core Strategy Partners / Insights to Drive Decision Making

THE ACQUISITION ADVANTAGE

Why buying an existing business beats starting from scratch

TABLE OF CONTENTS

1. Executive Summary

For many Americans, acquisitions may be a practical and powerful wealth-building opportunity.

The U.S. small business landscape is shifting. As millions of baby-boomer owners retire in the coming decades, a historic wave of established firms will enter the market. At the same time, existing business owners, and a small but growing group of first-time entrepreneurs, are turning to a faster and more reliable path to ownership: acquiring existing businesses instead of building from scratch. Yet despite clear performance advantages, acquisition remains one of the most underutilized pathways to business ownership and wealth creation in the U.S.

In the Small Business Administration's main small business lending program, called SBA 7(a), acquisitions make up less than **10%** of loans yet capture nearly **25%** of all lending dollars. Buyers choose acquisitions because they inherit proven value in the shape of customers, employees, operating systems, and cash flow. As a result, acquisition-backed firms support an average of **14** jobs per loan, compared with **12** for start-ups, helping preserve local employment and business continuity.

Acquisition can also be a powerful engine of wealth creation. Business owners hold a median net worth of about **$530,000**—more than **three times** that of non-owners.[1] For Black households, the difference is even more striking: Black business owners have **twelve times** the wealth of Black non-business owners.[2] Yet Black, Hispanic, women, and rural entrepreneurs remain underrepresented in acquisition lending, leaving substantial wealth-building potential untapped. Expanding access to acquisition financing could help broaden participation in this wealth-building pathway.

Acquisition is more accessible than many assume. With SBA 7(a), buyers typically put down just **10%**, and sometimes as little as **5%** with seller financing. This means a business listed at **$330,000** can often be purchased with **$33,000**, or even **$16,000**, in upfront cash. This is comparable to, and even lower than, typical home down payments.

1 Changes in U.S. Family Finances from 2019 to 2022: Evidence from the Survey of Consumer Finances | The Fed, 2023
2 The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success | Association for Enterprise Opportunity (AEO), 2017

SBA leverage, paired with seller financing, opens the door to ownership for many Americans. The timing is also complementary. Nearly **2.9 million** baby-boomer businesses, employing **32 million** workers, are preparing for transition.[3] This represents an unprecedented opportunity to preserve jobs, sustain community wealth, and broaden who gets to own America's small businesses.

A small but sophisticated group of first-time buyers is already using Entrepreneurship Through Acquisition (ETA) to build income and equity. Expanding this particular group's participation in SBA 7(a) could enable thousands more entrepreneurs to step into established businesses. Seizing this opportunity will require targeted action, such as:

- Expanding access to down payment capital;
- Increasing education and awareness;
- Strengthening platforms that bring together buyers and lenders;
- Scaling participation of mission-driven lenders, such as Community Development Financial Institutions (CDFIs), that provide capital and technical assistance to under-resourced and unbanked individuals; and
- Supporting new buyers with mentorship from experienced acquirers.

For many Americans, this may be a practical and powerful wealth-building opportunity.

The inventory is here. The strategy is proven. Now is the moment to open the acquisition pathway to a new generation of entrepreneurs.

[3] The Silver Tsunami of retiring business owners | Project Equity, extracted in 2025

2. The Acquisition Opportunity

Small businesses are the backbone of the U.S. economy—driving innovation, creating local employment, and sustaining community wealth. They make up **99.9%** of all U.S. businesses.[4]

As millions of these firms prepare for ownership transition in the coming decade—a trend explored later in this section—business owners are discovering a faster, more reliable path to growth: buying existing businesses rather than building from scratch.

Acquisitions let new owners step into firms with customers, revenue, employees, and systems already in place. Combined with the SBA 7(a) program's financing structure, this pathway offers Americans an accessible route to small business ownership.

What is SBA 7(a)?[5]

Created under Section 7(a) of the Small Business Act, the 7(a) program is U.S. Small Business Administration's primary business loan program for providing financial assistance to small businesses.

The maximum loan amount is **$5 million**. On each loan, the SBA guarantees **75%–85%** of the outstanding balance, reducing the bank's exposure if a borrower defaults. This guarantee, in turn, expands access to credit for borrowers who might not meet conventional lending requirements.

SBA 7(a) loans can be used for:

- Starting a business
- Acquiring an existing business
- Working capital
- Refinancing debt
- Equipment or real estate purchases

2.1 | Why buying beats building

Buying a business lets entrepreneurs skip the early years of losses and step directly into positive cash flow. Starting from scratch also carries uncertainty; **one-in-five** small businesses in the U.S. fail within their first year.[6]

Instead of testing an unproven idea, buyers take over firms with established customers, a trained workforce, and operating systems that already run day to day.

They also inherit supplier and vendor relationships that support continuity from day one. With real performance history and existing resources, acquisitions can offer a more predictable—and faster—path to successful small business ownership for many entrepreneurs.

Lower uncertainty in acquisitions may help explain why lenders are often willing to finance larger loans: established cash flow makes repayment more predictable.

[4] 2025 Small Business Profile | SBA Office of Advocacy, 2025
[5] 7(a) loan program | U.S. Small Business Administration
[6] Estimate by the U.S. Bureau of Labor Statistics | Investopedia, 2025

2.2 | The Silver Tsunami as an opportunity

Across the U.S., a demographic shift known as the "Silver Tsunami"[7] is underway: Millions of baby boomer business owners are approaching retirement, creating a historic inventory of established firms coming to market.

According to recent estimates, over 2.9 million baby boomer–owned businesses employ roughly 32 million workers and generate $6.5 trillion in annual revenue.[8] Because over 58% of owners have not yet formalized a succession plan,[9] this generational transition is likely to create an unprecedented inventory of profitable, established businesses available for strategic acquisition. Retiring boomer business owners have the potential to sell or bequeath $10 trillion in assets over the next two decades, though many businesses may instead close their doors without a viable exit strategy or willing buyer.[10]

For those that do reach the market, this wave of potential transitions could expand the pipeline of ready-for-sale businesses. According to BizBuySell, reported small business sales climbed to 2,599 transactions in Q3 2025—up 11% from the previous quarter and 8% from last year.

A practical next step could be to improve information about which businesses are coming to the market, through platforms, registries, or online dashboards, so buyers can find them more easily.

2.3 | How the SBA 7(a) program makes it possible

The Small Business Administration's (SBA) 7(a) loan program plays a major role in financing small-business acquisitions in the U.S. The program reduces lenders' risk by providing a federal guarantee for a portion of the loan, protecting lenders if a borrower defaults. This guarantee, in turn, expands access to credit for borrowers who might not meet conventional lending requirements.[11]

This has the potential to fuel the growth of Entrepreneurship Through Acquisition (ETA) — a pathway in which individuals or small teams acquire and operate existing businesses rather than building from scratch.

