

# Bed and Breakfast Financing News

## Refinancing a Bed & Breakfast or Country Inn

All Bed & Breakfast/Inns are unique by design; in fact it is that unique quality that separates one B & B from the next. Innkeepers invest their energy and capital over time to create a welcoming and hospitable environment that is unique to their community and valued guests. Each financing is unique, so we are always pleased to discuss your needs, pre-qualify you relative to credit and consult with you on what financing programs best fit your investment objectives and your particular property.

While the charm and ambiance of an inn add to a patron's experience, such intangibles have only an indirect effect on the actual value. An inn's market value is ultimately determined by combining the values of the real estate, cash flow and sometimes furniture, fixtures & equipment (FF&E).

The lender will require an appraisal of the property before a final loan commitment can be issued. Appraisal fees range from \$2,800 to \$4,000 depending on the nature of the property and customary charges in a given area; the appraised value will be used to determine the actual loan-to-value.

**Credit Scores** are extremely important to a lender in evaluating the merits of a loan. Your credit or FICO scores have a direct impact on the rate, term and loan program you for which you qualify.

*Note: Individual lender guidelines may vary. The credit tier examples listed above are only for general information purposes. For a copy of our Credit Guide, please visit our web site at [www.bedandbreakfastfinancing.com](http://www.bedandbreakfastfinancing.com).*

**Financing Overview** A Conventional/Full Doc loan application package will contain such information as 2 to 3 years business tax returns an interim financial statement and bank statements. For all partners with an interest greater than 10% a separate application, a credit profile and 2 years personal tax returns will be required.

**Banks** commonly take an interest in business ventures within their defined trade area provided the financials support the debt service. A bank's ability to lend on properties that do not cash flow the debt service on their own is often restricted. The FDIC, which insures bank deposits, regulates lending policies and generally requires the entity borrowing the money to repay the debt based on the cash flow from the primary asset. To strengthen a loan request, the bank may seek additional collateral. They generally require the borrower provide updated financials each year; so that they can monitor the ongoing financial health of the business. This requirement becomes an issue only when the required Debt Service Coverage Ratio falls below an acceptable pre-determined level. A failure to maintain this ratio may cause the bank to call the loan. Banks often like to re-set rates from 3 to 5 years and sometimes even annually. Depending on the direction interest rates are heading at the time, this may or may not be an advantage for the borrower. More often than not, limit amortizations to 20 years or less.

**Non-Bank Lenders** like Commercial Capital Network (CCN) offer a wide variety of loan solutions to owners and purchasers who previously were considered un-bankable. Conventional/Full Doc Programs are available with loans to 97% of value and fixed rates from 2 to 30 years. All sources of income may be considered to offset shortfalls in the business's cash flow including: W2 or 1099 income from any partner, investment income, Social Security, Disability, etc. Annual financial statements are NOT required and loans are often assumable, which depending on interest rates at the time you decide to market your B&B/Inn may be a big benefit

to both you and your buyer. "No Doc" Loan Programs are also available for refinance or for purchase. These programs are quick and are well suited for Innkeepers or Aspiring Innkeepers who are unable to fully document their income, or where income from all sources is inadequate to qualify for the loan. Please note these loans are real estate-based loans, so the sale of the business and Furniture Fixtures & Equipment (FF&E) listed in the contract of sale, may not be financed and must be covered by the down payment.

### Non-Bank Loan Programs Highlights

- Income from all sources considered to qualify
- Loans to 97% of value

- Yearly Financials are not required
- Pre-Approvals in 48 hours

- Loan terms up to 30 years
- Closings in as few as 45 days

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