

# Veterinary Financing Guidelines



## Loan & Funding Purposes

### COMMERCIAL REAL ESTATE

#### Loan Purpose:

- Acquire an existing building to renovate for a veterinary practice
- Acquire real estate at current practice location
- Acquire land for the ground-up construction of a veterinary practice location
- Ground-up construction of a new building on the current practice property
- Renovations to an existing building

#### Transaction Details:

- The SBA 7(a) loan program allows for a 25-year, fully amortizing term
  - Construction projects may add up to 12 months of interest-only payments in addition to the 25 years of principal and interest payments
- If the real estate is an existing location, the operating company must occupy at least 51% of the real estate
- If the project entails ground-up construction, then the operating company must occupy at least 60% of the real estate
- Third party appraisal must support the valuation of the real estate constructed or acquired for loan proceeds to finance the expected cost

### BUSINESS ACQUISITION

#### Loan Purpose:

- Acquire solely the business assets of a veterinary practice or the business assets and real estate

#### Transaction Details:

- A down payment will be required by first time practice owners
- Acquisition must result in 100% ownership for the beneficiaries of the financing
- 10-year term, fully amortizing for business asset purchases
- Potential 25-year term, fully amortizing on acquisitions including business assets AND real estate
- Live Oak Bank will finance first time practice owners to practice owners acquiring their third or fourth veterinary practice

### REFINANCE

#### Loan Purpose:

- Refinance existing business debt

#### Transaction Details:

- The debt being refinanced must put the borrower in a better cash flow position with a 10% savings per month through a reduction in the monthly payment associated with the refinance

- The debt must have an unreasonable term. Examples include:
  - Balloon payment
  - 10-year maturity on a real estate acquisition
  - Over collateralization
  - Unwillingness to extend further credit
  - Excessive interest rate

## WORKING CAPITAL

### Loan Purpose:

- Minor cosmetic renovations to both leased and owned locations
- Working capital to cover the addition of a new associate veterinarian
- Signage

## EQUIPMENT

### Loan Purpose:

- Laser equipment
- Digital X-Ray
- Digital ultrasound
- Veterinary MRI

### Transaction Details:

- Term up to economic life of equipment being purchased

## Loan Qualification & Terms

### Loan Qualifications:

- The borrower must be a business entity (i.e., sole proprietor, partnership, LLC, etc.)
- Personal guarantees are required from principals with 20% or more ownership in the borrower
- Historic cash flow of 1.25x or projections required for expansions indicating a reasonable ability to meet a debt service coverage ratio of 1.25x
- Lending decisions are based upon the ability of the borrower to repay the loan through business cash flow

### Loan Terms:

- Fully amortizing loans
- 10-year term for intangible asset financing and up to 25-year term financing for real estate projects
  - Up to 12 months of interest only payments for construction financing
- No financial covenants

*Contact a loan officer to learn what financing can do for you.*



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