

WELCOME TO THE BROKER INDUSTRY IN 2021

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By Steve Mariani

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Here we are at the beginning of another new year, a year that might not look like any other we have seen in our careers. We are all adjusting to yet another *new normal*. What is normal anymore? As leaders, it is not about taking credit for the good years. It is stepping up when times are tough. Today, I describe our method of making lemonade with the good and bad lemons of 2020.

First and foremost, from a financial perspective, any client with an SBA loan in place before February 2020 should have received six payments on their loan under the CARES Act passed in March of 2020. This is important to note because many of those businesses were already doing okay without it and owners used it to shore up an already stable business. These business owners have built solid companies with strong balance sheets that are at a premium in the market today. Maybe I should back up. Today's market appears to be leaning toward a sellers' market over the last year and moving forward. Broker inventory levels nationwide have shrunk to new lows and therefore I feel it is important to understand the avenues we are having success in today. An established business, after surviving the last ten months and having a less concerning balance sheet, is now poised to sell for the highest price we have seen in the last few years. A seller that has weathered the storm and is now ready to move on probably has his business on stable ground.

I speak with many high-net-worth borrowers each day and have listened to their needs and focus change over the last two years. What I am seeing now is a change in mindset with borrowers shifting their criteria to focus more on businesses that generate higher profits and cash flow and less about specific industries. This is not your typical card store buyer, although, most we speak to are still considered "main street." They begin looking at companies with SDE of \$500K and up. They seem less confident in their current high paying jobs or the markets they built their careers around and more confident in their abilities to run a company.

Here is why I share this information with my readers today: I believe opportunities are surrounding the two groups I described above. If you have been in this industry for any length of time, then you should have a database of buyers and sellers that fit this criterion.

With the passage of the Consolidated Appropriations Act of 2021 (stimulus bill), the lending markets are as aggressive as ever and include a new six payments rule, along with waiving fees for buyers. Savvy buyers are already aware of this and want to capitalize on the opportunity. They call us less concerned about specific industry affiliation than before. Most are more open to any industry that they can understand.

Below is a list of a few transactions that we have in process in industries that lenders are targeting. This list is **not** inclusive and is more of a starter list to add to your existing focus:

- Lumber and Building Suppliers
- Residential Services: Spas & Pools, Tree Services, Home Construction & Additions, Painting
- Security Services
- Plumbing, HVAC, & Electrical
- In-Home Health Care Providers
- Pawn Shops
- CPA Firms
- Exterminating & Pest Control
- Manufacturing

I am not saying that these industries or businesses were not affected by the COVID-19 pandemic over the past year. What I am saying is, based on our current lenders underwriting guidelines, these have either started to recover, were not impacted as heavily, or even started to grow!

Current lending guidelines now allow for businesses that are recovering slower than others and showing upticks in revenues to be approved with continued expectations of increases through projections. The amount and speed of recovery, along with industry comfort level, is up to the lender to determine.

As in any crisis, and I do consider this a crisis, there are always avenues or windows that open. I hope I was able to provide a few thoughts and ideas to help your office, and this country, recover and move forward. I will continue to share current lending conditions and items of importance to the broker industry as I learn them.

Our team at Diamond Financial remains committed to the success of the broker industry and the promotion of business transfers. We will answer any question and always share information. All current documents relating to the COVID-19 pandemic can be found [here](#).

If your buyers, with loan requests over \$400K, would like to work with one of our highly trained staff, we would be happy to assist in the closing of your transaction. Try us and see the difference that personalized service makes.

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