

CAN I BUY A BUSINESS WITH NO COLLATERAL

At first glance the idea of buying a business with no collateral may seem impossible, but in reality it can be done. Let's examine your options. When it comes to achieving this goal, your greatest assets are an open mind and a commitment to hanging in there despite the odds.

The Small Business Association's 7 (a) Program is Your Friend



One possible avenue for buying a business with zero collateral is to opt for the SBA's 7 (a) program, which works to incentivize the bank to make a loan to a prospective buyer. Under this program, the SBA guarantees 7%. The buyer still has to put in 25%; however, this money doesn't necessarily have to be his or her money. This is where things really get interesting. The cash that the buyer uses can come from investors or even be a gift from parents in the case of young buyers. These possibilities all fall within the SBA's guidelines.

Look into Seller Financing, You Might Be Surprised

There is a second way to buy a business with no collateral, and that comes in the form of finding a seller who is willing to finance. Again, this might seem counter intuitive at first glance. But the facts are that a large percentage of sellers do agree to offer some level of financing. So in other words, seller financing is not unheard of and stands as a viable way for a prospective buyer to buy without collateral.

Combining Seller Financing and the SBA's 7 (a) Program

Combining the SBA's 7 (a) program with seller financing can prove to be a powerful combination. It is important to note, however, that if you do use the SBA's 7 (a) program the seller cannot receive his or her repayment for two years.

Persistence Pays

Ultimately, you will likely need to be rather persistent when trying to find a bank. Rejection is likely. But if you are persistent, it is possible to make the SBA's 7 (a) program work for you.

One key way to keep yourself motivated is to constantly remember that jumping through some hurdles is all part of the process since you're trying to circumvent the traditional

route of using collateral. But working relentlessly may be worth it because if you are successful, you have acquired a tangible asset without any collateral of your own. That is no small accomplishment.

Don't be afraid to ask for advice from S.C.O.R.E., the Small Business Administration (SBA), or an experienced business broker. While it might sound very unlikely that you'll be able to buy a business without collateral, plenty of people have successfully done so.

About TOGA, The Oil & Gas Advisor:

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