



Tough Times, Tougher Financing

It's been a tough couple of years for the financing industry. Homeowners, once considered the safest borrowers, were defaulting on loans as foreclosures increased. This factor alone has caused finance companies to rethink credit models and underwriting guidelines.

By Joseph Helstrom

Along with higher foreclosure rates, there has been an increase in general loan defaults. Several providers of financing to the water treatment industry have exited the business or scaled back their exposure. Using FICO scores, the standard measurement in the credit industry, an "A" score may have been between 640 and 650 a few years ago. An "A" score today is 700 or more.

One thing has not changed, however: Finance companies want your business, and they compete every day for the privilege to serve you as a customer.

There is a general perception that consumer financing can be difficult to obtain. In reality, it is easy to obtain for credit-worthy customers. The primary difference between the past and today is that not every customer is able to qualify for financing.

Ensuring Credit Success

What can you do as sellers of high-quality water treatment devices? The following is a list of suggestions, from the finance company perspective, which should help you obtain financing for more customers:

- Understand that in today's credit environment, not everyone will qualify for financing. Try to pre-qualify your customers by listening for phrases that might signal a problem, such as: "behind on our mortgage," "the home is in foreclosure," or "we are having trouble making ends meet." Finance companies receive many credit

applications for consumers who want to install a water treatment device in a home that is in foreclosure.

- Review the credit application to be certain it is filled out completely. A complete application allows the finance company to obtain a clear picture if the customer is credit-worthy. Better information makes it easier to say yes as there are fewer uncertainties. By reviewing the application, you can not only make sure it is complete, but also screen for problems such as a job status of unemployed or a lack of income.
- If you know that a finance company will want proof of the customer's job or income, ask for it at the time of sale. This will improve efficiency and give you some sense of the customer's credit-worthiness.
- Make sure all contracts are complete and properly dated. Consumer finance contracts must be complete so that they may be enforced by a finance company. If it is an in-home sale, this includes the notice of cancellation, which must be properly dated and provide the customer with three business days, excluding Sundays and holidays, to cancel the transaction. Going back to the consumer multiple times could jeopardize the sale as well as your credibility with the finance company.
- Never have side arrangements with the consumer and ask them not to disclose the arrangements. They always seem to get disclosed

eventually and could jeopardize your credibility with finance sources.

- Service your customer. There seems to be a correlation between paying customers and customers who receive high levels of after-sale service.

While these suggestions will not ensure that every customer receives financing, they will help you anticipate who is more likely to be approved, and dictate which customers should command more of your time and resources. Additionally, they will assist in your long-term relationship with finance sources.

A Finance Company's View

Finance companies want your business. They want to work with you to increase your sales and profits. This relationship cannot be one-sided, though. Finance companies expect you to work with them to ensure that financing arrangements are profitable. When consumer defaults exceed both discounts taken and interest charged, it is an unprofitable arrangement from the finance company's perspective. The best partnerships are forged when both parties understand their roles in maintaining a healthy and beneficial working relationship. By prescreening customers at the time of sale and providing exceptional customer service after the sale, you become a better business partner. Finance companies can pay you more when your customers are fulfilling their obligation to repay them. *wqp*

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Tips from a finance
company's perspective