A notable portion of SBA 7(a) loans supports business acquisitions—whether by existing owners seeking expansion or by individuals entering ownership for the first time.

The SBA 7(a) program is structured to keep upfront capital requirements low. In many transactions, buyers contribute just **5%–10%** upfront. For a typical $332,000 acquisition, that translates into $16,000–33,000 in upfront cash—turning what appears to be a high-cost purchase into an accessible investment.

7 The term "Silver Tsunami" describes the aging of the baby boomer generation and their transition into retirement. The 'Silver Tsunami' in Manufacturing: Definition, Impacts and Future Trends, 2025
8 The Silver Tsunami of retiring business owners | Project Equity, extracted in 2025
9 The $10 Trillion Transfer: How Baby Boomer Business Exits Will Reshape the Economy | Headway, 2025
10 Baby Boomers: Incredible Numbers are Buying and Selling Businesses (Part 1 of 2) | California Association of Business Brokers, extracted in 2025
11 SBA 7(a) Loan Guaranty Program | OCC, 2015

The home-buying analogy

Americans already understand the power of leverage through homeownership. Most homes are purchased with down payments—often below the traditional 20%. FHA mortgages require as little as **3.5%**, and the average down payment for first-time homebuyers is just **9%**. Even across all U.S. buyers, the median down payment is **18%**.[12]

Business acquisitions work the same way. Through SBA 7(a), buyers can acquire established businesses with **10%** down payment, and sometimes closer to **5%** with seller financing. A modest upfront investment unlocks ownership of a valuable asset, with an added benefit: immediate operating income.

Together, these features of the SBA 7(a) program turn ETA into a practical, scalable pathway for aspiring entrepreneurs.

[12] Do I Really Need a 20 Percent Down Payment for a House? | Bankrate, 2025

3. The Evidence: What Seven Years of Data Reveal

3.1 | Acquisitions outperform start-ups

Small business acquisitions and start-ups play different roles within the SBA 7(a) program. Start-ups represent new firm creation and acquisitions enable the transfer of existing businesses—often with established customers, cash flows, and employees.

Acquisition activity in the SBA 7(a) program shows a clear pattern: those who buy existing businesses do so because the strategy works. Over the past seven years, acquisitions have attracted growing capital, supported more jobs, and shown stronger resilience than start-ups—especially during periods of uncertainty.

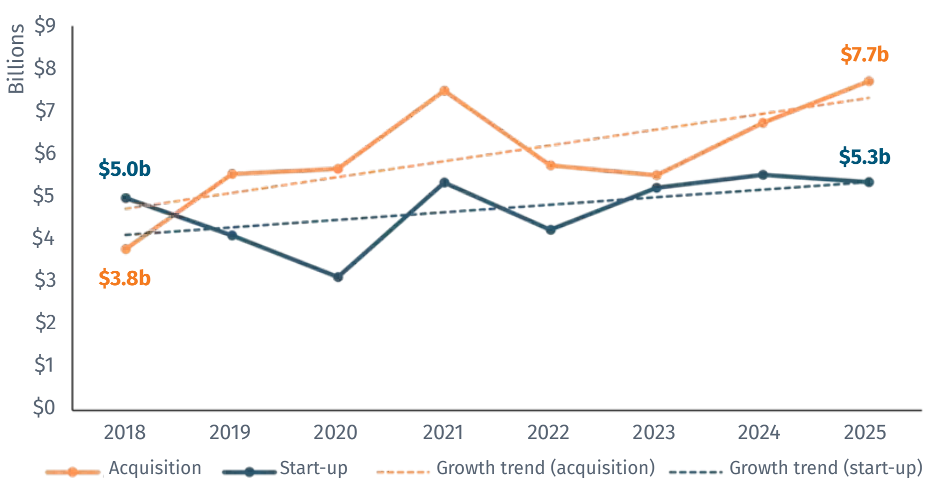
A review of 7(a) lending from FY2018–FY2025 shows:

Capital is flowing toward acquisitions

As shown in Figure 1, acquisition lending has doubled over the years, rising from **$3.8 billion** in FY2018 to **$7.7 billion** in FY2025. Comparatively, start-up lending has held relatively steady.[13]

The sustained growth in acquisition lending indicates an increasing recognition among buyers and lenders that acquiring established businesses delivers an alternate path to scale.

Figure 1 | Acquisition lending in SBA 7(a) program is rising[14]

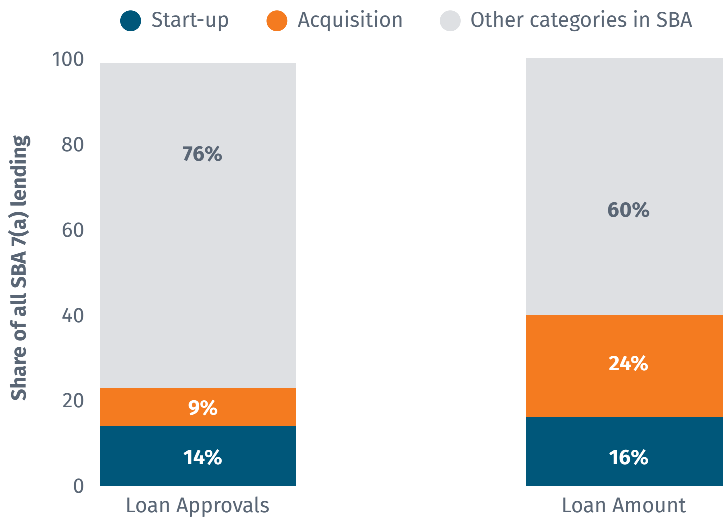


[13] These absolute increases are likely understated, since data for 2025 was last collected as of August 30, 2025, with one month remaining in FY2025.
[14] FY2025 is up until August 30.

