, every page, every schedule. Credit reports, bank statements, the lease. And the owner is wondering how to gather all of it, when they will find the time, and how to run the business in the meantime.

I am a cop's kid from Long Island, and I have been organizing documents, processes and systems for 40 years. I know what the underwriter needs, the order they want it in, and the form they want to see it in. This playbook is the version of that knowledge you can read before we ever meet, so that you can get ready to apply before you need to.

Who this is for

You own an established service business: Heating and cooling, electrical, plumbing, insurance, IT or another trade or service, 3 years old or more, with 1 to 50 people. You built it from scratch and you still run it. You may need capital for payroll, equipment, expansion, a commercial property or a line of credit in the next year or two, and you would rather walk into the bank prepared than learn what it wants after the application is already in motion.

What this isn't

A promise of approval, and not legal, tax or investment advice. The lender makes the lending decision. What this is: The lender's questions, in the order you will meet them, and the work that answers them.

> *The bank will take your application. The underwriter is the one who decides, and the underwriter never meets you. They decide from your paperwork alone.*

WHAT YOU'LL FIND IN THESE PAGES

Six things the underwriter checks, in the order they check them.

Being lender ready means your business can clearly demonstrate four things: The ability to repay, financial consistency and control, a viable and well-understood business model, and competent leadership and planning. The six chapters take those four things apart and put them back together as a file:

01 **Why loans get declined**

Lenders are professional risk managers. What they are actually looking for, and the pattern behind most declines.

02 **The Five C's, as an underwriter reads them**

Capacity, capital, collateral, conditions and character, with the thresholds that matter: 650, 20 percent, 90 days.

03 **Cash flow, the make-or-break number**

Profit is not repayment. How the bank measures your ability to pay, and how to stress test a loan before you sign.

04 **The 35-document package**

The full checklist in the five sections a lender uses, and when to start: 3 to 6 months before you apply.

05 **The plan the bank actually reads**

Why SBA lenders expect a plan, what goes in it, and the questions to ask before you choose a lender.

06 **After the money lands**

The loan proceeds are restricted capital. Six habits that keep the loan in good standing and the lender on your side.

Then a short note on how I work, and how to reach me. Read it front to back if a loan is a year away. If the underwriter's email is already in your inbox, go straight to chapter four and start gathering.

THE NUMBERS BEHIND THIS PLAYBOOK

35+	3	Up to 85%	650	3 to 6
DOCUMENTS	GOVERNMENT FORMS	SBA GUARANTEE	CREDIT SCORE	MONTHS
in a typical SBA loan package	at least, each about 5 pages	on loans of $150,000 or less; 75% above that	the usual personal minimum	of preparation before you apply

THE SCHUMANN GROUP

Lender-ready business plans, financial statements and loan documentation packages for established service-business owners.
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CHAPTER ONE · 01

Why Loans Get Declined

What lenders really look for

> *Lenders are professional risk managers. Their job is not to believe in your vision. It is to make sure the loan gets repaid under reasonable circumstances.*

Your bank will accept the application. Then it hands the file to an underwriter, the same way a home mortgage works, and the underwriter checks your financials and your credibility on paper. On an SBA loan, the Small Business Administration guarantees up to 85 percent of loans of $150,000 or less, and up to 75 percent above that, and the bank is on the hook for the rest, so the bank is careful twice: Once for itself and once for its partner. Every lender asks a version of three questions. Can the business repay the loan from cash flow? Has it demonstrated consistency? What softens the downside if something goes wrong?

Most declines trace back to one of four gaps. The business cannot show the ability to repay. It cannot show financial consistency and control. It cannot explain its own business model in a form a stranger can follow. Or it cannot show competent leadership and planning. None of those is a verdict on the owner. Every one of them is a documentation problem, and documentation problems are fixable.

Here is the pattern I see most. A professional services firm with a healthy top line relies on client payments that arrive whenever the clients get around to it. Revenue is strong. Cash flow is lumpy. The books are a year behind. The loan is declined, and the bank will not say why. The fix is not a better pitch. It is restructuring the billing, catching up the reporting, and showing twelve clean months. Approval tends to follow readiness, not the other way round.

