



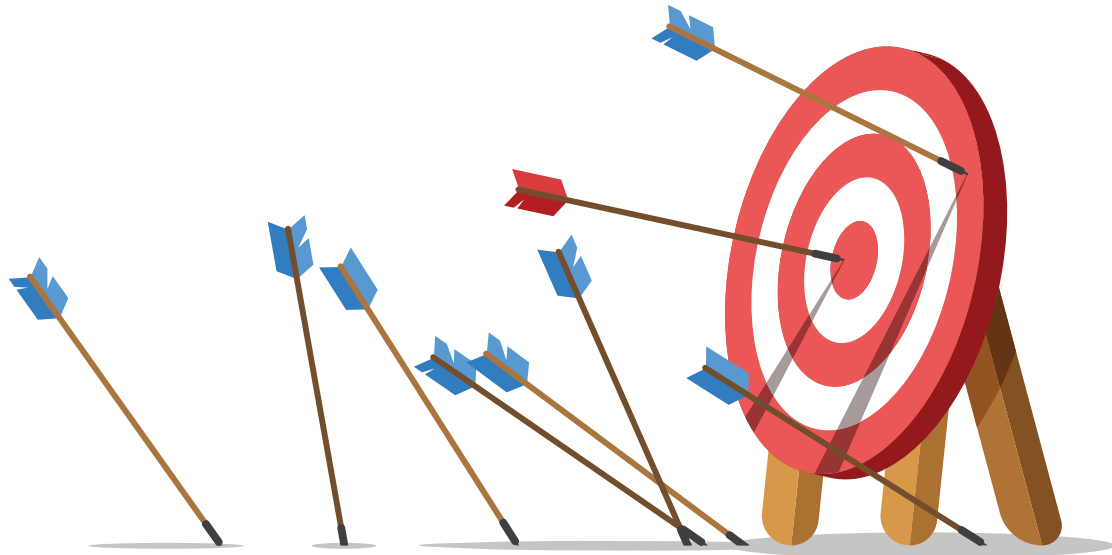
The 5 Biggest Mistakes Contractors Make with Financing

Learn how to avoid these top five revenue-destroying mistakes contractors make when offering financing to their customers.



The 5 Biggest Mistakes Contractors Make with Financing

An unexpected home system repair or replacement can be stressful for homeowners, with the average American having only \$5,300 in their savings account.¹ Contractors have embraced consumer financing to help alleviate this stress by providing their home services solutions at affordable monthly payments. However, most contractors struggle to position their financing solutions effectively, adding unnecessary friction to the buying process and sometimes, making it even more difficult to close deals. This ebook uncovers five of the most common mistakes contractors make with financing and how to optimize financing to increase the bottom line.



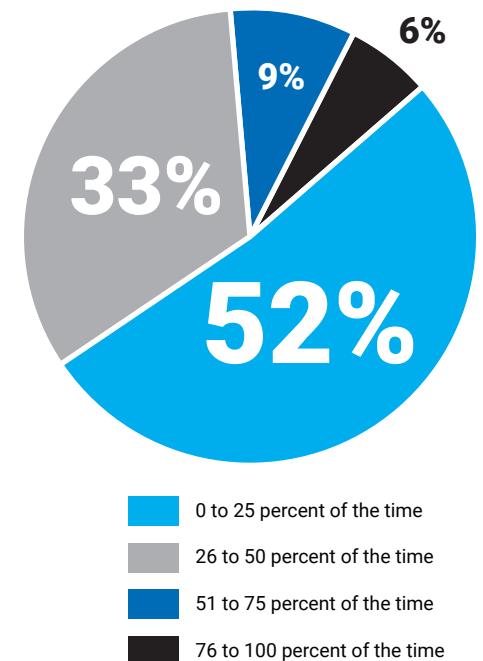
Mistake #1: Not Offering Financing with Every Sale

Today's consumers have ample access to financing and have come to expect it on purchases, big and small. With more access comes more utilization. When surveyed in 2022, the majority of home services contractors reported that their customers signed up for financing on 51-75 percent of all purchases, whereas in 2015, the majority of contractors said just 0-25 percent took advantage of financing.^{2,3} Additionally, in 2022, 12% of contractors reported that 76-100 percent of their customers utilize financing.

