

# Construction Finance for Builders

An increase in construction and house renovations not only in the United States but also all over the world has led to an increase in the number of **construction companies**. However, demand in this industry is seasonal. Therefore, building businesses experience significant dips in working capital.

Construction businesses may incur expenses on labor and supplies for a project before they get paid in full even during busy seasons.

Construction finance for builders is one of the many challenges construction companies face. Access to funds is usually a deciding factor between companies that thrive in the construction sector and those firms that fail.

Construction firms should have a ready source of funding to help them keep their bills paid and give them the advantage of taking up opportunities when they arise.



## How to use construction business loans

A business construction loan can be used to help business owners to take up a new opportunity and take care of day-to-day expenses such as:

- Buying or replacing damaged supplies
- Training new workers
- Managing cash flow
- Expanding and upgrading the firm's facilities
- Creating new marketing materials



## The benefits of getting a business construction loan

You require working capital to enable you to take on more construction work. Here are the advantages of getting financing for construction companies:

- Make payroll consistently. Your employees are not likely to leave your company for other jobs since they know they will be paid on time.
- Keep material costs low to maximize profits. When you have cash on hand, you have the purchase and bargaining power. You can negotiate with vendors to enjoy discounts and special pricing for fast payment.
- Enjoy getting land and public-sector jobs. Most public sector projects include minority-owned, incentives and mandates to hire local women-owned subcontractors. Construction companies that are in those groups are assured of landing more jobs if they have enough working capital.
- Negotiate better pricing from subcontractors. Contractors are likely to offer you the best rates if they know you will pay them. Therefore, you stand in a better position if you have access to working capital than construction companies with limited finances.

## Sources of construction funding

Financing is an important aspect of every construction company. Therefore, it is necessary to understand the financing options available to enable you to choose the most suitable investment option. Here are common funding sources for construction firms.

### Equipment leasing

Your business can free up some cash to take care of operating expenses by leasing construction equipment. Additionally, the entire lease payment is usually considered a deductible business expense. You can arrange to lease most construction equipment. However, sometimes it can be an expensive option, and it has long-term effects on the ownership of the equipment.

### Bank line of credit

A bank line of credit is an ideal form of financing for construction firms. The advantage of this funding option is that construction firms enjoy low-cost access to cash anytime they need it. However, the downside of this option is that small firms face challenges obtaining a line of credit from a traditional bank.

### Equity financing

Some construction firms have the option of selling an ownership stake to get operating capital. However, sometimes it takes a long time to find a potential partner to invest in your business. Most construction firms fear to take on an equity partner because they will dilute the firm's share of profits. Additionally, the firm might have to give up on some operational control of the firm.



## Small business administration (SBA) backed loans

The small business administration does not normally loan money to construction companies. Instead, they give partial assurance to approved creditors. SBA-backed loans offer reasonable interest rates as well as business-friendly repayment terms. Your business will be required to provide personal collateral, as it is the norm for all secured bank loans. Unfortunately, approval rates of SBA-backed loans are low as a result of relatively strict underwriting requirements.

## Business credit card

A business card is a personal credit card that contains the business name on it. It is a useful source of short-term financing for the company's supplies and materials. However, the financing cost of this option can be high, and the usage is usually restricted by the owner's credit limit.

## Alternative financing

Alternative business loans and revenue-based funding are usually available. The best part about alternative financing is that it provides funds quickly with minimal paperwork. The cost of alternative financing is usually higher than other options. However, the options are better than conventional bank loans, which are relatively inaccessible.

## Revenue-based financing

It is not a loan. Revenue-based financing is a financing agreement where a construction firm agrees to sell a portion of its future revenue at a fixed discount. The option can provide **\$50,000 to \$250,000** in funding in exchange for a portion of the company's future business revenue.

Your construction company can choose any of the above financing options to get working capital. Accessing construction business loans should no longer be complicated or time-consuming. The financing options provide peace of mind knowing that you have access to the funds you require.

Scheduled maintenance and servicing is one thing, but there are many occasions when unexpected eventualities crop up relating to the key tools of business – the trucks. A trucking company must always have a source of funds or credit lines to remain afloat.

## Cost-saving technology

As part of modernizing trucking fleets, there is an anti-collision sensor system that mitigates head-on collisions that bring about the unwanted loss of property and lives.

This technology also comes as an incentive to the drivers as a safety measure in addition to good pay and guaranteeing them loans for truckers.



## Money just when you need it

Part of the power of money is to have it when you need it. An institution offering trucking business loans serves a meaningful purpose if they cut the red tape and avail the required funds in good time or just when they are required.

Now that you the importance of construction finance for builders, the next step is to call our office and speak with a loan consultant. In some cases, offers can be provided with basic information and with a soft credit pull.

### [APPLY TODAY!](#)

If you are unsure which option to select, simply [APPLY](#) and we will review your options and provide business coaching to ensure you get the right product for your situation.

