CAPITAL READINESS

Underwrite Yourself Before You Apply

A plain-English guide to every way to fund your business — SBA loans, lines of credit, contract-based financing, grants, and equity — plus how to calculate your Debt Service Coverage Ratio (DSCR) and check your credit readiness against AmPac's criteria, so you walk into your application knowing where you stand.

Not every business need is a term loan. The right capital depends on what you're funding — and each type is underwritten differently. This guide first maps the full range of capital (including accounts-receivable and purchase-order financing), then walks you through the cash-flow and credit tests the way an underwriter would, with a worked example and blank worksheets. Pair it with the interactive Capital Readiness tool to see your results instantly.

Step 1 · Find the Right Kind of Capital

The first underwriting question is whether your request even fits the program. The use of the money usually decides it. AmPac offers all of the programs below in-house.

What AmPac Provides

Program	Best for	Amount	Typical rate*	Term
SBA 504	Owner-occupied real estate & heavy equipment (long-term fixed assets); job creation	$125K–$15M project	~5.6–6.2% (June 2026)	10/20/25 yr
SBA 7(a)	Working capital, acquisition, equipment, refinance — flexible	up to $350K	Prime + ~3.5%	up to 10 yr
SBA Microloan (CA)	Smaller needs, startups; no out-of-pocket fees	up to $50K	7.00% fixed	up to 7 yr
State Guarantee (CA)	All industries; smaller-dollar needs	up to $150K	~11–13% fixed	up to 7 yr
Community Lending	Mission-driven working capital, equipment, expansion (incl. working capital under $100K)	flexible	varies	varies

*Rates are recent/sample figures that change monthly and are not a quote. SBA 504 effective rates shown are AmPac's posted June 2026 range.

Why this matters: Picking the wrong program slows everything down. A building purchase belongs in a 504; payroll and inventory belong in 7(a) or Community Lending. SBA 504 also requires you to occupy 51%+ of an existing building (60%+ for new construction). Ask yourself: **What am I buying, how much, and will I occupy it?**

Step 2 · Beyond Term Loans — Alternative & Contract-Based Capital

A term loan isn't always the answer. If you're waiting on invoices, fulfilling a big order, bidding government contracts, or chasing growth, one of these may fit better. AmPac provides its SBA and community loans in-house and connects you to vetted partners for the rest.

Type	What it's for	How it's evaluated	Access
Line of Credit	Revolving cash for short-term gaps — inventory, payroll, timing	Business cash flow + credit	AmPac / bank partner
Equipment Financing / Lease	Acquire equipment; the gear itself is collateral	Equipment value + credit	SBA 504/7(a) or partner
AR Financing / Factoring	Advance ~70–90% on unpaid B2B or government invoices	Your **customer's** credit & invoice quality — not your DSCR	Contract-based partner (Ask AmPac)
Purchase Order (P.O.) Financing	Pay suppliers to fulfill a confirmed order you can't yet cover	End-customer creditworthiness & supplier reliability	Partner referral (Ask AmPac)
Asset-Based Lending	Larger revolving line secured by AR, inventory, equipment	Quality & size of the collateral base	Partner referral
Grants (CalOSBA / SSBCI / SBOP)	Non-dilutive funds you don't repay; priorities for very small & SEDI-owned firms	Eligibility & program fit	EE Resource Map
Surety Bonding	Required to bid many government & construction contracts	Credit, capacity, experience	Partner referral
Equity / Angel / VC	High-growth, scalable businesses; trades ownership for capital	Growth potential & team (dilutive)	EE network / referrals

Different capital, different test. The DSCR and credit checks in the next steps are how *term loans* (SBA 504/7(a), lines of credit) get underwritten. Contract-based options work differently: AR and P.O. financing lean on your **customer's** creditworthiness and the strength of the invoice or order — so you can often access them even while your own cash flow is still building. Many government contractors pair P.O./AR financing with surety bonding to deliver the work before they get paid. Grants are judged on eligibility; equity on growth potential.

Step 3 · The Cash-Flow Test (DSCR)

This is the heart of underwriting. The Debt Service Coverage Ratio measures whether your cash flow comfortably covers your debt payments.