As financing continues to outpace cash as the preferred consumer payment method, today's buyers view payment options as a way to increase their spending power. People paying with cash spend about \$3,300 on a project, whereas people approved for financing spend nearly twice as much.⁴

With consumers choosing financing more often and spending more money with contractor-arranged financing, it is unwise for contractors to not offer financing with every sale. Prejudging your customers' ability or desire to access financing will ultimately result in a host of negative outcomes, like lost sales, smaller tickets, lower profits and unhappy customers. The most successful contractors in the industry offer financing on every sale.

How Often Do Customers Utilize Financing?



*“Our customer base is in a high-end market and can afford to replace a system by paying in full, so we didn't bother with promoting financing. We were wrong! Once we got an understanding of how easy it was for our clients to finance, we were all in!”*⁵

– Laura DiFilippo, President of DiFilippo's Services



Mistake #2: Not Offering Multiple Loan Options

Financing is an invaluable tool contractors can leverage to provide different options, which helps close deals. In addition to relieving the stress of having to pay for a project all at once, financing, when presented with two or more options, gives customers the ability to make a choice – a powerful psychological tool during the sales process.

Providing multiple financing options – such as long-term low interest or shorter term same-as-cash – gives customers the freedom to not have to compromise on their home comfort because of cost. It also gives sales consultants the opportunity to have more productive discussions, as well as the ability to expand the scope of jobs by extending the length of terms and keeping monthly payments affordable.

#2

“An option
of one
is a choice
of none”

“[Options can include] installment loans, deferred interest, revolving credit ... the savvy contractor offers the best financing program to fit the proposal.”⁵

– Barb Cox, Manager of Consumer Marketing at Mastercard, formerly of Nortek

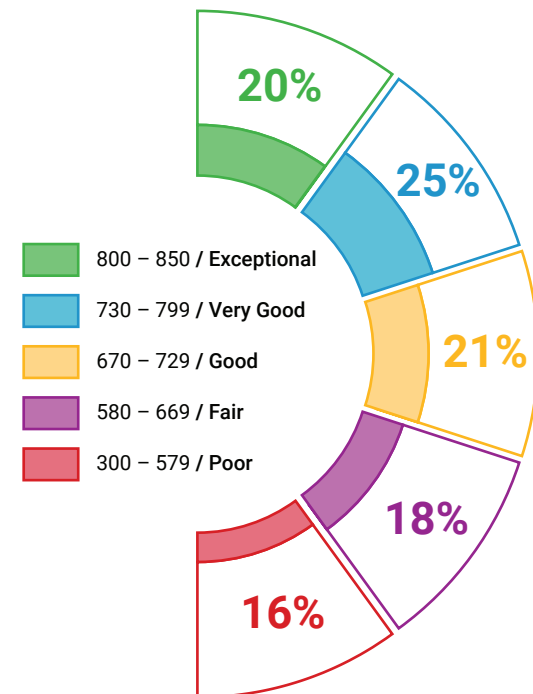
Mistake #3: Not Providing a Seamless 2nd & 3rd Look Option

According to a 2020 report by The Ascent on American credit scores, 18% of US citizens have a fair credit score (classified as between 580-669 FICO) and another 16% have a poor credit score (300-579 FICO). These subprime credit classifications represent a total of 34% of American consumers – 34% of your contracting customers – that will be declined by prime lenders.

Home services financing has typically been offered to consumers with higher credit scores because they are more dependable borrowers. In recent years, subprime consumers have become more attractive as a way to grow business. In turn, financing providers are offering dependable and affordable options for these consumers.⁶ This even includes lease-to-own options that can provide a payment option to customers with even the most challenged credit.

When it comes to offering second and third look programs, the first key is to create a seamless process that eliminates the need to tell the customer they have been declined by first- or second-tier programs. The second key is negating the need for that same customer to reapply for another option after a decline. If these keys are not applied, the financing application and credit decision process can create unnecessary friction during the sales process and customers may walk away from the project altogether.

Percentage of Americans Credit Scores



“Younger homeowners have less cash, but they also often have worse credit. ... There’s this market out there of customers who aren’t being helped, and I would say that market is growing.”⁶

– Chris Crocker, Okinus Credit Solutions

Mistake #4: Not Having a Process to Pre-Qualify Customers Before the In-Home Sales Consultation

Consumers have come to expect swift service and streamlined processes when doing business, especially when it comes to their comfort needs. Pre-qualifying customers for financing creates a smooth know-before-you-go sales process before the in-home sales consultation.

