FINANCING

WHICH KIND OF MONEY FITS THE NEED

Match the loan to what you are buying. Most financing trouble starts with the wrong product.

START WITH THE PURPOSE

Before you talk to a lender, write down what the money is for and how it will pay itself back. In the Federal Reserve's latest small business credit survey, firms most often sought financing to cover operating expenses (56%) or to pursue expansion or a new opportunity (46%). Those are very different needs, and they call for different products.

A simple rule: match the length of the debt to the life of what you're buying. Don't finance a truck on a 90-day advance. Don't pay for a slow February with a seven-year note unless you have fixed the reason February is slow.

THE MAIN OPTIONS

Business line of credit. Best for timing gaps: payroll before receivables come in, or stocking equipment before the season. You pay interest only on what you draw. Try to arrange it while the business is strong, because lines are hardest to get when you need them most.

Term loan. Best for a specific investment with a known payoff, such as a building out a shop or buying another company.

Equipment or vehicle loan. The asset is usually the collateral. Terms tend to follow the useful life of the equipment.

SBA 7(a). The SBA guarantees part of a bank's loan, which can make longer terms possible. Most 7(a) loans go up to $5 million. Terms are generally 10 years or less, and up to 25 years for real estate. Maximum rates are set by loan size, from the base rate

plus 3% on loans above $350,000 to the base rate plus 6.5% on loans of $50,000 or less. Uses include equipment, working capital, real estate, refinancing and buying a business.

SBA Express. Up to $500,000, with a faster lender-driven process and a 50% guarantee.

SBA 504. Long-term financing for real estate and major equipment. Since July 4, 2026, qualified borrowers who secure a 7(a) loan first can combine 7(a) and 504 loans for up to $10 million.

Supplier and manufacturer programs. Distributors may offer extended dating on equipment. Read the terms and watch what happens if the balance isn't paid by the due date.

WHERE TO SHOP

Where you apply matters. In the Fed survey, applicants at small banks were the most likely to be fully approved, at 57%. Credit union and bank applicants were more satisfied with their experience than applicants at online lenders. And 60% of those who borrowed from online lenders said their actual costs were higher than expected, compared with 37% at small banks and 32% at large banks.

Build a relationship with a community bank before you need it. Ask who there understands contractors. A lender who knows the seasonality of your trade will read your statements very differently.

BE CAREFUL WITH MERCHANT CASH ADVANCES

A merchant cash advance buys a slice of your future sales. According to the FTC, businesses repay the advance plus a factor that's often 20% to 50% of the amount, and the estimated APR can reach triple digits. Payments often come out of the bank account daily. The FTC has also described misleading marketing and abusive collection practices among some providers.

In a business where cash swings with the weather, daily withdrawals can turn one bad month into a crisis. Before signing anything, calculate the true annual cost, ask what happens if sales fall, and have your attorney read the contract. Pay special attention to

any confession of judgment or personal guarantee. Be wary of brokers who call you with an urgent offer.

KNOW WHAT YOU'RE SIGNING

Among firms with debt in the Fed survey, 59% had a personal guarantee. A personal guarantee puts your home and savings behind the business. Ask whether it can be limited, or released after a period of good payment.

Check for prepayment penalties, covenants, cross-default language and the real all-in cost. Compare options using annual percentage rate, not a factor or a weekly payment.

ASK WHETHER YOU NEED TO BORROW AT ALL

Sometimes the cheapest capital is already in your business: past-due invoices, slow billing, excess truck inventory or work you could fill from your own customer list. Before you take on debt to cover a slow season, read where profitable growth comes from and know your numbers.

Sources: Federal Reserve Banks, 2026 Report on Employer Firms; SBA 7(a) terms; SBA, $10 million combined limit; FTC on small business financing.

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BEST PRACTICES: PRICING AND KNOWING YOUR NUMBERS

MAKE IT A HABIT

What good looks like

- A handful of numbers reviewed every week.
- Prices built from your real costs and target margin.
- Cost per booked job known for every lead source.

The habits

1. Pick five weekly numbers: answer rate, booked jobs, close rate, average ticket and revenue per tech.
2. Price from your true hourly cost, including drive time and overhead.
3. Review prices at least once a year and when costs change.
4. Track every job back to the source that created it.
5. Cut the lead sources that cost more than they bring in.
6. Share the numbers with your team, so everyone knows the score.

Signs it's time to get help

- You learn how a month went when the accountant tells you.
- You can't say which lead source pays best.
- Prices haven't changed in over a year.

Where we fit: ProCall Field reports by source, tech and job type, and Service ProCall reports every campaign from call to sold job.

More on pricing and knowing your numbers