Being lender ready means approaching the loan strategically instead of reactively. Reactive is scrambling to answer the underwriter's questions after the application is in motion. Strategic is building the package first, so the answers are already sitting in front of the underwriter in the format they expect. That is the whole idea of this playbook, and it starts with knowing what the underwriter is grading you on, which is chapter two.



WHAT LENDERS REALLY LOOK FOR

IN THIS CHAPTER

01 The three questions
Repay from cash flow? Consistent? What softens the downside?

02 The four gaps
Repayment, control, business model, leadership. Every decline is one of these.

03 The fix
Not a better pitch. A better file, built before the application moves.

01	02	03	04
The ability to repay	**Consistency and control**	**A model a stranger follows**	**Leadership and planning**
Cash flow that covers the payment, month after month.	Clean books, reconciled monthly, current within 90 days.	Who pays you, for what, and why it lasts, in plain words.	The owner's record, the resume, the projections behind the ask.

THE FOUR THINGS A LENDER NEEDS TO SEE. MOST DECLINES ARE ONE OF THESE, MISSING FROM THE FILE.

TAKEAWAY A decline is usually a file problem, not a business problem. Find the gap, fix it, re-apply.

CHAPTER TWO · 02

The Five C's, as an Underwriter Reads Them

Capacity, capital, collateral, conditions, character

> *Lenders grade the whole picture, not one strong number. Your weakest C is the one that decides.*

Capacity is your ability to repay from cash flow, and it gets its own chapter next. Capital is what you have put into the business yourself and what is still in it. Collateral is what secures the loan: Equipment, vehicles, a commercial property, sometimes receivables. Conditions are the purpose of the loan and the state of your industry. Character is the one owners underestimate: Your credit, your history with money, and the completeness and honesty of the file itself.

The thresholds are not secrets. You usually want a personal credit score of at least 650. You have a business credit score too, and it is not always the same as your personal one; it comes from Dun and Bradstreet, a D-U-N-S number is free, and it is worth knowing what is on it before the bank looks. Anyone who owns 20 percent or more of the business is on the application, with three years of their own tax returns and a personal financial statement. Your financial statements should be current within 90 days of the application. And an SBA loan currently requires the owners to be US citizens.

Character shows up in the small things. An established company with solid profits can be declined for incomplete documentation and vague answers during underwriting. A vague answer reads as a risk. A missing page reads as a risk. An owner who cannot say what a line on the balance sheet means reads as a risk. Transparency and preparation reverse that impression, and they cost nothing but time.

So do this before you apply. Rate yourself on each C from 1 to 5. Pull both credit reports and read them for errors and for accounts you forgot about. List every owner with 20 percent or more and warn them what will be asked of them. Then write down the weakest C and a corrective plan for it. That plan is the difference between applying and applying prepared.



CAPACITY, CAPITAL, COLLATERAL, CONDITIONS, CHARACTER

IN THIS CHAPTER

01 650
The usual personal credit minimum. Business credit is separate, and free to check.

02 20 percent
Every owner at or above it is on the application, returns and all.

03 90 days
How current your financial statements need to be.

THE C	WHAT THE UNDERWRITER READS	WATCH
Capacity	Cash left after expenses, against the payment	DSCR near 1.25
Capital	What you put in, and what is still in	Owner equity
Collateral	Equipment, vehicles, property, receivables	Titles, appraisals, UCC
Conditions	Purpose of the loan, state of the industry	Use of proceeds
Character	Credit, history, completeness of the file	650 and up

THE FIVE C'S AS A LEDGER: WHAT EACH ONE MEANS, WHAT THE UNDERWRITER READS, AND THE NUMBER TO WATCH.

TAKEAWAY Find your weakest C before the underwriter does, and fix it first.

CHAPTER THREE · 03

Cash Flow, the Make-or-Break Number

Profit is not repayment. Cash is.

> *Cash flow, not profit, is the foundation of repayment. A profitable business can still fail the test.*

A growing business expands quickly, adds a second crew, buys inventory ahead of the season, and shows a profit on paper while the checking account flinches every time payroll runs. The bank sees that. It does not lend against profit. It lends against the cash that is left each month after everything else is paid, because that is what a loan payment comes out of.

