

Andrea Swiney



focus on Financing

With the uncertain state of financing in the water treatment industry, WQP's managing editor, Stephanie Harris, recently spoke with Andrea Swiney, vice president of sales and marketing for Aqua Finance, to gain insight to the current financing situation and what it means for water dealers.

Stephanie Harris: What is the current state of financing in the water industry?

Andrea Swiney: It's a tough market out there right now for water dealers. Some lenders have left the water industry already, and those who remain have tightened up. In order to deal with rising delinquencies and writeoffs, many lenders have had to raise fees on both the dealer end in terms of promotional program costs and risk-based fees, and on the customer end with higher interest rates or higher required monthly payments.

For the past few years, dealers have had fairly easy access to credit for both prime and subprime customers. It is now a lot more tough to find a lender willing to take a chance on the riskier customers. If dealers do get bids on these types of customers, they are usually facing pretty steep fees.

Harris: Do you expect the current financing situation to improve and when?

Swiney: I certainly expect it to improve; the question of when really depends on the economy and on the credit markets. Lenders need access to capital to continue lending and to offer loans to a broader range of customers. As we hear in the news, the credit markets have been slow to start flowing again, making it more difficult for lenders to obtain needed capital. And as long as unemployment remains high and the housing market remains depressed, it will be tough for lenders to justify "loosening up."

We have started to see some positive signs of improvement in the economy. If the trend continues, then improvement in the financing market for water dealers should not be too far behind. The lenders are just as ready for things to return to something closer to normal as the dealers are.

Harris: With credit tightening, what can dealers who have come to depend on financing do in order to maintain a successful business?

Swiney: Financing is still an important tool in a dealer's sales pitch; however, as lenders have increased required monthly payments or interest rates, salespeople may need to work out a new sales approach. Rather than focusing only on monthly payments, they may need to highlight a special promotion, like three or six months same-as-cash.

Obviously lenders would like to see dealers jump right back into financing everything once the market improves. But, collectively, we have let water dealers down, though it certainly was not intentional. These difficulties have had tremendous effects on those businesses and I think a lot of dealers will be looking for ways to protect themselves as well.

Many dealers are now also focusing on building a rental base or water-delivery base to help provide cash flow that is not dependent on consumer financing. This can help give them stability when the finance markets are tight.

Harris: What advice can you give dealers who are affected by the current financing situation?

Swiney: I think patience and flexibility are key to getting through it. I know that we lenders are making things more tough by changing a lot of the things dealers have gotten used to doing. But these are necessary moves to ensure long-term viability.

Dealers who are flexible and willing to work with their lenders to build long-term partnerships and quality books of business will have an easier time getting and keeping financing sources.

And I would also recommend turning off the news once in a while—not everything is as bad as we keep hearing it is.

Harris: Once the current economic situation improves, do you think financing within this industry will change in any way?

Swiney: I think the memory of this downturn will stay with lenders for a while. This means they will be underwriting deals more closely to try to protect themselves from additional losses. Dealers can probably expect more requests for things like proof of income or joint credit applications. If salespeople can get used to asking for this information up front, it will make it easier for any lender to make a good loan decision.

I also think that dealers will look to protect themselves more. This could mean building relationships with multiple finance companies, changing their sales tactics and pitches, or looking to build a bigger rental base to help with cash flow.

While I'm confident things will improve in the economy and the finance market, I do not think we will see the free-flowing access to credit that existed the past few years any time in the near future. *wqp*

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