Capital follows proven value

Acquisition loans capture nearly **24%** of all SBA lending dollars, despite representing less than **10%** of loan approvals. Start-ups, by contrast, receive lending dollars that more closely match their share of approvals. This comparison is visualized in Figure 2 for FY2025

Figure 2 | Acquisitions attract a larger share of SBA 7(a) lending dollars



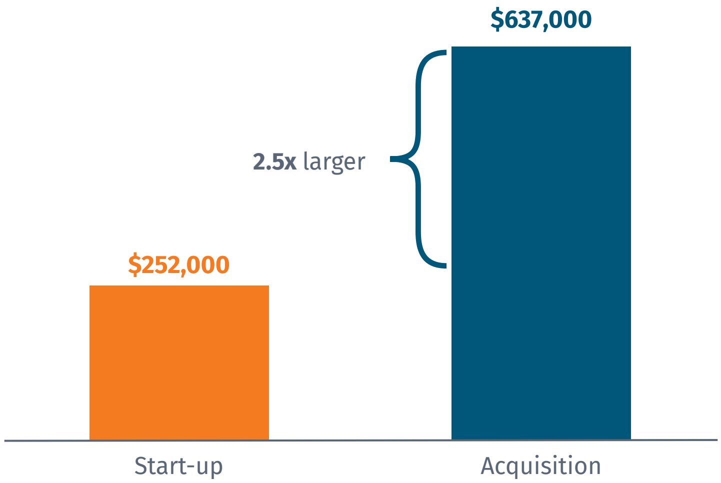
Note: "Other categories" reflect existing businesses of varying ages not classified under start-up or acquisition.

Loan sizes underscore this value

In FY2025, the median acquisition loan was **$610,000**, roughly **2.5 times** the median start-up loan (**$245,000**). Larger deal sizes of acquisitions reflect the purchase of real customers, cash flow, employees, and management systems, rather than the uncertainty of building from scratch associated with start-ups.

The difference in the median loan size between acquisitions and start-ups in FY2025 is illustrated in Figure 3.

Figure 3 | Acquisition loans reflect the higher value of established firms

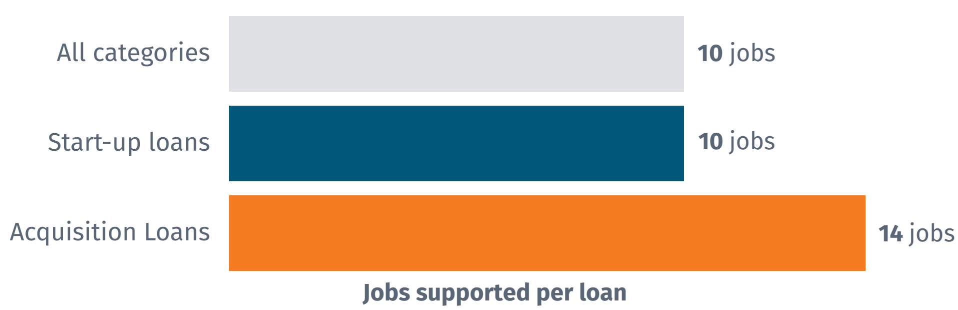


Acquisitions also preserve more jobs

From FY2018 to FY2025, acquisition-backed businesses supported an average of **14** jobs per loan, compared with **12** jobs for start-ups and just over **10** across the full SBA 7(a) program (including start-ups, acquisitions, and existing businesses of varying ages).

Buying a business keeps existing teams in place and maintains local employment. The difference in jobs supported per loan in FY2025 is shown in Figure 4.

Figure 4 | Acquisitions support more jobs per loan



Note: "All categories" include start-ups, acquisitions, and existing businesses of varying ages.

Together, these patterns reveal that acquisitions can outperform start-ups in different ways, and that they capture a distinct and higher capital segment within the SBA 7(a) program.

3.2 | Acquisition: The wealth acceleration opportunity

Business ownership has long been one of the strongest engines of wealth creation in the U.S. According to the Federal Reserve's Survey of Consumer Finances, families in 2022 that owned businesses had a median net worth of about **$530,000**—more than three times the **$155,000** median for non-business owners.[15] This wealth premium appears across racial groups, but access to business ownership remains uneven.

Business ownership dramatically changes wealth outcomes within the Black community: Black business owners hold **12 times** the wealth of Black non-business owners.[16] Yet access to ownership and credit is not evenly distributed across groups: SBA research finds that minority business owners—particularly Black and Hispanic—are denied credit more often, even after controlling for credit scores, personal wealth, and revenues.[17]

Acquisition financing could help narrow this gap. Acquiring a business can produce different outcomes than starting a business from the ground up.

Our SBA 7(a) data shows that these wealth-building opportunities remain largely untapped, particularly among groups historically excluded from asset ownership.

The wealth-building differential

Acquiring an existing business is not just a transfer of ownership, it is an accelerated pathway to wealth creation. When buyers acquire operating firms, they step into:

- Immediate cash flow, supporting families and local economies;
- Income-producing assets that can be leveraged for future acquisitions;
- Established credit relationships, improving future capital access;
- Sellable equity, creating transferable generational wealth; and
- A larger asset base, since acquisition loans are **2–3 times** larger than start-up loans.

Unlike start-ups that often take years to break even, acquisitions can be transformative: a direct path to income-producing assets that build equity from day one. This is one reason capital flows more readily to acquisitions—and why this pathway can help close long-standing wealth gaps.

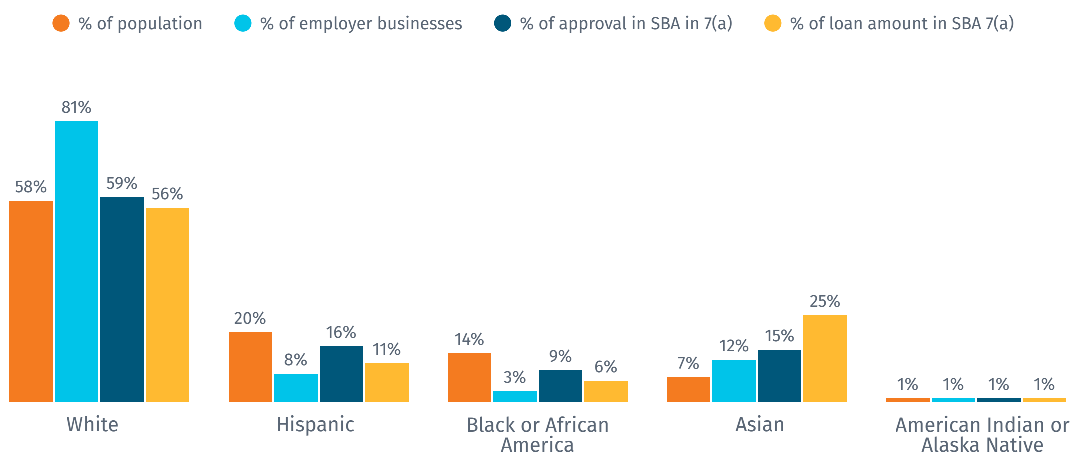
[15] Changes in U.S. Family Finances from 2019 To 2022: Evidence from the Survey of Consumer Finances | The Fed, 2023
[16] The Tapestry of Black Business Ownership in America: Untapped Opportunities for Success | Association for Enterprise Opportunity (AEO) , 2017
[17] Access to Capital for Women- and Minority-owned Businesses: Revisiting Key Variables | SBA, 2014

Current access gaps: Missed wealth-building opportunities

Despite the wealth acceleration potential of acquisitions, not all groups access SBA-backed acquisition loans at similar rates. The very pathway that most efficiently builds wealth remains least accessible to the populations that could benefit from it most. There is thus a large, untapped potential for diverse borrowers This is visualized in Figure 5 and discussed below.

