

## **QUESTIONNAIRE: Where Am I on the Road to Financing My Business Purchase?**

In some ways, financing the purchase of an existing business is easier than financing a new business. However, buyers should not expect to take shortcuts in exploring financing options or making themselves attractive to lenders and other sources of capital. Below is a questionnaire which can help you determine whether you have adequately examined your options. The more "no" answers you give, the more effort you may want to put toward your preparations.

*Yes/no*

- \_\_\_\_\_ Have you calculated how much money it will take to purchase the business, run it initially, and have a "cushion" in case of unexpected costs?
- \_\_\_\_\_ Have you cleaned up your personal credit history?
- \_\_\_\_\_ Have you examined financing by outside lenders only after exploring financing by the seller and through your personal equity?
- \_\_\_\_\_ Have you identified family members and friends who might be willing to help finance the purchase?
- \_\_\_\_\_ Have you explored getting financing from other people you will do business with, such as equipment or material suppliers, or key customers?
- \_\_\_\_\_ Do you have a business plan to show to lenders?
- \_\_\_\_\_ Have you determined how long, based on the income the business can be expected to make, it will take to repay any loans you will need?
- \_\_\_\_\_ If you may have to turn to an outside lender, have you determined the value of the collateral you may need to pledge, especially real estate, marketable securities, and life insurance cash value?
- \_\_\_\_\_ If turning to a lender for financing, do you have 20 percent of the purchase price for a down-payment, plus the approximate amount needed to cover closing costs?

\_\_\_\_\_ Have you established a relationship with a banker you would want to do business with on an ongoing basis?

\_\_\_\_\_ Have you investigated which types of lenders may be interested in financing a business purchase of this size? Some popular lenders are banks, insurance companies, commercial finance companies, and venture capital companies.

\_\_\_\_\_ Have you looked into getting a loan guarantee from the Small Business Administration (SBA)?

\_\_\_\_\_ Have you considered whether you are willing to give certain types of lenders, such as insurance companies and venture capital companies, an equity position in the business and a role in major management decisions in exchange for financing?