



HOME IMPROVEMENT FINANCING

# Common contractor misconceptions series

eBook

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Here at Regions, we work with a lot of contractors – over 8,000 of them, in fact. This means that in the over two decades we've been in this business, we've heard a lot of misconceptions when it comes to contractor financing. In this series, we're going to take a closer look at some of the most common misconceptions we hear from contractors and help debunk them:

- **#1 — Contractor Financing is Only Used by Those Without Cash**
- **#2 — Contractor Financing Hurts my Bottom Line**
- **#3 — Offering Contractor Financing is Awkward & Complicated**
- **#4 — Contractor Financing is Best Used to Save a Sale**
- **#5 — All Contractor Financing Options Are Created Equal**

To kick things off, we'll start with our first common misconception:

## Misconception #1

### **Contractor Financing is Only Used by Those Without Cash**

Many contractors say they aren't interested in adding payment options to their sales process because most of their customers are paying in cash. However, the data shows otherwise. Research shows that over 55% of home improvement projects are financed in some way.\* By offering payment options to your customers, you establish yourself as their problem solver – increasing the likelihood that they'll choose you for their project.

By not offering financing as a part of your services, you may be missing out on opportunities and leaving money on the table. You know your customers want convenience and ease when it comes to their project, and what's easier than a contractor who offers financing as a part of their services?





Even for customers who were planning on paying cash for their project, the flexibility of using contractor financing is an appealing option. After all, one of our most popular products is our Same-As-Cash loan for a reason. This loan allows your customer to get their project done now while holding onto

their cash for other expenses or in the event of an emergency. It's also an appealing option for those who are waiting for cash to come in, such as a tax refund or investment. When this loan is paid back in full within the "same-as-cash" period, the interest is waived.

\*HIRI TFG Monthly report, released October 2023







We work with a lot of contractors, and we've heard it all when it comes to misinformation about payment options. Here's one common thing we hear from contractors.

## Misconception #2

### **Contractor Financing Hurts my Bottom Line**

One thing we hear a lot from contractors is that they're worried loan fees will affect their bottom line. While we do have dealer fees, there are no hidden fees you need to worry about within your program. Basically, you'll know upfront what a loan costs and that's what you'll pay.

To help cover the cost of your dealer fees, we recommend working with your accounting department to build your dealer fees into your

general overhead. Fees are considered an operating expense, and it's a normal practice to roll these costs evenly into your pricing.

Additionally, a study we commissioned showed that, on average, a customer's spending increased by 44% when they utilized payment options.\* This means bigger ticket sizes at fewer job sites, helping you to better manage your workload.

### **What is Average Project Size?**

Your average project size is the typical cost that your customers are paying for their projects. To calculate your average project size, add up all your sales over a set period (a year is a good place to start), then divide that by the number of projects you completed over the same timeframe. It may seem like a simple number but keeping track of your average project

