



Show Me the Numbers: Secure Your Franchise Loan With Strong Projections

*What lenders need to see to get
your loan approved faster*

by Marisol Cruz

Financial projections are a cornerstone of a successful Small Business Administration (SBA) loan application. They provide lenders with a forward-looking view of a business's ability to generate sufficient cash flow, manage expenses, and service debt over time. More than a compliance requirement, well-prepared projections demonstrate management competence, strategic planning, and risk awareness. This white paper explains why financial projections matter in SBA lending, how lenders evaluate them, and best practices for creating projections that strengthen loan approval odds.

Financial projections help get the funding

The SBA loan program exists to expand access to capital for small businesses while mitigating lender risk through partial government guarantees. Despite this support, SBA loans remain rigorously underwritten. Lenders must confirm that the

borrower has both the **capacity and discipline to repay the loan.**

Financial projections play a critical role in this process. For startups, projections may be the primary financial evidence available. For existing businesses, projections supplement historical financial statements by illustrating how the business will perform under new debt obligations or expansion plans.

What Are Financial Projections?

Financial projections are forward-looking financial statements that typically include:

- **Projected Income Statements** (profit and loss)
- **Projected Cash Flow Statements**
- **Projected Balance Sheets**
- **Assumptions and supporting schedules**

Shelby Fete & Kristen Gerwin Hotworx Franchisee Cleveland, Ohio Area

Mother-and-daughter team Kristen Gerwin and Shelby Fete wanted to put both of their skill sets, and their money, to work. Shelby was a manager of a local Hotworx in Cleveland, "and my parents would tell you I always wanted to own my own business, but I didn't know what that would be." It turned out working as a manager of a Hotworx gave her insight into the brand, enough so that she found the business venture she wanted to own and operate.

"Investing in a franchise business where everything is spelled out added a level of comfort for me," added Shelby's mother, Kristen.

The franchisor had a financial projection template to work from as they started sketching out the business.

"The franchisor has been open 10 years now and they have data," said Shelby. "We had something to start with, which was helpful. But we aren't experts on finance, and we knew

we wanted someone to help us with it. For our financing, we wanted the lowest injection rate, and to find the right lender for that."

They worked with Marisol Cruz of Business Finance Depot to fine tune the financial projections even more.

"A lot of times people will go into owning their own business and they don't have the right financial projections from the start," Kristen explained. "They are excited and enthusiastic, and everything is smooth and rosy. That's not reality. Going through them with someone and actually asking the hard questions, it reinforces that this is a good decision."

"We're taking the risk, and we can't take that lightly," said Shelby. "Some people view the financial projections as a barrier to getting the loan, but we were approved (by the lender) quickly, with really great terms."

It's good to have "transparency with the lender right from the beginning to start out that relationship right," she added.

SBA lenders usually expect projections covering **at least two to three years**, with monthly detail in the first year and annual summaries thereafter.

Why Financial Projections Matter to SBA Lenders

1. Demonstrating Repayment Ability

The primary question for any SBA lender is straightforward: Can this business repay the loan?

Projections allow lenders to:

- Evaluate debt service coverage ratios (DSCR) - (a DSCR measures a company's ability to pay its debt obligations)
- Assess timing of cash inflows versus debt payments
- Identify periods of potential cash strain

A strong projection shows consistent positive cash flow with a sufficient margin above required loan payments.

2. Validating the Business Model

Financial projections translate a business plan into numbers. They test whether the proposed strategy is economically viable by showing:

- Revenue scalability
- Cost structure realism
- Gross and net margin sustainability

If projections reveal thin margins or heavy reliance on optimistic growth assumptions, lenders may question the underlying business model.

3. Showing the Borrower Is Capable of Running a Business

SBA lending places significant emphasis on management capability. Thoughtful, well-supported projections signal that the borrower:

- Understands their industry economics
- Has planned for fixed and variable costs
- Can anticipate operational challenges

Nayelli Sandoval **Hotworx Franchisee** **Lake Jackson, Texas**

Nayelli Sandoval and husband, Michael, always wanted to own their own business, but didn't know what it would be. They finally happened upon a Hotworx franchise in their neighborhood, and fell in love. They have signed on to open one about 25 minutes away.

Nayelli said she did a lot of upfront work in getting her financial projections correct.

"Corporate gives you a list of vendors, and I called all of them to get a quote and started putting those in my projections," she said. "I wanted to know actual figures, not just estimates."

The franchisor team sat down with her and went through the projections line by line, and Marisol Cruz of Business Finance Depot went through the spreadsheet with her, as well.

"She knows the Hotworx brand, and she told me that yes, it's good to be conservative (with the estimates), but also I should be realistic," Nayelli recalled. "She guided me through that process."

Nayelli advises new franchisees "call and talk to everyone," whether that be other franchisees, vendors, corporate coaches or the development team. "Call people, pick their brain: There are so many people who know so many things, and if you are a first timer you don't necessarily know what questions to ask. Everyone has a different piece to the puzzle, and that usually opens the door to ideas you haven't even thought of."

Conversely, vague or inconsistent projections may raise concerns about financial literacy and operational readiness.

