



Ask the Broker

Is it important to have financing in place before I begin my search for a dental practice?

YES, it is a great idea to contact more than one lender and fill out the necessary paperwork to get “pre-approved”. The lender will be able to inform you what types of financing products they offer and give you an approximate rate quote. Sometimes the lenders are willing to lock in certain rates for several months, but normally the interest rate also depends on the financial viability of the practice that you are considering purchasing. Most of the interest rate quotes fall within about a half percent. Some banks may offer added benefits, such as reduced checking account charges, separate lines of credit if you need more funds, and lower credit card processing fees. These may be of more value to you than a small percentage difference in a rate quote. It is best to talk to your lender about what services they offer.

Buyers also need to understand that a “pre-approval” is not *really* a “pre-approval”. A dental lender’s “pre-approval” simply means that the buyer’s credit score fits the needs to get a loan. The *real* approval depends on whether or not the practice cash flows to meet the needs of the buyer to pay off their own personal expenses and the payments required to pay off the practice loan. Surprisingly, smaller practices are actually harder to get approved as the cash flow is tighter. Sometimes keeping a part-time associate position is necessary to meet the buyer’s cash flow needs. On the other hand, buyers will need to show that they are capable of handling the production level in a large practice. Lenders normally require at least 18 months of associateship experience. Buyers should keep production reports from their current job to show that they can produce the dentistry required for the practice they desire to purchase.

Having “pre-approval” may help you win the battle if you are trying to purchase a practice in a competitive area where multiple offers are expected on a practice. It is also a good idea to have some cash in a savings account prior to filling out the lender’s application (even if it is borrowed from family members). Saving a sizable rainy day fund is actually better than paying off your school debt. Lenders expect recent dental graduates to have massive debt, but if you can show that you can save a little money, it will look more impressive to the lenders.

Questions? E-mail wps@succeed.net



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