The wealth-building potential of acquisition is well established. Who has access to it is not.

Figure 5 | Loan approvals and amounts do not always reflect population share[18]



Note: Employer businesses are firms with at least one paid employee (excluding the owner). The turquoise bars reflect the share of existing employer firms owned by each group.

Black buyers

Black-owned firms account for a small share of approvals **(9%)** and the smallest loan amounts in the program **(6%)**—even though Blacks make up **13.7%** of the country's population[19]. They also receive, on average, the smallest loan amount.

With median Black household wealth at roughly **$44,000**—compared with **$284,000** for White households—the acquisition pathway offers a practical and powerful tool for narrowing a wealth gap that remains more than sixfold.[20]

[18] Approval and loan amount shares for racial groups reflect only loans with reported demographic information; approximately 28–32% of loans did not report race/ethnicity. % of employer businesses taken from Employer Businesses (2024 ABS) | Census.gov

[19] US Census QuickFacts | Census.gov, V2025

[20] Families Net Worth by Race or Ethnicity | Survey of Consumer Finances (SCF), 2023

Hispanic buyers

Hispanics are a fast-growing entrepreneurial group—starting more businesses per capita than any other racial or ethnic group in the U.S.[21] Yet, their participation in SBA lending still trails their share of the population: U.S. Hispanics make up **20%** of the country's population,[22] but receive up to **11%** of total SBA 7(a) lending.

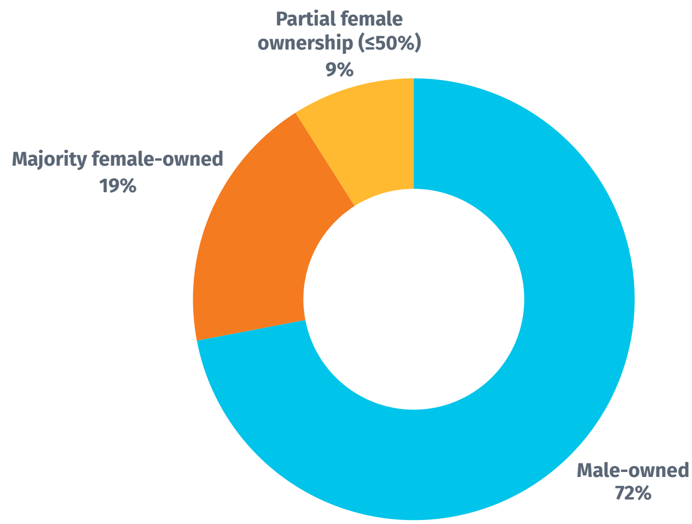
Hispanic buyers' involvement has increased modestly in recent years, but the acquisition pathway remains underutilized relative to its potential. With a median wealth of Hispanic households being around **$62,000**, strategic acquisition financing can help transform high rates of business formation into lasting ownership and equity.[23]

The data also show variation across groups. For example, Asian borrowers receive a similar share of approvals as Hispanic borrowers, but account for a larger share of total loan dollars. These patterns likely reflect differences in loan size and business characteristics.

Women buyers

Since FY2018, male-owned firms have consistently captured **70%–75%** of SBA 7(a) loans, with women-owned businesses underrepresented relative to their share of U.S. businesses (**39.2%** of all enterprises in the U.S. are women-owned[24]). The differences in the loan approvals by gender are evident in Figure 6.

Figure 6 | Male owned businesses receive roughly three-quarters of SBA 7(a) loan approvals



Note: 'Majority female-owned' reflects firms where women hold more than 50% ownership, meeting the standard definition of a women-owned business. 'Partial female ownership' reflects firms with some female ownership stake below 50%, as categorized by the SBA.

[21] The Economic State of Latinos in America: Building Up Small Businesses | McKinsey & Company, 2024. Compared to Figure 5, which shows 8% share of Hispanic business owners in employer businesses, the McKinsey report talks about new business formation, where Hispanic entrepreneurship has been growing particularly quickly, even though the share of existing employer businesses today is smaller.
[22] US Census QuickFacts | Census.gov, 2025
[23] Families Net Worth by Race or Ethnicity | Survey of Consumer Finances (SCF), 2023
[24] The Influence of Female Entrepreneurs Statistics 2025 Report | Visions Federal Credit Union, 2025

Women-owned firms also receive smaller average loan sizes, limiting the wealth-building potential of the businesses they can acquire. As a whole, women hold roughly **32 cents** of wealth for every dollar held by men.[25] Expanding access to acquisition financing could play a meaningful role in narrowing the gender wealth gap.

Broader credit access patterns

Disparities in SBA 7(a) loan approvals occur within a broader environment of unequal credit access in the U.S. According to the Federal Reserve's 2024 Small Business Credit Survey,[26] **45%** of applicants for SBA loans or lines of credit (LOC) reported receiving none of the financing requested.

Denial rates were higher among Black **(39%)** and Hispanic **(29%)** applicants than White applicants **(18%)**. These figures reflect self-reported survey responses across multiple loan types and show the broader credit access challenges facing minority entrepreneurs.

They point to a need for targeted outreach, technical assistance during the loan process, and continued review of underwriting practices to ensure equitable access.

Dedicated programs to support minority business owners through the loan application process could help reduce these disparities. Some policymakers have proposed more standardized or anonymized review processes to help reduce potential bias in lending decisions.

The rural wealth preservation opportunity

Rural communities face a different, but equally important, challenge: SBA financing is declining where it is needed most. The rural share of SBA 7(a) loans fell from **21%** to **16%** between FY2018 and FY2025.

When established rural businesses fail to transition to new owners, communities lose:

- Local jobs;
- Local tax revenue;
- Profits that circulate within the community; and
- Supply-chain relationships that support other small firms.

Strengthening acquisition pathways in rural U.S. can preserve local wealth, maintain business continuity, and support the economic base of small towns.