The number the underwriter reaches for is debt service coverage: The cash your business generates in a year divided by the loan payments it would owe in that year. Many lenders want that ratio comfortably above one, often around 1.25, which means $1.25 of cash for every $1.00 of payment. You can estimate yours in an afternoon. Take an average month of cash in. Subtract an average month of cash out, excluding the new loan. What is left is your cushion. Now subtract the estimated monthly loan payment. If the cushion goes negative in a slow month, the underwriter will find that before you do.

Three things make cash flow easier to prove. Consistent bookkeeping in one system, reconciled monthly, with business and personal money kept completely separate. A 12 to 24 month cash flow projection built from your real seasonality, not a template. And plain explanations, written down, for every anomaly: The slow winter, the big one-time job, the year you bought the truck. A service business with messy books that cleans up two years of financials and clarifies the owner's compensation tends to get better terms than it was first offered, because the lender can finally see the business.

Here is the story behind the number. An asphalt paving contractor's main machine dies with six jobs pending and the weather about to turn. He needs to repair it or replace it now. The equipment is the easy part of that loan. The hard part is showing, month by month, that the six jobs and the ones behind them will cover the payment. Map it before the machine dies, and the loan is a phone call. Map it after, and it is a 3-day scramble.



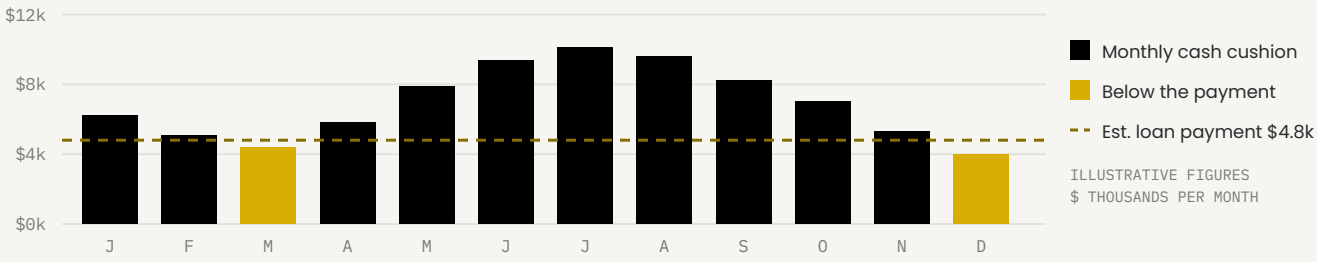
PROFIT IS NOT REPAYMENT. CASH IS.

IN THIS CHAPTER

01 Cash in
An average month, from your bank statements, not your invoices.

02 Cash out
An average month, everything except the new loan.

03 The cushion
What is left. The loan payment has to fit inside it, in the slow months too.



STRESS TEST: THE MONTHLY CASH CUSHION AGAINST THE ESTIMATED LOAN PAYMENT, MONTH BY MONTH. THE SLOW MONTHS ARE THE ONES THE UNDERWRITER READS.

TAKEAWAY Map cash in and cash out by month, then stress test the payment against your slowest quarter.

CHAPTER FOUR · 04

The 35-Document Package

The list the underwriter sends, before the underwriter sends it

> *Every missing document delays the loan. The bank moves on to the next file and leaves yours sitting, waiting for the missing piece.*

Every lender asks for slightly different things, and most will show you the application before you fill it in, so ask for it. But the core of the package is the same everywhere, and it falls into five sections. Business financials: Full, unredacted business tax returns for the last three years, a year-to-date profit and loss dated within 90 days, a current balance sheet, two-year projections (monthly for the first year, annual for the second), the last three months of business bank statements, and a business debt schedule listing every creditor, balance, rate, payment and maturity date.

Personal financials and credit: Three years of personal tax returns for every owner with 20 percent or more, SBA Form 413 (the personal financial statement), a driver's license or state ID for each of those owners, and both credit reports. Legal and organizational: Articles of organization or incorporation, the operating agreement or bylaws, any DBA filing, the EIN confirmation letter from the IRS, and current business licenses and permits. Collateral and property: The commercial lease or the deed, and titles, UCC filings, appraisals and insurance certificates for anything you are pledging.

