



Financing For Chiropractors: *More Options Than You May Realize*

by Jim Salters

Everyone is probably pretty familiar with the traditional banking stance towards DCs. And now, with the added “blessing” of the great recession — and the across-the-board pullback from traditional bank lending — it’s rough out there for DCs attempting to get financing. Yes, there has been a slight “thaw” in the works lately, but generally, it is still much more difficult for DCs to get credit compared to days past. So now what?

There are a lot of new alternative lending options that have emerged in the past 10 years. But borrower beware as there is more access, but there are also a lot of unscrupulous brokers and lenders, and it is very difficult to determine who is trustworthy. In the right hands, however, financing has never been easier to get and more convenient to complete. The process can take much less time with far less complications.

What are the challenges for DCs getting financing today?

First, it is challenging for any smaller business to find the smaller banks and credit unions that have much more flexible underwriting approaches; they are typically more flexible than the big banks. Finding them is the first challenge, but then the time and effort required to go

through their underwriting to find a “yes” can be an even bigger challenge. But they are out there.

Amongst the great alternatives that are now available, the challenge is determining who to trust, and to understand the new terminology and products that are being offered so that a DC can make a wise decision. Approval rates are much higher, and there is much less reliance on the personal credit score with these alternative providers. That was not the case previously.

But it is challenging without a trusted expert or advisor to take advantage of these alternatives wisely and safely. There has never been more capital available to DCs through these alternatives, but it can be overwhelming to understand the vast array of new products, rates, terms, intermediaries, lenders, and risks that don’t really exist with traditional loans. In short, there is credit available to chiropractors, but trying to wade through all the complexities can be daunting.

How can a DC still use financing to grow their practice?

We always counsel our clients to think of any financing transaction like an investment, both in terms of cost as well as the impact on cash flow. “Can you make money with

the money?” If the cost of the financing can enable a profitable growth project, the rate itself is less important in our view.

We see many of our DC clients using funding to hire coaches and consultants who can help increase both revenue and profit, usually with a very fast return on investment, making the financing costs and payments much less of an issue as the improvements kick in. The key is breaking the vicious cycle: chiropractors can really benefit from practice management groups, but can’t get the cash to pay for the help they need. If they can’t get the consulting needed, their practice suffers.

Other instances of areas to invest can be incremental improvements to marketing, equipment (including DMEs), upgrades in their staff, or even office improvements can provide a very quick return on investment as well. These areas lend themselves to shorter-term financing. DCs can also expand into larger or additional locations either by starting them or buying them, using financing to grow faster.

What are the options for a DC just starting out?

Usually a start-up practice will need to be in business a minimum of one

year to qualify for even the most expensive alternatives (interest rates) out there. And then, the personal credit score makes a much bigger difference. Unfortunately, there aren't many options for a true start-up other than the old fashioned friends and family route, or personal savings and bootstrapping it. There is really no way to traverse the path of a start-up. I know of no financing product that will consider lending to a practice unless they have been in business for at least one year.

What options are out there that many DCs do not realize?

Banks are not created equal; smaller banks are often much more flexible and aggressive with local small businesses, including DCs. Also, there is a large wave of alternative lenders in the market with very affordable rates and very fast approval processes. But there is a tremendous competition out there among the various financial services, which can be good or bad, depending. Some programs are creative and beneficial; others may have "the surprise in the punch" that you weren't looking for. It's important that you don't assume what is stated verbally is reflected in the actual contract. I hear of countless situations where the borrower is told "There aren't any hidden fees and tack-on costs" but when they get the contract, there are a myriad of those very things in the actual deal.

What financial data should a DC have at ready to give to a financial company?

Bank statements, financials, tax returns, the typical stuff. Most financing vendors all rely on the same information, but some have it automated much more than others. In many instances, you may be able to apply through a "portal" which can quickly allow you to know if you qualify and for what amount. The Internet is still making huge progress in allowing increased automation, allowing much more convenience and financing programs are not an exception.

Any red flags docs should be aware of in terms of their records?

Negative online reviews are something lenders are looking at more and more today. It is simple due diligence to scan for any potential problems when reviewing an application. But, not all problems in the past are "yes or no" knockout blows. Some lenders will be open to speaking about past problems and may decide to allow credit after speaking with the applicant about a past issue. Don't assume you are "black balled" over something in the past. If you have a credible explanation, you may still attain the financing you are seeking.

Summary

The world is changing at a speed we have never seen before; the acceleration just keeps ramping up, and it is no different in credit and financing. There are options out there that simply didn't exist previously. A lot of chiropractors may assume they can't get financing due to previous efforts, but, in fact, there may

now be financing options that would indeed be open to giving them credit.

Doctors may want to take the time to discover what options are out there, allowing them to invest in consultation or significant new equipment such as digital X-ray, a decompression table or practice management software. There are many possible purchases that can give a practice a jump start to becoming the practice the chiropractor dreams of. Take a look around and see what is available. This could be the ideal time to ascertain your options. Best of luck.

About The Author: Jim Salters is CEO of The Business Backer, a financing company that focuses on helping small to medium sized businesses get access to working capital to help them take their business to the next level. For more information, go to www.thebusinessbacker.com or call 513-746-2020

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