

Bed & Breakfast/Inn Financing FAQ's

How long will it take, beginning to end, to close once I have identified the Inn of our dreams and made a buying decision?

Answer: After the offer and contract has been negotiated and accepted, the mortgage contingency period will begin. Generally speaking, 45 days is allocated to obtain a mortgage commitment. Due diligence now begins in earnest with the ordering of inspections, title insurance, environmental and survey (if needed). Once received, the mortgage processors review the title, appraisal and environmental issues if any, to build their file for closing. The contract should best case allow 90 day for closing but closings often occur in 45 to 60 days on average.

How can I know if I qualify for a loan to purchase an inn?

Answer: A pre-qualification involves the review of a loan application and supporting documentation and is comprised of data and documentation for the buyer/s and quite often a property that is of particular interest to the principals. The buyer/s must have adequate capital, credit and credentials, and the property in question (PIQ) must be able to support the desired level of debt; the pre-qualification process is most useful to evaluate the buyer/s price range before the search begins of course, but may be employed to evaluate the feasibility of a particular acquisition.

How do I determine a fair offering price for the inn/s I am considering?

Answer: A knowledgeable "B&B Industry Specialist Realtor" should be engaged very early on to consult on matters of value. Realtors who have been innkeepers themselves and are intimately familiar with their market area provide time saving expertise. They can expertly evaluate the viability of the business and support your offer with their own analysis of comparable sales data, the inn's Financial Performance, Real Estate Improvements, Good Will, and Furniture and Fixtures & Equipment (FF&E). "A buyer or seller of a business who chooses to represent himself/herself has a fool for a client".

Are inns offered "For Sale by Owner" worth considering?

Answer: They could be, but it is difficult for a seller to impartially establish the value of the business and its assets without the benefit of a valuation undertaken by an industry specialist realtor or an appraiser. The asking price should be backed up with three (3) years historical financial data and comparable sales.

How much do I need to have for a down payment to purchase an inn?

Answer: Buyers should have 30% of the project cost to cover the following:

- 1. Down Payment – 10% to 25%*
- 2. Closing Costs – 3% to 6%*
- 3. Reserves – 6 Months Principal & Interest*

What should I look for when shopping for the inn of my dreams?

Answer: Aspiring innkeepers should attend industry conferences and aspiring seminars to get a feel for the kind of operation that would best suit their financial and lifestyle objectives. This is fundamental to the beginning of a well-planned investment and will save time, capital and energy. Do all that is possible to enjoy the journey by learning from the unpleasant experiences of others.

What if I have more than one retirement savings account?

Answer: Not a problem. You can consolidate all of your retirement accounts in the new retirement plan.

My accountant (or lawyer) wasn't familiar with this type of plan or sure it could be done. Why is that?

Answer: Retirement planning is a highly specialized field; for this reason we recommend that you use a firm that deals only with retirement and pension fund planning and administration when dealing with your retirement or pension funds. While your accountant or attorney may not be familiar with this type of plan, we'll be happy to walk through the process with them.

How can I be sure it's OK?

Answer: Our partners have decades of experience in designing retirement plans to comply with the Employee Retirement Income Security Act (ERISA) of 1974, as well as Internal Revenue Code provisions. In fact, the plan was designed by our partner, an ERISA attorney himself – Len Fisher. We feel so confident about the design of our plans that Len's company stands behind his plans with the industry's only written guarantee for plan design, and he provides this guarantee up-front to each and every one of our clients.

Can I really use my retirement funds to open a business without taxes or penalty?

Answer: In most cases, yes. Our plans are designed to meet the IRS requirements for qualified retirement plans.

IRS regulations permit the rollover of funds from qualified plans to qualified plans without taxes or penalties. Regulations also permit investment of retirement funds in the stock of the sponsoring company. The benefits of the plan do come with responsibility. It is imperative that a qualified retirement plan be established for the new company, and that it be used and operated as such. It is also required that this qualified retirement plan be made available to all eligible company's employees. Because compliance is essential, it's important to work with a company that specializes in retirement plan design and administration, to ensure compliance at set-up, and continued compliance year-after-year.



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