

How Do I Finance my Business?



It's the question we all ask. We drive by businesses, studying the buildings and the inventories (especially car dealerships!) and wonder how they came up with the cash to get their businesses off the ground. Aside from being a good master of our personal funds, where do we go for business start up funds?

There is good news / bad news with regard to securing a real estate mortgage for your riding school business. The bad news is that there are so many people who go belly-up with horse businesses, that banks tend to not take us seriously. Sad to say, pick up your regional horse journal, and count how many operations are on the market. What I think I see are large stables built with money that was not horse money to begin with, followed by a divorce, followed by a bankruptcy - or vice versa. We can't say it's that way all of the time; but the story goes in that direction often enough that many of us are nodding our heads as we read this.

The second scenario is the mortgage officer who says, "If Dr. So-and-So couldn't make a go of it with his horse farm, what makes you think you can?" Because we cannot pick up the stapler and throw it at the banker, we instead walk away wondering whether he could really have believed that Dr. So-and-So ever had the intention to show a profit with his horse farm. Well, that's life - we've just got to work with what we've got. And, the fact is, we *do* have to show the lender we can repay a loan.

The good news is that a riding school for non-horse-owning novices can be operated on a comparatively small parcel of land with minimal barns. It is sometimes possible that the mortgage we need for our stable business can be part of our residential mortgage. Still, unless you've inherited a truly large sum of money, in order to qualify for a mortgage, you will need viable income from another source. If you are less than twenty-five years old, here is something you need to know. There's nothing wrong with spending four years of high school dreaming of owning a horse farm. But, it is unrealistic to expect a lender to put up money for someone who has not proven their work ethic and their ability to manage money in the real world. It's important that you finish college with a viable professional or trade degree, and then sock away savings, before taking on the responsibility of business ownership. This doesn't mean you have to walk away from the horse industry for eight years. You can stay connected while attending classes and, after graduation, while working for a few years full-time for an outside em-

ployer. But, don't stay connected by spending money on the competition circuit. Stay connected by earning part-time money as a riding instructor.

Our house, little red barn, and ten acres was secured by a traditional mortgage shared with my second (and last ☺) husband. In our particular situation, money from his paycheck covered three-fifths of our household bills; and money from my paycheck covered two-fifths. Beyond that, I secured the loan for my indoor riding arena in my own name from the University of Michigan Credit Union while I was fully employed at the university. I offered a \$12,500 down payment from my savings, to secure a \$43,500 loan, leaving a balance of \$31,000. These are 1987 figures.

Depending on where you live - in terms of region within the nation and distance from the nearest city - different options will be available for financing your property. My first husband and I financed our forty acres in Owosso through what was then called the Federal Land Bank. A number of states have land bank associations that specialize in farm financing. You can check with your local Farm Bureau for more information. You can also check with your county extension service to learn about farm land lending sources close to home.

The Service Corps of Retired Executives (SCORE) might be a possible information source. It is the volunteer arm of the U.S. Small Business Administration (SBA). You can visit with counselors from your local SCORE office to learn which local lenders work with the SBA on agricultural/residential mortgages. The SBA does not make business loans but they guarantee portions of loans so that banks incur less risk in funding start up projects.

You'll often read in magazines such as *Entrepreneur* that business start up money comes from relatives. I don't have any wealthy relatives, but I had some that cared enough to contribute physical time and effort. My husband and my seven-year-old son installed the hayloft floor in the little red barn using good, used oak beams that came from a recently demolished funeral home. My husband put in the original electrical and that saved a lot of money. My brother built in my classroom / tack room and

cemented the floor and walks for six dollars an hour while he was laid off from his regular job. One of my supervisors on campus put up the money for two used saddles, and her daughter took lessons to barter back the trade. So, it is true that you can get started with a little help here, and a little help there. If your reputation among your family and friends is that of a seriously dedicated and honest person, then once you put your dream on the table, people will come out of the woodwork to help in any way they can. For them, it is personally rewarding to get on a good bandwagon.

I started offering lessons here at Riverbank with just one schooling horse, our little Morgan named Stormy. I soon added another Morgan that I found for a thousand dollars because his owner had died and the estate (relatives) was not paying his board. I ran my program for a long time with just those two horses. After all, if I was the only instructor, surely two horses could endure all that I could endure. If I could handle a killer day with ten hours of lessons, then each of those horses could handle five; especially because novice riders are not very hard on their horses.

Today (2011), with the economy in the tank, good horses who deserve a good home can be had for a song. You can also find a good schooling horse among those 4-H riders who are leaving for college. If they can't take their horse to campus, and their parents don't want to support and/or care for it while they are gone, then arranging a free-lease with a riding school is an excellent way to save them from having to sell the horse they love. You will find an excellent schooling horse lease / board agreement in the 'business management' section of the password-protected *Member Resources* area of the *ucanride* web site. It is a form that clearly spells out the details specific to your schooling program, so there are no surprises down the road.

Aside from issues related to real estate mortgages, as I build the AARS, I observe a second problem related to start-up money; and that is marital relationships. At conferences and in one-on-one interviews, I meet women who have a strong interest in business ownership but who have spouses who are not supportive. I see a lot of this – a *lot* of this. I truly cannot count how many uncomfortable kitchens I have sat in over the last couple of years. At a logical level, it's a poor use of my time and money. At an emotional level, I'm meeting a

lot of hard working women; but most of whom are not as determined as they'd like to think they are. If loan officers are seeing the same thing, then spouses need to find a way to get it together, *together*, before either one of them attempts to put their business plan into action.

If you find yourself in this situation, the best condolence I can offer is that you are not alone. If you can make an earnest effort to strike a balance between business/horse time and spouse/family time, that includes a written schedule to validate your commitment to a balanced marriage, it might help. But, in reality, it's near impossible for anyone to complete a successful business start-up of any kind without turning their family upside down in the process. An editorial in a decades-old *Working Woman* magazine suggested that a small business owner must be either very-married or very not-married. And, if you're not yet married, consider this...

Popular bumper stickers suggest that maybe we think we're going to marry the money. If you're shopping for a sugar daddy, here's a hint. It's unlikely you're going to marry a person who admires both horses *and* small business. We already know how much time one horse can take from a marriage; and any small business person will have marriage issues above and beyond the typical ones. Whatever physical amenities you think you have going in your favor will only go as far as the altar plus, maybe, two years. After that, it's got to be the Real McCoy. So, if you marry your money and your marriage goes ka-poot, so does your business.

Finally, if you are in the position where you simply do not qualify for a real estate mortgage, the next best thing is to lease a facility *where you have total control over the environment*. A sample lease is included in the password protected *Member Resources* area of the *ucanride* website. However, this I can tell you: In every situation where an AARS member stable owner began her business in a leased facility, growing pains forced her to move. Whether the land owner was a person who knew the AARS member well, or just met her at the start of the lease, once the stable began to incur a lot of activity, issues

arose. Having to find a new facility after developing a good foundation at the original one is a huge waste of time, money, and emotional energy. And, no matter whether the move goes smoothly or not, customers will be lost; and you will find yourself having to play catch-up on your life plan. What is important here is understanding that, from the day you open for business, you need to sock away money like a madman; because needing to have enough saved for a down payment on a place of your own is going to happen sooner than you think.

Finally, I'd like to encourage you to not waste money on anything that is not absolutely necessary. When you look at your stable from your customer's perspective, all you really need is a healthy, well-mannered horse, a couple of safe saddles and bridles, and a dependable enclosure. And, you need the place to be clean. Aside from insurance and advertising, everything else can come later.