



Are You Offering Financing Now?

This month I want to discuss financing. Not a new subject, but an important one to consider this year. We have had rumors, urban legends, even outright quotes that say “no one is going to be able to get financing, they all have homes worth less than what they owe, and that is what got us into this pickle in the first place”. Not true, not true, not true.

First of all, many folks out there have homes that are paid for, or nearly paid for. I have not been under a rock for the last two years, in fact, we do have a lot more folks who are equity challenged than ever before in our history. That does not mean we should drop the idea of financing all together. We sent out a survey, over 100 contractors across the US replied. Here are the responses we got.

Are you offering financing now?

Answer	Number of Responses	Response Ratio
Always	51	43.5%
Frequently	23	19.6%
Sometimes	15	12.8%
Rarely	17	14.5%
Other	9	7.6%
No Responses	1	<1%
Totals	117	100%

So, less than half offer it each and every time. About 60% offer financing a majority of the time. But many offer it rarely, or have given up completely. When asked “has it been successful?”, we received many different responses. They ranged from “not really”, to “yes, when we need it”, to “successful 30% of the time”. Not a bad number.



When asked what % are turned down, % accepted, we got a full spectrum.

Best answer was 100% accepted, and a 90% right behind them, to 75% turned down. The majority of the responses were in the category of 50% accepted, or a little more. More than one said they discuss income to debt ratio on the front end, dispelling the myth that there are 0% programs like the car industry has been so proud of. While in that neighborhood, the car guys have it easy compared to us. First of all, it is a secured loan. The car is the collateral. The other advantage the car dealer has is that they can take the car back easily, and do. A friend of my son's called up, told us that his Ford truck had been stolen. When he called the police, they called him back, said that it actually had not been stolen, it was re-possessed. Of course he had made all the payments...

We have this equipment attached to the home, part of the home. The only way (in most states) to go after the customer who doesn't pay is to force a sheriff's sale. Not easy today, most of the sheriffs departments are underfunded, laid off a huge amount of them deputies in the last three years.

Next we asked if they would share a good experience or bad experience in dealing with a financing company. Responses ranged from all bad, to all good. More than one company has used Addison Avenue with excellent results. <https://addisonavenue.com/>, full disclosure, I have no interest or inside deal with them. They are a federal credit union, I do speak of them from the front of the room often. The credit unions did not get all caught up in the residential lending problems that many banks did, so they actually have money to lend. Some opportunities, they don't like to go 15 or 30 years, Addison Avenue has a 15 year loan with a 5 year call. It is amortized like it is paid out over 15 years, but is due and called at 5 years. You have three options at that point. It may be possible to renew it for another 5 years. You may be able to roll it into a fixed 10 year loan. Or you may pay it off, go with a equity loan. Many think we will be in better shape in another 5 years in the real estate market, just depends on where you live.

My thinking runs like this. You need to find a source of financing that works for you in your market. Eric Kjelshus in Kansas City has several financing programs he can tap, some are even utility programs. The good thing is he has options, and a plan B. if they have no equity, or need some special programs, he has financing that just may work. It may be over 10%, but we have one of the few investments that can actually pay for itself.



Next question: What does the consumer think of financing today?

Answer	Number of Responses	Response Ratio
That's what got us in this mess.	18	15.3%
That is what will get us out of this mess (financing home improvements that pay for themselves, offer a positive ROI)	34	29.0%
Other	37	31.6%
No Responses	11	9.4%

So at least we have about 1/3 of the consumers who feel that financing a home improvement that is energy efficiency positive is a good idea, not a bad idea. While others may feel that they don't want anything to do with financing at all, about 2/3 still embrace it. Several of the respondents said they had excellent success with the following concept. They had a application on their website. When a call came in for a equipment replacement, they asked if the customer had been to their site. They then said: go to our site. Click on application. Fill it out, send it in. When we meet with you, we will then both know how much you have been approved for, and if you want to use a financing package, you will have saved some valuable time. They did not give them options, they told them what to do. In the best case, one dealer in the mid-west is running over 70% financed sales. They use that exact system, and have a backup of banks and credit unions for credit opportunities.

Final question: would it be good if you had a financing plan that was tailored specifically for the environmental impact of the products you were selling?

By that I mean you have a excellent rate, the system you are working with will help reduce carbon footprint, lower utility costs, improve property value, that sort of thing. An overwhelming 87% said yes!

We are working to put together some ideas on a loan program. Actually thought we had it done, but some opportunities arose, so we are still looking. If you have a program that is working for you, and would not mind sharing it, let us know. We will be back to you in the next couple of months with our findings.

Thanks for being part of the family, we'll talk later.