SBA-specific and supplemental: SBA Form 1919 (borrower information), SBA Form 912 (personal history, when Form 1919 calls for it), the business plan, resumes of the principals, and, if you are buying a business, the letter of intent, the purchase agreement, the seller's three years of financials, the aging reports and a certified valuation. Some lenders add an environmental assessment, depending on the collateral.

Now the timing. Preparation for an SBA loan should start 3 to 6 months before you intend to apply, because the paperwork takes longer than you think and because August and September flood the SBA lenders with owners who want money before year end. Once the file is in, approval can take another 3 to 6 months. Build the digital folder now, one subfolder per section, and file every document as it arrives. You would not hand your accountant a shoebox of receipts on April 14th. Do not hand the bank one either.



THE LIST THE UNDERWRITER SENDS, BEFORE THE UNDERWRITER SENDS IT

IN THIS CHAPTER

01 Ask for the application first
Most lenders will show it to you before you apply. Read it, then gather.

02 One folder, five sections
Business, personal, legal, collateral, SBA. Name the files the way the list names them.

03 Start early
3 to 6 months before you apply. August and September are the crowded months.

6	5	5	5	6
BUSINESS FINANCIALS	PERSONAL FINANCIALS	LEGAL AND ORGANIZATIONAL	COLLATERAL AND PROPERTY	SBA AND SUPPLEMENTAL
Returns, YTD P&L, balance sheet, projections, bank statements, debt schedule	Owner returns, Form 413, ID, personal credit report, business credit report	Articles, operating agreement, DBA, EIN letter, licenses	Lease or deed, titles, UCC filings, appraisals, insurance certificates	Form 1919, Form 912, plan, resumes, environmental, acquisition package

THE PACKAGE IN FIVE SECTIONS: 27 CORE ITEMS. THREE YEARS OF EVERY RETURN, ONE SET PER OWNER AND THE LENDER'S OWN ADDITIONS ARE HOW 27 BECOMES 35 AND MORE.

TAKEAWAY Five sections, one folder, started 3 to 6 months early. Every document in the order the lender reads it.

CHAPTER FIVE · 05

The Plan the Bank Actually Reads

Plan versus pitch, and the questions to ask before you choose a lender

> *Many lenders, and especially SBA lenders, require a business plan. It is not a formality. It is the document the underwriter uses to understand why the loan will work.*

You know your business inside and out because you do it every day. What you do not necessarily know is how to write it down in the format a bank reads and says: Yes, this is a viable business. A narrative-heavy plan full of adjectives gets skimmed. A concise, numbers-driven plan gets read: An executive summary, the use of proceeds, a market overview with real industry data for your region, the management structure, and an operations narrative tied to your projections, so that every number in the forecast has a sentence behind it.

The plan also answers the question the bank asks first: What is the money for? Equipment that lets you offer a service you could not offer before. Consolidating the credit cards and the three small loans that kept the business afloat. Buying the building you rent, where the other units become rental income that helps repay the loan. Payroll for the crew that turns six pending jobs into six finished ones. And you may need more than you think, or less, which is why the request gets sized before a word of the plan is written.

Two documents ride along with the plan. An executive resume, because many banks want to see that the person running the company has the expertise to run it and to use the money wisely. And an industry analysis and competitor snapshot that reflects your actual region, so the underwriter is not guessing about your market from a national average.

Then choose the lender with your eyes open. The first place to start is the bank where you already do your business banking; a traditional bank may give you a very good rate. If you need $50,000 or less, or your credit is below what a bank requires, a private lender may be an easier fit at a higher rate. Whoever it is, ask the question most owners never ask: What does your contract look like? Get a copy before you sign, and have your own counsel read it, because some online lenders reel you in with a low rate and a balloon payment two years out.



PLAN VERSUS PITCH, AND THE QUESTIONS TO ASK BEFORE YOU CHOOSE A LENDER

IN THIS CHAPTER

01 **Plan, not pitch**
Numbers first. Every line in the forecast has a sentence behind it.