[27] Women and Wealth | Mariko Chang, 2015

[28] 1 in 5 Loan, Line of Credit or Merchant Cash Advance Applicants Denied in 2024 | Maggie Davis, LendingTree, 2025 – LendingTree analysis of the Federal Reserve 2024 Small Business Credit Survey (SBCS)

The transfer moment

With **2.9 million** baby-boomer–owned businesses approaching a generational transition, the question is not just whether these assets will transfer, but also who will own them. **If more diverse buyers can participate in this generational transfer, it could reshape wealth distribution for decades.**

This moment represents a once-in-a-generation opportunity to reshape who owns productive assets in the U.S. – not just whether businesses survive, but who builds wealth from them.

Acquisitions have the potential to be a wealth-building and preserving strategy, and the SBA 7(a) program has the potential to democratize access to this opportunity.

Realizing that potential will require action:

- Expanding awareness of the acquisition pathway;
- Supporting first-time buyers; and
- Broadening access to capital.

4. Entrepreneurship Through Acquisition (ETA): Breaking into Business Ownership

Acquisitions are often associated with institutional or well-capitalized buyers. But the data shows another group that is already using this pathway – first-time individual entrepreneurs.

4.1 | Why first-time individual buyers matter

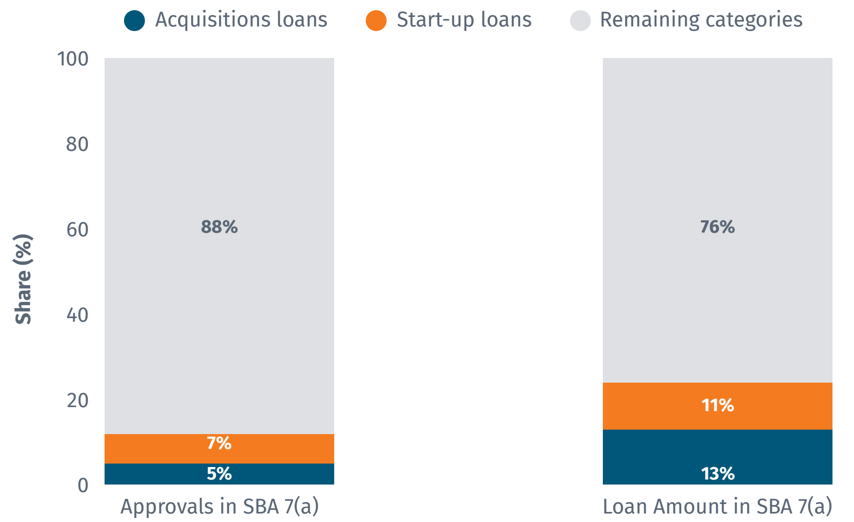
Entrepreneurship Through Acquisition (ETA) offers one of the most direct paths to business ownership: instead of starting from scratch, individuals can acquire operating firms with customers, employees, and cash flow in place.

While most new entrepreneurs default to launching start-ups, a small but sophisticated group has discovered the advantages of buying established businesses.

From FY2018 to FY2025, individual borrowers have accounted for a small share of SBA 7(a) activity overall **3%**, securing about **$760 million** annually across more than **3,000** loans.

Within this group, acquisitions stand out. From FY2018 to FY2025, acquisition loans represented about **5%** of approvals, but **13%** of loan dollars, indicating larger average loan sizes than start-ups. This is visualized in Figure 7.

Figure 7 | Among individual borrowers, acquisitions account for 5% of approvals, but 13% of loan dollars (FY2018–FY2025)



Note: "Other categories" reflect existing businesses of varying ages not classified under start-up or acquisition.

Acquisitions are often associated with institutional or well-capitalized buyers. These include private equity firms, holding companies, and seasoned entrepreneurs. But, the data shows another group that is already using this pathway – first-time individual entrepreneurs.

The success of first-time individual buyers in acquiring businesses demonstrates that they can effectively use the same acquisition strategies that established firms have long mastered. This early participation serves as proof of concept: **even individuals can use the acquisition pathway to enter business ownership.**

The presence of this small group reveals an untapped opportunity. Buying an existing business allows entrepreneurs to bypass the trial-and-error of start-ups and step directly into an operating firm.

With access to the same financial tools and deal structures as institutional acquirers, new entrepreneurs can choose the acquisition pathway for business ownership. If more diverse, first-time and underrepresented buyers could access the acquisition pathway, even modest growth in the share of individual borrowers in SBA—from **3%** to **10%**, for instance—would meaningfully accelerate wealth creation across communities. At that level, individuals could secure roughly **$2.6 billion** annually through SBA 7(a), compared with about **$760 million** today, with more than **10,000** loans each year, up from **3,000**.[27]

This moment aligns with the Silver Tsunami: millions of small firms are coming to market, creating an opening for first-time buyers to step into proven businesses.

4.2 | How entrepreneurs execute acquisitions

As discussed earlier, Entrepreneurship Through Acquisition (ETA) looks capital-intensive at first glance. The median individual acquisition loan is about **$332,000**, roughly three times the size of the median start-up loan **$100,000** in the 7(a) program. This is comparable to the median sale price of $320,000 for businesses sold in 2025 Q3, according to BizBuySell Insight Report.[28]

However, the structure of SBA financing makes this a far less daunting number than it appears and turns entrepreneurship through acquisition into an accessible opportunity.

The leverage advantage: how $33K can buy a $330K business

As discussed earlier, SBA 7(a) financing allows buyers to acquire businesses with relatively modest upfront capital. Under the standard 7(a) structure, buyers typically put down **10%**, with the remaining **90%** financed through an SBA-backed loan. For a $332,000 acquisition, that means roughly $33,000 in cash gets a first-time buyer into ownership of a business generating hundreds of thousands of dollars in annual revenue.[29]

[27] CSP projection of the SBA data.
[28] Closed Business for Sale Transaction Data for The United States | BizBuySell, extracted in 2025
[29] According to the BizBuySell Insight Report (extracted in 2025), the median revenue of businesses sold in Q3 2025 was $675,000.

This is similar to homeownership in the U.S. The average down payment for first-time homebuyers is **9%**.[30]

Business acquisitions can work the same way. Through SBA 7(a), buyers can acquire established businesses with **10%** down payment, and sometimes closer to **5%** with seller financing.[31] A modest upfront investment unlocks ownership of a valuable asset, with the added benefit of immediate operating income.

In other words, the down payment required to buy a business through SBA 7(a) is in the same—or even lower—range as what many families already put down to buy a home (see Table 1 for comparison).

This democratizes business ownership, making acquisitions within reach for people who have saved for a car or modest home down payment, not just for high-net-worth investors.

