

## How To Qualify For Veterinary Practice Financing

Many veterinarians consider practice ownership an opportunity to secure their financial futures, to be their own bosses and to operate their practices how they see fit. Acquiring a veterinary practice requires planning and patience, but becoming an owner is one of the best ways to maximize your degree and build your net worth. Following are a few items to consider as you prepare to qualify for veterinary practice financing.

*Michael Ramirez, VP,  
Commercial Loan  
Officer*

### Understand your personal financial position

Obtaining a loan to purchase a business is fundamentally different than many of the loans you may have previously applied for and received. For most consumer loans, the income to make the payments on the loan is coming from a separate source. However, for a veterinarian purchasing a practice, the loan is being obtained to buy an asset that is generating the income that will pay back the loan. As a result, the practice needs to generate enough earnings each year to make the monthly loan payments, cover a reasonable salary for you, and produce some extra funds for savings.

Understanding your personal financial position provides insight into the size of practice you can buy while still allowing for a reasonable salary. The net operating income of your practice needs to support both the debt associated with the purchase price and your compensation. It's important to note what you owe to other creditors, including your mortgage payment, car payments, and student loan payments when analyzing your current finances.

Don't be intimidated when applying for a practice acquisition loan due to your personal debt obligations. While your total debt does come into play, what's more important is that you have demonstrated the ability to responsibly repay that debt over a period of time. Most borrowers in the veterinary lending environment have student debt, a mortgage, and a car payment. It is how they have managed these obligations that will determine how a lender views the risk.

### Review your business expenses and business debt

Not only do you need to account for your personal expenses and debt, you also need to have clear insight into what your practice will cost in terms of overhead, supplies, and staff compensation.

The most important consideration a lender makes when funding an acquisition, construction, or renovation, is the ability of the borrower to reliably repay that obligation without compromising the daily operations of the business. The cash flow of your practice is critical for you to understand. You will need to provide details on the expense structure of the practice, revenue growth trends, and likelihood of future growth when going through the approval process.

Lenders only make money when a loan is repaid; therefore, they look to fund projects with the lowest perceived risk. If your practice has a history of late payments to vendors, defaults to vendors, or poor credit history, it may be difficult to acquire a loan.

## **Decide between startup or acquisition**

When securing veterinary practice financing, you have to decide if you will acquire an existing practice or start a new practice. Purchasing a practice has the benefits of an existing client base, staff, and cash flow. When purchasing an existing practice, lenders can clearly see the repayment feasibility of the practice with the help of an existing credit history, existing assets, and an established operating cycle.

Choosing to start a new practice from scratch has benefits too. With a startup, you can put all of your business ideas to work and build from the ground up rather than using an infrastructure that's already in place and making only minor adjustments.

## **Build the Practice of Your Dreams**

Clearly, there are a multitude of choices and options to consider. That is why even with diligent preparation, your best resource for securing the financing that best suits your needs lies with your lender. At PlainsCapital Bank, our lenders can help you reach your business goals with a [variety of loans and credit options](#) available. For more information on how to qualify for veterinary practice financing, call a PlainsCapital Bank representative at 866.762.8392.