02 **Size the ask**
You may need more than you think, or less. Decide before you write.

03 **Read the contract**
Ask for it before you sign. Watch for the balloon payment.



THE LENDER-READY TIMELINE IF YOU WANT THE MONEY BEFORE THE END OF THE YEAR: START AT THE LEFT, NOT AT THE APPLICATION. AUGUST AND SEPTEMBER ARE THE CROWDED MONTHS AT SBA LENDERS.

TAKEAWAY Write the plan the underwriter reads, size the ask before you write it, and read the contract before you sign it.

CHAPTER SIX · 06

After the Money Lands

Closing is not the finish line

> *Once the loan is disbursed, those funds are not extra cash. They are restricted capital with a purpose written into your loan agreement.*

A $3 million loan guaranteed by the SBA does not come with the bank going away and hoping you make the payments. The lender wants to see that you are spending the money the way your business plan said you would: On the equipment, the payroll, the property. Not on personal items, and not on things the agreement did not approve. Banks want to know what you are doing with the money, sometimes in great detail, and the bigger the loan, the greater the scrutiny.

So treat the proceeds like a controlled asset. If the loan was approved for equipment, buy the equipment. Keep a clean record of every dollar: Vendor invoices, proof of payment, contracts and purchase agreements, construction draws and change orders, updated financial statements. Use a dedicated business account and track loan-related spending separately, because commingling loan money with unrelated business or personal expenses is one of the fastest ways to raise a lender's concern, and it can put the SBA guarantee at risk if the loan is ever reviewed.

Many loans also require periodic financial statements, tax returns, updated profit and loss reports and progress reports on construction or expansion. Missing those deadlines can trigger a compliance review or a default clause. Set reminders, assign the job to someone, and treat reporting as part of running the business. And when something changes, a delay, a cost overrun, a different vendor, a cash flow squeeze, tell the lender before the lender discovers it. Lenders do not expect perfection. They expect transparency.

Compliance protects you as much as the bank. A clean post-closing file means the lender is more likely to support your next loan, you avoid the legal and financial mess of a default, and you keep your credibility as an owner. When in doubt, ask before you act: A five-minute conversation can prevent a five-month problem. It is also why my clients can keep me on after closing, on a retainer, to keep the file clean for the life of the loan.



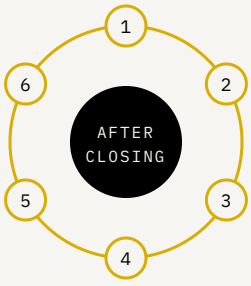
CLOSING IS NOT
THE FINISH LINE

IN THIS CHAPTER

01 Restricted, not extra
Spend it exactly as approved. Nothing more, nothing less.

02 Every dollar has a trail
Invoices, proof of payment, contracts, draws, updated statements.

03 Tell them first
Delays, overruns, vendor changes. Transparency keeps the lender on your side.



01 **Spend it exactly as approved**

02 **Keep a paper trail for every dollar**

03 **One account, no commingling**

04 **Report on time, every time**

05 **Tell the lender before they find out**

06 **When in doubt, ask before you act**

SIX HABITS THAT KEEP A FUNDED LOAN IN GOOD STANDING, FROM DISBURSEMENT TO THE FINAL PAYMENT.

TAKEAWAY Spend it as approved, document every dollar, report on time, and call the lender before the lender calls you.

HOW I WORK

The package first. Then the application.

I do not charge by the hour, and I do not sell business plans by the pound. Fees are based on the value of the project, every package is different, and the work runs in the same five steps whether you need a line of credit or an SBA 504 loan for a building.



01 A free consultation

We talk about the business and the amount, which may be more or less than you think you need. You leave knowing where your file stands today and what the bank will want to see.

02 The readiness review

Both credit reports, the last three years of returns, the books, and my 25-question Loan Readiness Assessment. We find your weakest C and write the corrective plan.

03 The package

The lender-ready business plan with 3-to-5-year projections, the financial statements, the industry and competitor analysis, the executive resume and every form and document from chapter four, in the order and form the underwriter wants to see it.

