



# Should You Consider Seller Financing?

By: Joe Vagnone

*In my years,* I have owner financed nearly every business I have ever bought or sold. To date, I have been involved in more than 75 of these business ventures. I admit that I love owner financing.

Perhaps you are asking, “What is owner financing?”

As part of the negotiations, the potential buyer will ask for or the seller will offer financing. This makes the conventional process of going to a commercial lender unnecessary since the seller will be the lender, requiring a non-refundable deposit and creating a payment plan for the balance due on the business. There will likely be no additional collateral required from the buyer, since the actual business will be the security for the financing.

Here is a list of some of the reasons I favor using this method of financing:

■ The seller can ask for a higher price (in some cases as much as 25 percent higher) since he or she is assuming some risk but is confident in the buyer’s ability to operate the business successfully. This should also increase the comfort level for the buyer.

■ The seller will continue to profit from interest on the financed portion of the loan, which provides more income than that of a straight cash sale.

■ The length of time to close an owner-financed business agreement will be substantially less than that of a conventional, commercial lender-driven process, which is always laborious, painful and impersonal.

■ The buyer can be confident the seller feels good about the future of the business because he continues to have a vested interest in the success of both the business and the buyer.

■ The seller will be more likely to advise and answer the buyer’s questions (at least through the financing period) to insure the success of the business and its operation.

■ The deal gets done much easier because both parties can be creative with the terms, payments, pay-off dates, etc.

■ This type of financing goes a long way in building a long-term relationship between the buyer and the seller, which will be built upon honesty, integrity and common interests.

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It is important to remember that while there are a few limited risks involved in the seller-financing model, these are substantially outweighed by the positives listed here. Furthermore, the creative seller-financing model makes it much easier to sell your business. The truth is that nearly 90 percent of all small business sales utilize this model. 🏠



*Joe Vagnone of Murphy Business & Financial wants to hear from you!*

*If you have any questions regarding buying or selling a business, e-mail [j.vagnone@murphybusiness.com](mailto:j.vagnone@murphybusiness.com)*