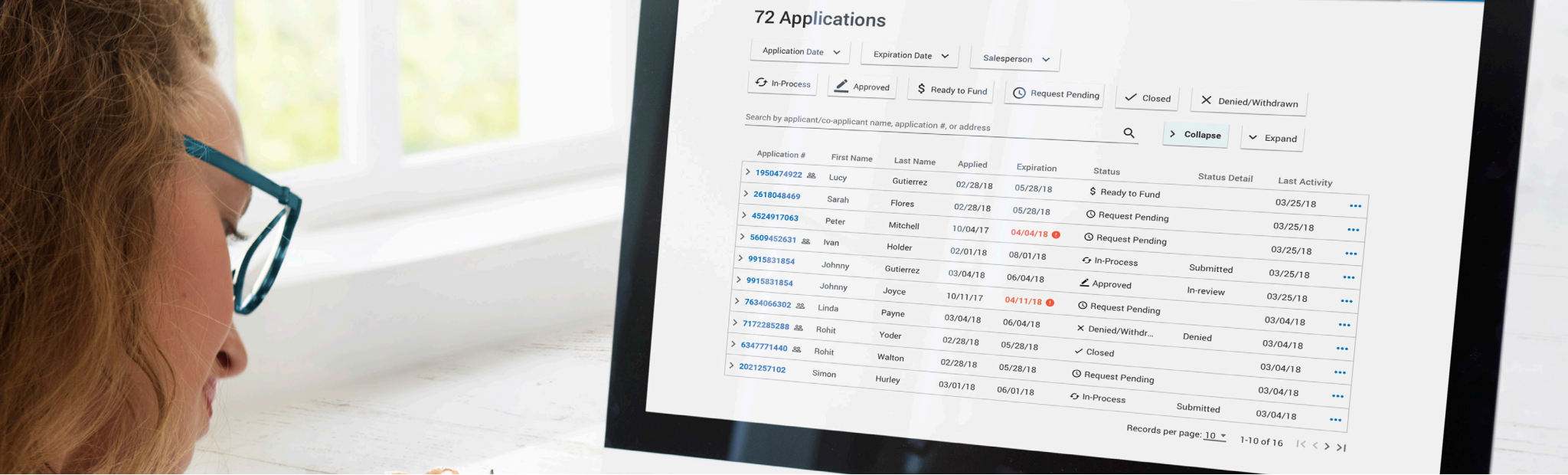
size can help you better monitor the growth of your business and optimally allocate your resources.

## Why Should I Care About Average Project Size?

Knowing this amount and tracking it over time can be a good indicator of the overall health of your business. A growing average project size may show that you're gaining trust with your clients to take on larger-scale projects, or that your sales process is working well to get the right price for your projects. Larger project sizes can make your business more efficient by reducing the number of times you need to move from one project to the next, saving time and money in setup and cleanup. Larger projects may lead to larger profit margins, meaning you can sell fewer jobs to get the same revenue. While there isn't a magic number of what your average project size should be, knowing this data can help you understand your unique offering and where you fit in the market. For example, smaller average project sizes may mean you do quick and simple projects, so you may want to focus on investing in ways to be efficient while completing jobs without a lot of customization. Meanwhile, a larger project size may indicate your position in the market is highlighting the custom projects you complete.







We can also approve customers beyond the job estimate. Not only does this allow for scope changes in the projects, but it also gives you the ability to upsell your customers when it comes to the materials they use, helping you to increase your ticket size.

\*Brickyard Study, commissioned by Regions, 2018

## Misconception #3

### Offering Contractor Financing is Awkward & Complicated

Some contractors are apprehensive to offer payment options because they think there's the potential for a homeowner to be offended, or they believe it will slow down the sales process. In our experience, we've found the opposite to be true.

We've found the top two reasons that people choose to finance their project are convenience and flexibility\*. This means that your customer's financial situation isn't playing as much of a role in their choice to use

financing as you may think. After all, even the most affluent of your customers want to make decisions that are smart for their finances, and making a monthly payment as opposed to withdrawing a giant chunk of their savings at once is an appealing option.

In fact, we recommend offering payment options to every homeowner to whom you provide a bid, regardless of how you perceive their financial situation.

With all our experience in the home improvement industry, we've developed tools and resources to help your business run as efficiently as possible. Here's a look at just some of the resources we have available for you:

### PartnerPortal

You're on the go, and so are many members of your team. Plus, your job happens outside an office and the usual 9 to 5, meaning reliable access to the info you need is crucial. That's why we created PartnerPortal, an account

management tool that's available for both your desktop and mobile device. Using PartnerPortal makes it easy to get on with the job and get your money, because your customers' loans are all easily handled in the interface so you can constantly improve your overall performance.

## **Paperless Application Methods**

With permits, contracts, and more surrounding every job, you don't want to add more paperwork to the pile — which is why we've developed three paperless application methods for your customers. This includes our Mobile Loan App, Online Loan Application, and Loan-by-Phone. These application methods let your customers get a credit decision while your salesperson is still in the home, making it more likely they'll select you for the job.

