



By Carl Davidson

About the Author

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SALES

Bad Credit? No Problem

In the past, getting credit for customers was an art. Now, many of us seem to close our eyes and give it a shot. We accept the decision of our finance house and give up. But there is a lot more to finance and a lot of ways to make money.

Do You Have Financing?

I am stunned to see that many dealers do not have financing for their customers. "Everyone pays cash," they proudly say. Of course everyone pays cash if you do not have financing. The question is, what happens to all of the people who needed financing but did not want to tell you about it? They went to your competitor. Since the demo is based on dollars per month savings, in our industry it only makes sense to talk about the client's investment in dollars per month, too. Financing is the key to success in our industry, so do not leave home without it.

Do You Have Several Sources?

You need not one but several sources of financing. Why? Because things change. The company that takes water equipment paper today, may stop next year. You always should have at least one or two sources and be courting another.

- **How do you get them?** First, select suppliers that offer financing sources. I personally would not deal with a manufacturer who does not offer a national financing program. Most of the large manufacturers have this and you are at a disadvantage if yours does not.

In addition, set up local sources. Start by going through your regional Yellow Pages under "loans." You will be surprised how many small regional loan companies will work with you. Also, try every local bank. Take a banker to lunch and see if he is interested in paper. Finally, find a company that will issue a credit card. When you need financing for a customer, just apply for a credit card and put your system on it.

- **Start your own.** Another great way to finance is to start your own finance company. This sounds weird, but it is easier than you might think. I know several companies that make far more on their finance company than they do on any other phase of

operations. Ask attorneys if they have any clients who would like to invest in a finance company with you. Let's say a person has \$100,000. What are they going to do with it? The stock market is weak and risky. Banks pay miniscule returns. You can take their money and lend it to local homeowners and guarantee to repay the money if the customer does not, as long as you get the equipment back from delinquents. Let's say you put the money out at 16 percent and kept half as your share. You could be making 8 percent on someone else's money, and they could be making a higher return than they would receive anywhere else. Remember that when you have \$1 million in loans outstanding (and that is only about 250 systems financed), you will be earning \$80,000 per year in interest.

In addition, consider buy-here-pay-here for credit challenged customers. Take in used units or buy them for \$100 to \$200. You might sell a used system for \$700 with \$200 down and post dated checks. This allows you to turn a nonsale into profit and keep a salesperson and customer

happy. It also allows you to get deals your competitors have to walk away from.

- **Leasing.** Look on the Internet and in local Yellow Pages for leasing companies. You can lease systems to home owners. You get the money up front and they make the payments to the leasing company.

Get the Point?

All lenders rate customers by a point system. Join a credit bureau or credit-checking service and get the clients' permission to check his credit and pull a credit report before you send it to a lending company. Often you will find clients just 50 points short of the score they need. You can get pretty good at raising their score 50 to 100 points by protesting bad reports. Never send in applications blind to your credit sources.

When Do You Tell the Customer?

Many dealers are call the application

in, and in less than five minutes they can receive an approval or rejection. That is great if it is an approval, but if it is a rejection, you have lost the sale. I suggest that you take the credit application in the home, read it for completeness and say, "This looks good, you will not have any trouble with financing." This way, it is a done deal and off the customers' minds. If it is rejected, you have a day or two to try other sources.

There is a lot more to financing than getting one source and faxing all your applications in. A dealer who sells 500 systems per year probably has 100 rejected due to credit. Those 100 systems probably represent \$300,000 in sales that could be made with a little effort. If you have someone skilled at saving finance rejections and cold feet cancellations, they will pay for their cost many times over. **WQP**

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