04 Submission, with you

You hand in the application and the package together, so you do not go back to the bank five times. If you want, I will come to the bank meetings and stay with you through all of it.

05 After closing

On a retainer, if you choose: The account monitoring, the receipts for equipment, the periodic statements and the reporting the lender asks for, for the life of the loan.

> *Underwriters like a clean file. Borrowers like having the mystery taken out of the process. Both get what they want when the package comes first.*

Two things make this different from a plan you could download. First, every number is yours: The projections come from your real seasonality and your real region, and the plan is written so that a stranger can follow your business in ten minutes. Second, I have sat on the other side of a lot of desks. Eighteen years at AT&T taught me how a large organization reads a file. Nearly two decades in the classroom taught me how to explain one. If you would like to know where you stand, the consultation is free and there is no pitch. Sometimes the answer is: Apply now. Sometimes it is: Clean up two things and apply in the spring. Either way you will know.

YOUR NEXT STEP

Get ready to apply before you need to.

Tell me about the business, what the money would do, and roughly when. That is all I need for a first conversation. We will look at where your file stands today, what the lender will want to see, and whether now is the time or whether two things need fixing first.

If the underwriter's email is already sitting in your inbox with a 3-day deadline, say so. That is the day I am built for.

Not sure where you stand? Email me for my free Loan Readiness Assessment: 25 questions, 10 to 15 minutes, and you get back your readiness score, the three gaps most likely to stall an approval, and one thing to fix first.

Request a free consultation through the form at drschumann.org/contact, email business@drschumann.org, or call the office at 484-404-9710. We can meet at my office in downtown Bangor, Pennsylvania, or on a Zoom call. However you like to be contacted, we will do it your way.

Request a Free Consultation →

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THE SCHUMANN GROUP

ABOUT THE AUTHOR



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Dr. Melody Schumann helps established service-business owners become lender ready by aligning the strategy, the financials and the planning before they apply for financing. The Schumann Group LLC prepares lender-ready business plans with 3-to-5-year financial projections, financial statements, commercial and SBA loan documentation packages, executive resumes, market and industry research, and strategic plans.

Her career began at AT&T in the years of the divestiture, where she spent 18 years in finance, marketing, product management and operations, leading teams in market research, forecasting, new product development and accounts receivable. She left in 2003 with an MBA and a plan to teach, and spent nearly two decades as a business education teacher in Pennsylvania, teaching entrepreneurship, personal finance, business law, international marketing and business writing. She holds a Doctor of Education in leadership and adult learning, an MBA, a bachelor's degree in business economics, a master's certificate in project management from Stevens Institute of Technology and a Wharton mini-MBA in finance, and she contributed a chapter to The Mediocre Teacher Project, a book on overcoming teacher burnout. Since 2022 she has mentored small business owners through SCORE, the SBA's volunteer resource partner, in the Lehigh Valley and Bucks County chapters.

She is a Long Island police officer's daughter, a great-grandmother of two, and the keeper of a 200 square foot garden in the Pennsylvania hills, where she feeds the birds and, occasionally, a bear that loves the bird seed. She has two dogs.

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LENDER READINESS MASTER CHECKLIST

Financial readiness

- ☐ Last 2 to 3 years of financial statements
- ☐ Current year-to-date financials
- ☐ Cash flow projections, 12 to 24 months

Credit readiness

- ☐ Personal credit reviewed and addressed
- ☐ Business credit profile established
- ☐ Every 20 percent owner briefed

Strategic readiness

- ☐ Clear loan purpose and amount
- ☐ Lender-focused business plan
- ☐ Risk mitigation written down

Operational readiness

- ☐ Consistent, reconciled bookkeeping
- ☐ Documented business processes
- ☐ Professional support lined up

General information prepared September 2026. Lending rules, SBA program requirements and market conditions change. The Schumann Group LLC prepares business plans, financial statements, projections and loan documentation packages; it does not arrange, place or sell loans, does not practice law and does not give investment or tax advice. Lending decisions belong to your lender. Legal and tax questions belong with your own counsel and CPA. No approval, rate or timeline is guaranteed.