

FINANCING

What is seller financing, and why does it help a buyer?

By Ayodele Olasiji, Optimax Commercial · Updated October 18, 2026 · 3 min read · Online at [optimaxdeals.com/guides/seller-financing-for-buyers](https://www.optimaxdeals.com/guides/seller-financing-for-buyers)

SHORT ANSWER

Seller financing means the owner lets you pay part of the price over time through a promissory note, instead of all of it at closing. For a buyer it lowers the cash and the bank loan you need, and it keeps the seller invested in a smooth handover. The rate, term and security are negotiated, and next to an SBA loan the note usually has to wait its turn.

How to, at a glance

1. Ask the seller early whether they will carry a note
2. Negotiate the amount, rate, term and start date
3. With SBA, put the note on full standby to count it as cash in
4. Have a lawyer review the note, guarantee and default terms

Questions buyers ask

How common is seller financing in small business sales?

Common to ask for, less common to get in full. In 2026 survey data, nine in ten buyers expected it to play a role, but under a third of owners planned to offer it. Whether a given seller will carry a note is always a negotiation.

What interest rate does a seller charge?

Whatever you agree. Sellers often look at what a bank would charge and where their own money would otherwise sit. Ask your CPA how the rate affects both sides' taxes.

Does seller financing mean no down payment?

No. Sellers almost always want real cash at closing, and an SBA loan requires your own injection. Seller financing reduces the cash you need; it rarely removes it.

How a seller note works

1. You and the seller agree on the price and how much of it the seller will carry.
2. At closing you pay the rest in cash, or with your cash plus a bank loan.
3. You sign a promissory note to the seller for the carried part: amount, interest rate, term and payment schedule.
4. The note is usually secured by the business assets and often by your personal guarantee.

Why it helps you

- **Less cash at closing.** The seller's note fills part of the gap between your cash and the bank loan.
- **A seller with something at stake.** If the business stumbles after the sale, the seller's note is at risk too, so they tend to train you well and introduce you to key customers and suppliers.
- **A signal about the numbers.** A seller who will carry paper usually believes the business can pay it.
- **Room to negotiate.** Rate, term, payment start date and interest only months are all on the table.

What a seller note usually looks like

Term	Range sources report
Share of the price	Usually 10% to 40%, sometimes more
Length	About 3 to 7 years
Interest rate	About 5% to 8%

Ranges from Surge Business Law and SMB.co (2026), under Sources. Every note is negotiated; these are not quotes.

Buyers want it more than sellers offer it

In BizBuySell's second quarter 2026 survey, 90% of buyers expected seller financing to play some role in their purchase, while only 29% of owners planned to offer it. And in closed deals reported by business brokers that quarter, most of the value was paid in cash at closing, with seller financing a small share. So ask for it, but plan your cash as if the seller may say no.

Seller financing next to an SBA loan

Many purchases use both. Under SBA rules, a seller note can count toward your required cash in only if the seller takes no payments for the full life of the SBA loan (full standby), and it can cover no more than half of the required injection. A note that is paid during the loan is still allowed, but it does not count as your cash, and the lender has to approve its terms.

What to watch

- **Balloon payments.** A large lump due at the end. Know how you would refinance it.
- **Default terms.** What happens if you miss a payment, and whether the seller can take the business back.
- **Personal guarantees.** Read exactly what you are guaranteeing.
- **Offsets.** Ask for the right to reduce note payments if the seller's statements about the business turn out to be untrue. Your lawyer will know how to word it.

Sources

- [Small Business Trends on the BizBuySell Q2 2026 Insight Report \(Aug 2026\)](https://smallbiztrends.com/small-business-acquisitions-drop-10-as-buyers-get-more-selective) smallbiztrends.com/small-business-acquisitions-drop-10-as-buyers-get-more-selective
- [IBBA Market Pulse, Q2 2026 highlights](https://www.ibba.org/wp-content/uploads/2026/08/mp-highlights-q2-2026.pdf) www.ibba.org/wp-content/uploads/2026/08/mp-highlights-q2-2026.pdf

- [Surge Business Law: Seller financing when buying a business \(Mar 2026\)](#) [surge.law/seller-financing-when-buying-a-business](#)
- [SMB.co: How much business can you actually afford \(Jun 2026\)](#) [smb.co/blog/how-much-business-can-you-actually-afford](#)
- [Starfield & Smith: Equity injection requirements under SOP 50 10 8 \(May 2025\)](#) [starfieldsmith.com/2025/05/best-practices-a-review-of-equity-injection-requirements-under-sop-50-10-8](#)
- [SBA Information Notice: Issuance of SOP 50 10 8.1, effective October 1, 2026](#) [colemanreport.com/wp-content/uploads/2026/08/SBA-Information-Notice-5000-880695-Issuance-of-SOP-50-10-8.1.pdf](#)

Looking for a business to buy?

See the businesses on the Optimax board by state, and get an email when one matching what you buy comes in. Sign one confidentiality agreement online to see full details, including owner direct deals that are not on listing sites.

Browse by state and get deal alerts

www.optimaxdeals.com/businesses-for-sale

Sign once and see the deals

www.optimaxdeals.com/deals

Optimax Commercial · 701 504 8429 · ayo@optimaxdeals.com