Table 1 | Acquisitions are comparatively accessible with the SBA 7(a) program

Wealth building asset	Median price	Down payment	Cash needed	Immediate income
Home[32]	$410,000	10-20%	$41,000-$82,000	No, ongoing monthly costs
Franchise[33]	$100,000-$300,000	20%	$20,000-$60,000	Uncertain
Business acquisition	$332,000	10%	$33,200	Yes, with existing cash flow
With seller financing		5%	$16,600	Yes, with existing cash flow

Buying proven value, not potential

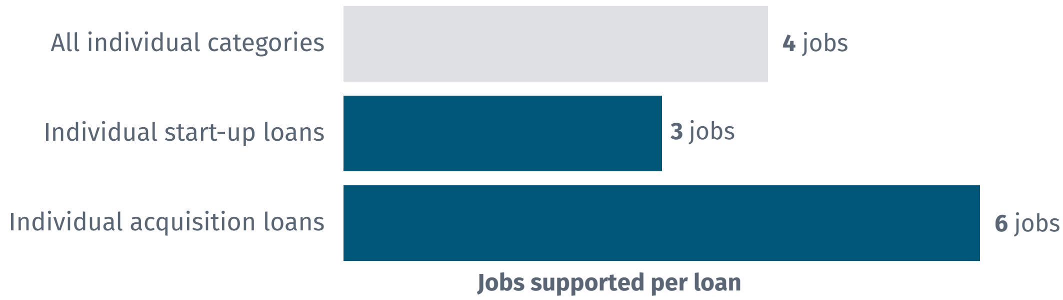
Individual acquisition loans are larger than start-up loans because buyers are purchasing proven value. They step into businesses with established customers, trained employees, working systems and a financial history. These factors also reduce uncertainty and give lenders confidence when making the loan.

That's why the typical individual acquisition loan is roughly **three times** larger than a start-up loan, representing the value of assets, and cash flow already in place.

[30] Do I Really Need a 20 Percent Down Payment for a House? | Bankrate, 2025
[31] Using Seller Financing with an SBA 7(a) Loan | Pioneer Capital Advisory
[32] Median sales price of houses sold in the U.S. was $410,800 in Q2 2025 | FRED, extracted in 2025
[33] The Cost to Start a Franchise and Financing Options | Franchise Direct

This also shows up in the outcomes. Because individual buyers are taking over operating firms, acquisitions support more jobs per loan (**six**) than other forms of individual borrowing (**four**) in the 7(a) program. This is illustrated in Figure 8.

Figure 8 | Individual-led acquisitions support more jobs per loan



Note: "All individual categories" include loans for start-ups, acquisitions, and existing businesses of varying ages – filtered to individual borrowers.

A hypothetical scenario below shows what this looks like in practice.

Illustrative scenario: From federal service to business owner

Marcus spent twelve years as a budget director at a federal agency. When he left government, he started a small accounting firm — just him and a few contractors.

Within six months, he heard that a former colleague in his network, the owner of an eight-person DC-area accounting firm, was thinking about retirement. The man was in his early seventies and had no family member interested in taking over.

Marcus knew the business. He had worked alongside the owner for years and trusted the financials. He brought in a SCORE mentor to help with valuation and an attorney to handle the transfer.

With an SBA 7(a) loan covering 90% of the purchase price, Marcus closed the deal in under 60 days. His down payment was roughly $60,000.

What he acquired wasn't just a client list. It was a functioning firm with government contracts already in place, a trained staff who knew the work, and cash flow from day one.

He kept the key personnel, retained the retiring owner on a part-time advisory basis through the transition, and immediately had a platform to grow from.

That first acquisition became the foundation for a roll-up strategy. Marcus has since added firms in other markets, expanded into international accounting and logistics, and grown to a few hundred employees.

Understanding how new entrepreneurs are acquiring businesses in the SBA 7(a) program raises the next question: how do we open this pathway to more buyers?

4.3 | Expanding access to the acquisition opportunity

If a 10% down payment can unlock ownership of an established small business, why aren't more new buyers using this strategy? Understanding **why acquisition remains underutilized** requires examining three barriers in depth.

One barrier is **lack of awareness**. Most often when we hear "acquisition", it's in the context of large businesses, so it sounds like something out of touch for individuals.

Furthermore, most prospective entrepreneurs still associate SBA loans with general small business financing or start-ups, not with acquiring existing firms.

Even if someone knows acquisitions exist, they might not know which businesses are available for purchase. Visibility, then, is also important. Platforms, registries, and online directories or marketplaces that list or signal when businesses are approaching transition could make it easier, and more systematic, for prospective buyers to discover acquisition opportunities.

The other barrier is **access to initial credit** that can fund the down payment. Reverting to our homebuying analogy, data shows that first-time homebuyers most commonly fund their down payments through personal savings **59%**, financial assets such as a 401(k), stocks or cryptocurrency **26%**, and gifts or loans from family and friends **22%.**[34]

Those same channels can also be used to finance acquisition down payments. The barrier to ETA (Entrepreneurship Through Acquisition), then, is not the total transaction size, rather it's awareness and access to down payment capital.

Breaking down barriers for new buyers

We identify three barriers that limit new buyers

1. **Awareness.** Many entrepreneurs are unfamiliar with acquisition as an alternative to starting a business from scratch.
2. **Visibility.** Prospective buyers don't always have the information on which businesses are available for purchase.
3. **Upfront capital.** Even with SBA guarantees, buyers must fund a down payment, and access to initial credit can be difficult and uneven.

Policy can help us here. A targeted program providing, for example, $25,000–$50,000 in down payment assistance could enable thousands of acquisitions, leveraging existing SBA guarantees to transfer millions in business assets to new owners.

[34] First-Time Home Buyers' Top Sources for Down Payment | National Association of Realtors, 2025

The CDFI bridge: making acquisition accessible

Community Development Financial Institutions (CDFIs) exist to increase economic opportunity in low-income and underserved communities, particularly where conventional credit is limited.[35] They routinely lend to small businesses and entrepreneurs who have limited access to business credit from traditional banks.

For many aspiring buyers, the barrier is access to acquisition capital. Traditional lenders often apply underwriting standards that disadvantage first-time buyers, particularly those without prior business ownership history or substantial personal assets to pledge as collateral.

Black and Hispanic entrepreneurs, even those with strong credit profiles, face higher denial rates in conventional lending markets.[36] CDFIs are structured specifically to serve borrowers the traditional system underserves — not because those borrowers lack capability, but because conventional underwriting was not designed with them in mind.

Across CDFIs in the U.S., **84%** of their customers are low-income, **60%** are borrowers of color, and **50%** are women.[37] Their work is focused on communities and groups that stand to benefit most from the ETA pathway.