Contractors who fail to pre-qualify their customers for financing risk bringing unnecessary challenges into the sales process, including:

- Uncomfortable first-time credit score conversations
- Inability to effectively position their good-better-best offerings
- Taking too much time during their presentations

Simply emailing or texting customers a financing application link prior to an in-home consultation can take most of the guess work out of the sales process, creating a richer customer experience and more revenue for home services contractors.

“**Make sure
you know
before
you go**”

“Pre-qualifying your customers for financing before the initial sales visit enables contractors to effectively position prime, near-prime, or subprime options based on their credit score, which drastically increases the likelihood of a close.”

– Matthew Bratsis, Vice President at OPTIMUS Finance





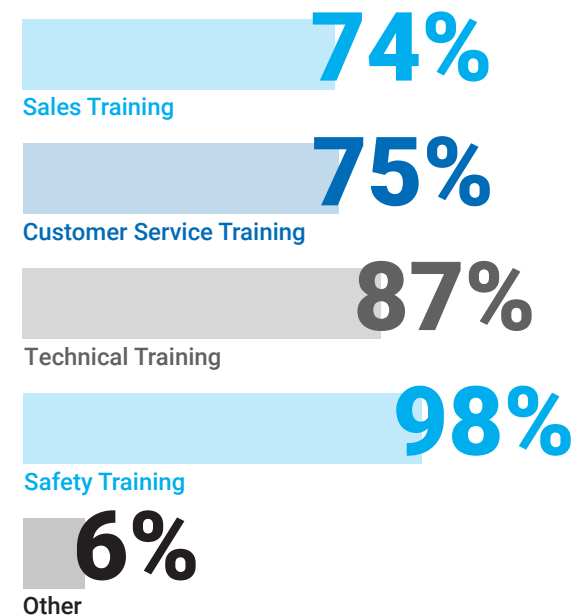
Mistake #5: Not Training Salespeople on How to Best Position Financing During the Sales Process

As effective of a sales tool as financing can be, it is only successful when integrated into a polished sales demonstration and aligned with homeowners' needs, budgets, and social styles. With the right training, salespeople can successfully present financing costs as manageable monthly payments and position good-better-best financing options that make higher-ticket systems and bundling add-ons more appealing to homeowners.

Unfortunately, training is often neglected, with day-to-day operations taking priority for many contracting business owners. While most contractors do report having technical training and safety training programs, only 74% of contractors say they have ongoing sales training integrated into their company training programs.⁷

Without ongoing sales training, employee learning is stagnant, morale is low, revenue is suboptimal, and customer experience suffers. And without a solid foundation of sales competency, the financing discussion will undoubtedly collapse.

What Types of Training Do You Have?



“Our sales team regularly attends sales-related programs put on by manufacturers and distributor. We also participate in in-person and virtual sales training classes by Contractor University.”

– HVAC Contractor in Wisconsin



Avoid All 5 Mistakes and Grow Your Business with OPTIMUS Financing

OPTIMUS Financing is the all-in-one financing and lease-to-own platform that matches your customers with a trusted lender in seconds based on their individual credit scores, virtually eliminating the need for multiple applications and multiple credit pulls. This process enables OPTIMUS to guarantee 90%+ approval rates for your customers while solving all five of the biggest mistakes you can make when offering financing:

1. The OPTIMUS Financing software integrates seamlessly into any contractor sales process to make it easy to offer financing on every sale
2. OPTIMUS works with multiple lenders that offer a wide variety of financing options to fit any customer's budget and comfort needs
3. OPTIMUS is designed to automatically and seamlessly route your customer's financing application to the appropriate built-in financing options based on their credit profile on the first application – no second or third look “cascade” necessary
4. OPTIMUS provides participating dealers with a customer pre-approval workflow that can qualify homeowners for financing in seconds
5. In collaboration with Contractor University, OPTIMUS provides the industry's most comprehensive and powerful (Over 250 on-demand videos!) in-home sales and financing training to ensure your team has the knowledge and coaching they need to succeed



To learn more about how OPTIMUS can help you close more jobs and streamline your customer lending experience, visit **OPTIMUSfinancing.com** today!

You can schedule a consultation with an OPTIMUS Financing expert by clicking or copy-and-pasting the link: **OPTIMUSfinancing.com/Consultation**



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