

SBA 7(A)

# An Underperforming Car Wash Gets a Modern Update

## LOAN AMOUNT

\$3,484,000

## LOAN PURPOSE

SBA 7(a) Business Acquisition including Real Estate

## THE SMALL BUSINESS

Car Wash | Katy, TX

## THE FINANCING CHALLENGE

The borrower set out to transform an existing full-service car wash into a modern, automated express wash, aiming to increase profitability and improve operational efficiency. The original business, which had been operating as a hand wash for 17 years, faced significant financial challenges, including high payroll costs and outdated equipment that restricted profitability.

The new approach required a shift in the business model, replacing the labor-intensive hand wash process with a fully automated express wash system. Upgrading the equipment was critical for supporting this new model as well as cutting operating expenses associated with payroll. While the borrower had not previously worked within the business, he brought relevant experience to drive this ambitious transformation.

Since the car wash had historically underperformed and lacked strong existing cash flow, the loan relied heavily on future financial projections. This made the transaction inherently complex to underwrite. To assess its viability, we carefully evaluated projected traffic volume, the area's competitive dynamics, and the revamped business's overall potential. By focusing on these factors, the express wash business model showcased a clear path to becoming a more efficient and profitable venture.



## Here's what our borrower brought to Ready Capital:

- The borrower brought over nine years of transferable business experience.
- The location was great for traffic which helped predict and project strong future sales.
- Lack of collateral was mitigated by other insurance.

## CREATIVE SOLUTION

By evaluating the transaction holistically, we successfully structured the financing based on the revised business model and improved projected cash flow. The borrower secured the loan with only a 15% contribution toward the total project cost. The strengths of the opportunity far outweighed its challenges, allowing the borrower to achieve his vision of building a thriving business.

## Reliable results

- **The borrower will be able to purchase the property and continue to provide the community with car wash services.**
- **The borrower got this deal done with only 15% down to secure the loan.**
- **The business is able to transform into a more efficient and effective business model.**

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