4. Evaluating Risk and Sensitivity

Lenders use projections to identify risk factors such as:

- Revenue concentration
- Seasonality
- Rising labor or input costs
- Sensitivity to economic changes

Many lenders perform stress tests or “what-if” analyses using the borrower’s projections to assess how the business might perform under adverse conditions.

5. Supporting Loan Structure Decisions

Financial projections influence key loan terms, including:

- Loan amount
- Repayment period
- Working capital needs
- Interest-only periods or reserves

Accurate projections help lenders structure loans in a way that aligns with the business’s cash flow reality, improving long-term success for both the franchise operator and the lender.

Common Weaknesses in SBA Financial Projections

Lenders frequently encounter projections that undermine otherwise solid applications.

Common issues include:

- Overly aggressive revenue growth
- Understated operating expenses
- Failure to include owner compensation

William Laigaie The Yard Gym Cedar Park, Texas

As a former colonel in the Army, William Laigaie said he “knows how to get things done.” That being said, he’s new to business, and first-time franchisees like him need a bit more handholding throughout the process, he said.

“Everyone dealing with that person has to be forthright about the amount of time and financing it will take” to open and operate the business,” William said.

He learned that launching the store would cost more than the original financial projections the brand provided. It turned out once his business was approved by the lender and it was under construction, everything was working smoothly “right until the end,” when some of the vendors wanted to redo the numbers upward and all of a sudden, “I couldn’t afford it.”

He talked to his general contractor, who agreed to the original costs. And Marisol Cruz with Business Finance Depot helped him get the financial projections back to accurate numbers, which the bank accepted.

His advice to new franchisees in the retail sector, “You will have rent and construction, plus there are hidden costs: business phone, internet, washer and dryer. We had \$35,000 of additional expenses that we weren’t necessarily thinking about. My lesson learned is you need robust financial resources and you can’t be risk averse.”

And it’s good to have someone take a second look at the projections. “We have no background in business and Marisol was willing to work with us, almost more as an advisor than a broker.”

- Ignoring debt service in cash flow
- Lack of written assumptions

These weaknesses can lead to delays, requests for revisions, or outright denial.

Best Practices for SBA-Ready Financial Projections

To strengthen an SBA loan application, projections should:

1. Be conservative and defensible

Modest, well-supported growth is more credible than aggressive forecasts.

2. Align with historical performance

Existing businesses should clearly bridge past results with future expectations.

3. Include detailed assumptions

Revenue drivers, pricing, customer volume, and cost logic should be transparent.

4. Demonstrate adequate DSCR (Debt Service Coverage Ratio)

Most SBA lenders look for a DSCR of

1.15x–1.25x or higher.

5. Reflect industry realities

Benchmarks and norms help validate assumptions.

Financial projections are far more than a procedural requirement in SBA loan applications—**they are a critical decision-making tool for lenders.**

Strong projections demonstrate repayment ability, validate the business model, highlight management competence, and support appropriate loan structuring.

Businesses that invest time and expertise into developing realistic, well-documented financial projections significantly improve their credibility with SBA lenders and their chances of loan approval. Ultimately, projections serve not only the lender's interests but also the borrower's by clarifying financial expectations and guiding sustainable growth.

Marisol Cruz specializes in small business and start-up financing, including SBA loans and equipment leasing, with a nationwide focus on start-ups and franchise funding. She works closely with franchisees, franchisors, manufacturers, and independent businesses to deliver efficient, reliable financing solutions that support growth and expansion. Backed by an MBA and extensive lending experience in the franchise industry, Marisol takes a strategic, results-driven approach to streamlining the financing process, reducing friction during prequalification and underwriting, and driving strong funding outcomes—helping brands scale with confidence.



About Business Finance Depot:

Business Finance Depot supports both franchisors and franchisees with comprehensive financial consulting and SBA loan preparation services designed to facilitate successful funding outcomes.

For franchisees, we develop lender-ready financial projections that align with SBA underwriting standards, including detailed cash flow forecasts, DSCR analysis, startup cost modeling, and loan sizing scenarios. We also assist with business plan financials, capital structure strategy, and guidance throughout the SBA loan packaging process to improve approval probability. For franchisors, we provide standardized financial projection templates, Item 19 (FDD) financial performance representation support, and unit-level economic modeling to strengthen brand financeability. We help franchisors position their concepts for SBA lending by ensuring financial assumptions are realistic, defensible, and aligned with lender expectations—ultimately enhancing franchisee access to capital and supporting system-wide growth.

Our goal is to bridge the gap between franchise development and lender underwriting by delivering clear, credible, and finance-ready financial documentation.



Financing Fitness, Franchises and RV Parks & Campgrounds

Business Finance Depot (BFD) specializes in securing financing solutions for both new and existing franchisees, enabling them to obtain the capital required to launch, acquire, or expand their businesses. The firm has extensive expertise in structuring and packaging SBA-guaranteed loan applications, leveraging its strong network of active lending partners to streamline the approval process and accelerate funding timelines. Above all, BFD is distinguished by its commitment to exceptional customer service, providing guidance and support throughout the financing process to help minimize the stress often associated with securing business capital.

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