CDFIs also operate at a complementary scale needed to support down-payment requirements for an acquisition loan under the 7(a) program. In 2020, the average size of a CDFI loan or investment was under **$25,000**—in between the $16,000–$33,000 down payment typically required for a 7(a) acquisition.[38] This makes CDFIs natural partners for new buyers who need financing upfront equity.

In practice, for example, a buyer acquiring a $330,000 business might finance most of the purchase with an SBA-backed loan while using a smaller ~$25,000 CDFI loan to fund the required down payment. While this creates two payments for the buyer, the CDFI portion is modest (lower interest rate[39]) and comes with flexible terms.[40]

SBA has historically worked closely with CDFIs to expand access to credit for underserved people. These partnerships demonstrate that new entrepreneurs can access acquisition financing through the 7(a) program via mission-driven lenders.

CDFIs differ in how they support borrowers, providing loans to individuals and entrepreneurs, small businesses, and non-profit organizations, among others. In addition to lending, many provide technical assistance, small business consulting, and training and networking opportunities, funded by a mix of federal support (such as the U.S. Treasury's CDFI Fund) and philanthropy from private industry.

That capacity is now at risk. Recent reductions in federal support for mission-driven lenders have placed pressure on CDFIs at precisely the moment their role is most critical.

[35] CDFI Fund mission and vision
[36] 1 in 5 Loan, Line of Credit or Merchant Cash Advance Applicants Denied in 2024 | Maggie Davis, LendingTree, 2025 – LendingTree analysis of the Federal Reserve 2024 Small Business Credit Survey (SBCS)
[37] Community Development Financial Institutions Fund | NLIHC, 2025
[38] CDFI Program Outcomes and Justification FY2022 | CDFI Coalition, 2022
[39] Between 5% and 6%. Business Loan Interest Rate Statistics: Average Rates Across Lender Types in 2026 | CDFI Fund, 2022
[40] CDFI Loans: What They Are and How Your Small Business Can Find One | NerdWallet, 2025

Sustaining and expanding the acquisition pathway will require protecting this infrastructure — not dismantling it.

How CDFIs bridge the gap

1. **Flexible capital.** They can help finance down payments for first-time buyers.
2. **Technical assistance.** They can guide buyers through the loan and purchase process.
3. **Targeted outreach.** CDFIs focus on serving entrepreneurs who may have limited access to traditional bank credit.

For aspiring low-income, Black, Hispanic, women, and rural entrepreneurs, this combination of mission-driven capital and supplementary support can make business acquisition possible.

Seller financing: lowering the upfront cash to 5%

In the SBA 7(a) program, all acquisitions require an equity injection or down payment of at least 10%, with 5% coming from the buyer's own cash. The remaining 5%, in certain cases, can be met through seller financing when the seller provides a note that is "on full standby for the life of the SBA loan"[41] — meaning the seller agrees not to receive repayment until the SBA loan is fully repaid. This reduces the buyer's upfront cash requirement while giving lenders confidence through the seller's continued financial stake in the business.

For new entrepreneurs, this makes acquisition more accessible. Acquiring ownership of a $332,000 business comes within reach at **~$16,000** in upfront cash.

As of June 2025, updated SBA underwriting standards require any seller note counted toward the equity injection to remain on full standby for the entire life of the loan and to cover no more than half of the required injection. Many sellers find these terms impractical. The 5% structure remains technically available, but in the current environment the 10% buyer-funded down payment has become the more reliable planning assumption for most first-time buyers.

SBA leverage, CDFI support, and seller financing together can create the capital stack that makes acquisitions accessible to more first-time buyers.

[41] Using Seller Financing with an SBA 7(a) Loan | Pioneer Capital Advisory

5. The Path Forward: Scaling & Democratizing Success

Entrepreneurship Through Acquisition is a proven wealth-building strategy being used by a small group of first-time buyers. Individual buyers represent 3% of acquisition activity in the SBA 7(a) program and achieve strong performance, preserve jobs, and take over real operating firms with modest upfront capital.

The opportunity is simple: expand access to a model that already works.

5.1 | Scaling the acquisition pathway

Individual acquisitions are underutilized. If individual borrowers' share of SBA 7(a) lending grew from **3%** to even **10%**, they could secure roughly **$2.6 billion** annually through SBA 7(a), supporting more than **10,000** loans each year. That scale could enable thousands of entrepreneurs to acquire established businesses, and thousands of firms to transition successfully as part of the Silver Tsunami.

Acquisition-based ownership via SBA 7(a) offers middle-class Americans an opportunity: a direct path to income and wealth without the start-up struggle.

Realizing that potential will require action on several fronts:

Down payment support

Targeted programs providing $25,000–$50,000 in down payment assistance could enable thousands of acquisitions annually, leveraging existing SBA guarantees to transfer business assets to new owners. This has become more urgent since the June 2025 SBA underwriting revisions tightened the conditions on seller financing, shifting more of the upfront-capital burden onto buyers' own cash. Down payment support and bridge capital are now necessary responses to a market that has grown harder for capital-constrained buyers to enter, rather than optional enhancements.

Acquisition awareness

Acquisition doesn't need to feel unfamiliar. Targeted outreach and education programs, particularly for first-time and underrepresented buyers, can help make acquisition a known and considered option.

Business listings and transition platforms

Many small businesses are nearing ownership transition, but buyers might not know how to find them. More transparent information about businesses preparing for sale could help connect buyers and sellers. For example, online listings, voluntary registries of owners planning to retire, or tools and dashboards that signal when a business may soon change hands could make it easier to discover availability.

Reducing these information gaps would speed ownership transfers, broaden access for first-time and underrepresented buyers, and preserve healthy businesses.

CDFI expansion

Expanding SBA partnerships with CDFIs, and protecting their federal funding, would strengthen the bridge between aspiring buyers and the acquisition pathway, particularly in underserved communities.

Buyer support

First-time buyers can benefit from mentorship from previous and serial acquirers.

Figure 9 | Key enablers for expanding Entrepreneurship Through Acquisition

5.2 | What's at stake

Thirty-two million workers clock in every day at businesses whose owners are reaching retirement age.[42] Over the next decade, an estimated **six million** small businesses will need new owners. But according to McKinsey, only about **one million** of them are strong candidates for sale.[43]

That gap — five million businesses with no clear path forward — is not a market inefficiency. It is a structural failure with real consequences.

Most of these businesses will not transfer. **Over half** of boomer-owned business owners have no formalized succession plan.[44] **One in three** owners over fifty already report struggling to find a buyer.[45] Without a pathway to transition — a qualified buyer, structured financing, and basic deal visibility — the most likely outcome for a significant share of these firms is not sale. It is closure.

