

LOANSTARS

ARF'S REFERRAL PARTNER REWARDS PROGRAM

THE STATE OF SMALL BUSINESS FINANCING IN 2026: WHAT REFERRAL PARTNERS NEED TO KNOW

Executive Summary

The small business financing landscape in 2026 is defined by stabilizing interest rates, persistent cost pressures, and evolving lending standards. While borrowing costs remain elevated compared to pre-2022 levels, improving economic conditions and expected rate cuts are beginning to unlock renewed demand for capital.

For Referral Partners, this environment presents a unique opportunity:

- ★ Businesses still need capital urgently
- ★ Lenders remain selective but active
- ★ Brokers who position themselves as trusted advisors, not just deal submitters will win.



MACROECONOMIC LANDSCAPE (2026 OUTLOOK)

KEY ECONOMIC INDICATORS

METRIC	2025 - 2026 TREND
GDP Growth	~2.2% expected growth
Inflation (PCE)	~2.7%
Federal Funds Rate	~3.5% - 3.75%
Prime Rate	6.75%

- ★ The U.S. economy is entering a moderate growth phase, with GDP projected to reach ~2.2% in 2026
- ★ Inflation remains sticky but controlled, hovering near ~2.7%
- ★ The Federal Reserve has shifted from aggressive tightening to cautious easing, holding rates at ~3.5% - 3.75% with potential cuts ahead

INTEREST RATES AND COST OF CAPITAL

CURRENT LENDING RATE RANGES (2026)




LOAN TYPE	AVERAGE RATE
Bank Loans	6.3% - 11.5%
SBA Loans	~9.75% - 14.75%
Lines of Credit	10% - 28%
Alternative Financing	10% - 40%

Trends Insights

- ★ Rates are down from peak tightening cycles, but still elevated
- ★ Top-tier borrowers can access rates as low as ~5.5% - 7%, while riskier borrowers face much higher costs
- ★ Rate compression is expected as the Fed continues easing into late 2026

COST OF CAPITAL BY BORROWER QUALITY

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Low Risk Borrowers	 5.5% - 8%
Mid-Tier Borrowers	 8% - 15%
Higher Risk Borrowers	 15% - 40%

Referral Partner Takeaway

- ★ Rate sensitivity is higher than ever
- ★ Your role is to frame cost vs. opportunity, not just rate

CREDIT TIGHTENING & LENDING STANDARDS

Even as rates stabilize, credit access remains constrained.

Key Trends

Banks tightened standards in 2025 due to:

- ★ Economic uncertainty
- ★ Declining collateral values
- ★ Increased risk aversion

However:

- ★ No significant additional tightening expected in 2026
- ★ Competition among lenders may gradually loosen access
- ★ Roughly 10% of banks reported tightening commercial lending standards entering 2026



LENDING ENVIRONMENT SHIFT

LENDING ENVIRONMENT SHIFT

2022 - 2023	EASY CREDIT	<div style="width: 100%; height: 10px; background-color: #0056b3;"></div>
2024 - 2025	TIGHT CREDIT	<div style="width: 30%; height: 10px; background-color: #0056b3;"></div>
2026	SELECTIVE CREDIT	<div style="width: 60%; height: 10px; background-color: #0056b3;"></div>

Referral Partner Takeaway

- ★ The market is not “tight,” it is selective
- ★ Deal quality matters more than volume
- ★ Proper structuring = higher approval rates

BORROWER BEHAVIOR IN 2026

KEY BEHAVIORAL SHIFTS

BEHAVIOR	WHAT IT MEANS
More cautious borrowing	Clients hesitate but still need capital
Higher urgency	Cash flow gaps are real
Demand for flexibility	Revolvers > fixed loans
Longer decision cycles	More education required

Referral Partner Insight

Today's borrower is:

- ★ More educated
- ★ More skeptical
- ★ More reliant on guidance

This elevates your role from broker to advisor

LOAN DEMAND AND MARKET OPPORTUNITY

Despite challenges, loan demand is rebounding.

- ★ Banks expect stronger loan demand across all categories in 2026
- ★ Growth drivers include:
 - ★ Lower expected interest rates
 - ★ Increased business investment
 - ★ Hiring and expansion plans
- ★ Lending activity began recovering in late 2025 with steady growth trends



LOAN DEMAND TREND

LOAN DEMAND TREND

2023:	Decline	<div style="width: 20%; height: 10px; background-color: #0056b3;"></div>
2024:	Stabilization	<div style="width: 50%; height: 10px; background-color: #0056b3;"></div>
2025:	Recovery	<div style="width: 80%; height: 10px; background-color: #0056b3;"></div>
2026:	Growth	<div style="width: 100%; height: 10px; background-color: #0056b3;"></div>

Referral Partner Opportunity

- ★ The market is entering a “re-expansion phase”
- ★ Brokers positioned early will:
 - ★ Capture higher-quality borrowers
 - ★ Build long-term client relationships
 - ★ Generate repeat funding opportunities

STRUCTURING DEALS IN A SELECTIVE MARKET

What Gets Deals Approved in 2026

- ✓ Strong revenue consistency
- ✓ Clear use of funds
- ✓ Manageable existing debt
- ✓ Industry stability
- ✓ Clean documentation

Common Deal Killers

- ✗ Overleveraged borrowers
- ✗ Unclear purpose of funds
- ✗ Poor cash flow visibility
- ✗ Excessive prior advances



LENDING ENVIRONMENT SHIFT



Best Practice Framework

The 3-Part Broker Strategy:

- ★ Pre-Frame the Deal
 - ★ Position financing as a growth tool, not a last resort
- ★ Match Product to Need
 - ★ Revolver → working capital
 - ★ Term loan → expansion
- ★ Set Expectations Early
- ★ Rate, structure, timeline

WHY REVOLVING CREDIT IS WINNING IN 2026

Revolving lines of credit are becoming the preferred product because they:

- ★ Provide ongoing access to capital
- ★ Reduce the need for repeated applications
- ★ Align with unpredictable cash flow cycles

Market Insight

Business lines of credit are increasingly popular due to their flexibility and reuse of capital without reapplying

Broker Advantage

- ★ More draws = more commissions
- ★ Stronger client relationships
- ★ Long-term earning potential



STRATEGIC POSITIONING FOR BROKERS

Winning Referral Partners in 2026 Will:

- ★ **Act Like Advisors, Not Order Takers**
 - ★ Educate clients on timing, structure, and options
- ★ **Focus on Quality Over Quantity**
 - ★ Better deals → faster approvals → higher commissions
- ★ **Leverage Technology**
 - ★ Use tools like AI underwriting (e.g., Stella) to:
 - ★ Save time
 - ★ Increase efficiency
 - ★ Submit more deals confidently
- ★ **Target the Right Industries**
 - ★ High-opportunity verticals:
 - ★ Restaurants
 - ★ Healthcare / Dental
 - ★ HVAC, Plumbing, Electrical
 - ★ Manufacturing



KEY TAKEAWAYS



Key Takeaways

- ★ The market is shifting from tight → selective → opportunistic
- ★ Interest rates are stabilizing with downward pressure
- ★ Loan demand is returning and will accelerate
- ★ Borrowers need guidance more than ever

FINAL THOUGHT

Final Thought: The Referral Partner Advantage in 2026

The Referral Partners who win in 2026 won't be the ones submitting the most deals.

They'll be the ones who:

- ★ Understand the market dynamics
- ★ Guide clients with confidence
- ★ Position financing as a strategic growth tool

In a market where capital is selective, knowledge becomes your competitive edge. The more you understand the landscape, the more deals you fund and the more you earn.