DSCR = Cash flow available for debt service ÷ Total annual debt payments

SBA generally looks for **1.15 or higher**. A DSCR of 1.25 means you earn $1.25 of cash for every $1.00 of debt payments — a healthy cushion.

Build your cash flow (the numerator)

Start with net profit, then **add back** non-cash and discretionary items — that money is actually available to make loan payments.

Why this matters: Add-backs matter because tax returns understate cash. Depreciation and amortization are paper expenses; interest gets replaced by your new loan; owner pay is discretionary. Adding them back shows true repayment ability.

Line	Example	Your number
Net profit before taxes	$40,000	$____________
+ Depreciation	$20,000	$____________
+ Amortization	$0	$____________
+ Interest expense	$25,000	$____________
+ Owner salary / draws	$60,000	$____________
+ One-time / non-recurring	$5,000	$____________
= Cash flow available (A)	**$150,000**	$____________

Total your debt payments (the denominator)

Count only the debt that **remains** after this loan, plus the new loan's payments.

Why this matters: Anything you pay off with the new loan drops out of the denominator. We convert your requested amount, rate, and term into an annual payment so the ratio reflects the loan you actually want.

Line	Example	Your number
Existing business debt payments kept (annual)	$30,000	$____________
New loan payments (annual)	$90,000	$____________
= Total annual debt service (B)	**$120,000**	$____________
DSCR = A ÷ B	**1.25 (qualifying)**	________

How to read your DSCR

Under 1.00	Shortfall — cash flow doesn't cover the payments. Reduce the loan, extend the term, pay down existing debt, or add personal (global) income.
1.00 – 1.14	Thin — you cover it but with little cushion. SBA generally wants 1.15+.
1.15 – 1.24	Qualifying — meets the typical SBA threshold. A solid starting point.
1.25 and up	Strong — a comfortable cushion underwriters like to see.

Global DSCR (optional). If the business is newer or cash flow is thin, SBA often looks at a *global* ratio that combines business and owner personal finances: add the owner's personal net income to (A) and personal debt payments to (B), then recompute.

Step 4 · Credit & Eligibility Self-Check

These are AmPac's baseline requirements. Meeting them doesn't guarantee approval, and one "no" doesn't automatically disqualify you — but it shows exactly where you stand. Check each box honestly.

Criterion	Why it's asked	Me?
FICO 660+ for all 20%+ owners	AmPac's minimum credit threshold.	Yes / No
No unresolved federal-debt defaults	An open federal default (SBA, student loans) is a hard stop until cleared.	Yes / No
No recent bankruptcy / foreclosure / major derogatory	Recent events need explanation and seasoning under SBA rules.	Yes / No
All 20%+ owners are U.S. citizens or lawful permanent residents	Required for SBA-guaranteed loans.	Yes / No
All 20%+ owners can provide a personal guarantee	SBA requires it from every 20%+ owner.	Yes / No
10–15% equity / down payment available	10% for 504/seasoned, 15% for startups; working-capital startups inject 10% before approval.	Yes / No
Lease (or ownership) meets/exceeds the loan term	A 10-yr loan needs the location secured ~10 yrs. N/A if location-independent.	Yes / No
Cash flow covers new + existing debt (DSCR 1.0+)	Demonstrated ability to repay — see Step 2.	Yes / No

Step 5 · Your Readiness Scorecard

Put it together. If you can answer these confidently, you're ready to apply. If not, the gaps are your to-do list — and AmPac's Entrepreneur Ecosystem offers free coaching to close them.

1. Right program?	I know which AmPac program fits my use of proceeds. ____________________
2. DSCR 1.15+?	My DSCR is ________ (target 1.15+).
3. FICO 660+?	Lowest owner FICO is ________.
4. Equity 10%+?	I can inject ________% equity / down payment.
5. Eligibility clear?	Citizenship, guarantees, no federal default — all confirmed? Yes / No
6. Documents ready?	2 yrs business + personal tax returns, YTD P&L;, debt schedule, bank statements.

Ready to take the next step?

Apply: ampac.gatewayportal.com | Book a meeting with an AmPac advisor (via entrepreneur-ecosystem.com) | Send documents securely through the Entrepreneur Ecosystem Secure Docs path.

Or run the numbers live in the interactive Capital Readiness tool to get an instant scorecard.