That means jobs eliminated. Customer relationships dissolved. Supplier networks broken. Tax bases eroded. Decades of operational knowledge lost permanently — not because the businesses failed, but because no one was positioned to receive them.

This is not a future risk. It is an ongoing one.

[42] The Silver Tsunami of retiring business owners | Project Equity, extracted in 2025
[43] The Great Ownership Transfer: A new era of business stewardship | McKinsey, 2026
[44] [The $10 Trillion Transfer: How Baby Boomer Business Exits Will Reshape the Economy | Doug Thorpe, 2025
[45] The Silver Tsunami of retiring business owners | Project Equity, extracted in 2025

The SBA 7(a) program already has the architecture to help. Qualified buyers exist who could step into these firms with the right capital access and awareness. And CDFIs — mission-driven lenders already embedded in the communities where the need is greatest — are among the most important bridges between aspiring buyers and the acquisition pathway.

But that bridge is under pressure. Recent reductions in federal support for mission-driven lenders have strained the very institutions best positioned to close the gap.[46] Expanding the acquisition pathway will require protecting and strengthening that infrastructure, not reducing it.

What is also missing is coordinated action on the other fronts this report has identified: down payment capital, deal visibility, and the basic awareness that acquisition is even an option — for buyers who have never been told it was available to them.

The cost of inaction is not neutral. When a business closes because no qualified buyer was found, the community absorbs a loss that no future start-up can fully recover. When that closure could have been prevented with $25,000 in down payment assistance and a functional marketplace connecting buyers to sellers, it is not an inevitability — it is a policy failure.

The acquisition pathway works. The evidence is consistent across seven years of SBA data. The inventory exists, but it will not wait indefinitely. Owners are making exit decisions now — and without intervention, many will simply close the doors behind them rather than pass the keys to someone new. The question is whether the infrastructure to receive these businesses — and broaden who owns them — will be in place in time.

[46] How CDFIs and MDIs Are Navigating Uncertainty | Ed Avis, 2026

6. Appendix: Data & Methods

Our analysis uses a two-tier analytical framework to understand acquisition activity in the SBA 7(a) program:

1. Segment-level analysis using SBA's public summary dashboards[47]
2. Granular loan-level analysis using a cleaned dataset of borrower-level records[48]

Each level answers a different question. The segment view provides breadth across demographics, industries, and geography. The granular view provides depth, isolating individual-led entrepreneurship through borrower type.

Segment-Level Analysis (SBA Summary Dashboards)

We used the SBA 7(a) summary dashboards (FY2018–FY2025) to observe national lending trends across:

- Loan purpose (start-up vs acquisition)
- Race and ethnicity
- Gender
- Business type
- Industry (NAICS)
- Geography (state, urban/rural)

The segment-level dataset is useful for spotting valuable macro-level patterns across race, gender, business type or geography in the SBA 7(a) program. But, it comes with clear limits.

Most notably, the dataset allows for only one segmentation at a time. For instance, when loans are analyzed by gender, it is not possible to simultaneously examine them by loan purpose (e.g., gender × start-up/acquisition) or by geography (e.g., gender × state). This one-dimensional structure prevents intersectional or crosstab analysis across key variables.

Another limitation is that the dataset does not differentiate between individual-led and entity-led loans. This is a critical gap, as it does not identify the share of financing that goes directly to individual entrepreneurs—information essential to understanding Entrepreneurship Through Acquisition (ETA). Without visibility into this borrower type, the segment-level patterns we examine in this section risk overrepresenting institutional borrowers and underrepresenting grassroots entrepreneurship.

Granular Loan-Level Analysis (Cleaned FY2018–2025 Dataset)

The granular dataset introduces a missing dimension: it allows us to isolate individual-led acquisitions and examine ETA more precisely.

We used a cleaned, borrower-level dataset of SBA 7(a) loans for FY2018–2025. Loans were classified as acquisitions when they involved a change of ownership, and as start-ups when they were used to open a new business.

[47] Collected from the interactive dashboard by U.S. Small Business Administration (SBA). FY2018 to FY2024 data was collected as of the end of June; FY2025 data collected as of August 30, 2025.
[48] Granular data was sourced (as of end-June) from the SBA's publicly released 7(a) Excel datasets.

We then identified borrower type (individual vs. corporations/partnerships) to isolate individual-led acquisitions—the central component of ETA.

This granular dataset allows us to analyze:

- Individual-led vs entity-led loans
- Individual-led acquisitions vs individual-led start-ups
- Loan size patterns
- Jobs supported per loan
- Trends over time

Because the dataset does not contain demographic or industry fields, it cannot be used for race, gender, or NAICS analysis. Thus:

- Segment-level data provides breadth
- Granular dataset offers borrower-level depth

Together, the two datasets provide a comprehensive view of acquisitions in the SBA 7(a) program. Our methodological framework is summarized in Table 2.

Note: FY2025 data was collected as of August 30, 2025, and does not include the final month of the fiscal year due to a government shutdown. FY2025 figures may therefore understate full-year activity.

Table 2 | Two-tier analytical framework

Level	Dataset	Focus	Value/Limitation
Segment-Level Analysis	SBA 7(a) summary dashboards – FY2018-2025	Trends by segments: loan purpose (start-up vs. acquisition), demographics, business type, industries, geography	*Provides full national coverage; cannot cross-segment (e.g., gender × loan purpose)*
Granular Loan-Level Analysis	Cleaned and filtered 7(a) dataset – FY2018-2025	Individual-led loans (start-up vs. acquisition) - representing Entrepreneurship Through Acquisition (ETA) lens	*Isolates individual-level entrepreneurship; allows for diving deeper, with new insights; lacks equity / demo-level segments.*

About Core Strategy Partners Inc.

Core Strategy Partners is a social impact research and strategy firm focused on driving economic growth and development. We help mission-driven leaders across the public and private sectors design evidence-based solutions to workforce development, small business ecosystem, and community development challenges.

We believe meaningful progress starts with understanding people—not assumptions. Our approach combines human-centered research with rigorous analysis to uncover the insights that inform smarter strategies, stronger programs, and measurable impact. Whether conducting original research, evaluating program effectiveness, or reimagining initiatives, we translate data into actionable strategies that drive confident decision-making and stakeholder engagement.

Our team brings deep, hands-on experience working on economic development issues at the local, state, and national levels. We partner with corporations, government agencies, and nonprofits to turn research into action—because insight without implementation doesn't create change.
Core Strategy Partners is a certified woman- and minority-owned business.

For more information about this report or our services, contact:

CORE STRATEGY PARTNERS INC.

@ info@corestrategypartners.com 301.658.6437

www.corestrategypartners.com

Insights to Drive Decision Making