Volume 18

Renovation Review

Turn Contractors Into Your Referral Engine

Being a source of first mortgage renovation financing for the home improvement contracting community can be a great way to generate loan referrals. This Renovation Review lays out how to grow your unit and volume production by making your company a valued business partner to home improvement contractors.

planet

Contractors and home improvement companies of all kinds spend untold hours and resources bidding on projects for homeowners without ever nailing down financing details. When they don't win the project, they may not know why. Was it sticker shock? A lower priced competitor? Or did a competitor offering financing persuade the homeowner that going with them was easier than applying with an outside lender?

Contractors that offer financing:

- **Expand their potential customer base**
- **Improve advertising effectiveness**
- **Facilitate better qualification of prospects**
- **Lower selling pressure**
- **Provide non-aggressive closing method**
- **Reduce price negotiations and improve profit margins**
- **Increase their average sales contract**
- **Generate customer trust and encourage referrals**

A competitive analysis of financing options is a great starting point for breaking into this market. Who currently offers financing? Are their terms and pricing inferior to renovation loans?

Next, identify contractors already offering financing, since they're likely to understand the benefits of being able to offer financing that is based on the "as completed" value of a home.

Look at current contractor advertising and websites that list the following:

- **Credit Cards**
- **No Money Down, No Payments, No Interest for 6–12 Months**
- **0% Financing**
- **Special Financing Available**
- **In House Financing**
- **Bank Financing (Seconds and HELOC's)**
- **Factory or Dealer Financing Options**

All of these options have their place in the market and for contractors, but many carry higher interest rates, shorter terms, and therefore higher monthly payments than renovation loans. Others will rely on personal loans or the borrower having enough home equity to fund their project.

The power of having first mortgage renovation loan options is that they don't require home equity, they create it. They carry lower rates, longer terms, and therefore offer more affordable monthly payments than credit cards or personal loans.

Contractors can use these advantages when their borrowers fail to qualify for personal loans or when approved loan amounts are lower than the project's price point.

Another great way to generate business with contractors is to attend local or regional builder's association events to further expand your network. If there's a finance committee, join it. Getting involved in these groups and presenting information on first mortgage renovation loan programs can lead to referrals.

You'll also want to target contractors and home improvement companies that provide the highest return on investment, particularly those with established financing programs.

This list includes, but is not limited to:

- **General contractors and remodelers**
- **Companies building Accessory Dwelling Units (ADU's)**
- **Kitchens, addition, and bath specialists**
- **Roofing, siding, and windows contractors**
- **Heating, cooling and plumbing companies (HVAC)**
- **Foundation repair and basement water proofers**
- **Back-up generator dealers**
- **Excavators**
- **Septic companies**
- **Well drillers**
- **Pool dealers**

Opportunities abound to provide financing to the home improvement industry once you understand the market and how to approach it. Making this business segment part of your annual business plan will expand your referral base both directly with contractors and with homeowners.

Reach out to our Correspondent sales team or our highly skilled and experienced renovation lending team to learn more about incorporating these strategies into your business.

Contact Us

For any questions or scenarios related to renovation loans please email:
renovationscenario@planethomelending.com

Become a Renovation Loan Seller

Apply today at
www.PHLCorrespondent.com

planet