## **Express Credit Decisions**

Once the customer completes the application, they can receive a credit decision quickly, usually within minutes in most cases. Our internal research shows that customers who are approved for a Regions loan complete the project with that same contractor 94% of the time\*. That's some awesome "stickiness" for your business! If more information is needed, it can be handled quickly while the salesperson is still with the customer, or links can be sent to the homeowner to complete the process.

## **Fast Payments**

Getting the funds you need throughout the project is easy. During the application, your customer will select whether they want to respond to fund requests via phone call or text and will sign only one time. When you're





ready, simply use PartnerPortal to ask for funds. The customer will then approve it using their preferred method. Once approved, we'll transfer the funds directly to your account, usually within 24 hours in most cases. This puts you in control of your cash flow and saves you time by not having to chase down signatures.

## PreQualify

Improve your customer's experience by adding convenient banners to your website or links in your emails. Minimal coding is required, and you can easily request them as a part of your loan program. These tools allow you to collect better qualified leads and can help your customers know how much of a loan they may qualify for through PreQualify. This means less time chasing down leads and more time getting work done.

\*Brickyard Study, commissioned by Regions, 2018





# By offering payment options, you provide an easy way for them to get their project.

Let's move on to our next common misconception:

## Misconception #4

### **Contractor Financing is Best Used to Save a Sale**

Some contractors see payment options as a way to save a sale, which often doesn't work. This leads many to not see the value in offering contractor financing at all. However, when used correctly, financing can help your business grow through more closed sales.

As part of our best practices, we recommend mentioning the availability of payment options at these three touchpoints:

### **Marketing & Advertising**

Leads who know that you offer payment options are more likely to convert. We

recommend including a reference to at least two payment options in all your marketing materials. This includes showroom signs, flyers, billboards, your trucks, social posts, web banners, and, of course, your website. Savvy consumers will visit your website before even making that first call, so if your site indicates that payment won't be a problem, you'll see more people making that phone call to you before the competition.

### **When Setting the Appointment**

When your office admin first sets the appointment with a customer to assess the job or go over the estimates in advance of closing the sale, it's a solid opportunity to talk about your payment options and keep planting and nurturing that seed. Mention your payment options, including a Same-As-Cash loan and a low monthly payment loan. You might say something like, "When our sales rep is in your home, please don't forget to ask them about our financing promotion." Mentioning it on



the appointment-set call will make the idea more familiar when it's brought up again in the home.

### **At the Sales Appointment**

Once you're in the client's home, bring up the availability of payment options once again. As you already know, objection to cost is often the biggest hurdle you need to pass to close the job. By offering payment options, you not only provide an easy way to get their project, but you can also help them see the value as opposed to just the price. Now they can think about the job they really want to get, instead of worrying about how they're going to pay for the work. Once you get to discussing the actual pricing for the job, any objections about price

have already been overcome because you've addressed the idea of easy payment.

## **Misconception #5**

### **All Contractor Financing Options Are Created Equal**

We have over two decades of experience in the home improvement industry, making us a great resource for your business. With this knowledge, we've created a wide variety of resources that are exclusively for home improvement contractors.

### **Dedicated Relationship Manager**

Like an extra member on your team, your relationship manager is your single point





of contact here at the bank. They're here to answer any questions you may have as well as providing additional resources to help you grow your business.

## Paperless Application Methods

You and your customers have a lot going on, and the last thing either of you wants to deal with is extra paperwork. That's why we developed three paperless application methods for the ultimate convenience: our Mobile Loan App, the Online Loan Application, and Loan-by-Phone. With quick credit decisions, you can have the entire process completed while you're still in the customer's home in most cases.

## Fast Funding

Traditionally, you may have had to wait until the end of the project to get paid, leading you to juggle cash between jobs to get the work done. When you work with us, you can request payments, putting you in control of your cash flow. Once you request funds and the homeowner approves, we'll deposit the funds directly into your account, usually within 24 hours.

## Customized Marketing Materials

Regions gives you high-quality marketing materials as a part of your loan program. Not only can you make a great first impression with potential customers, but you can stand out from the competition. Plus, you can easily include the availability of payment options, helping to increase your leads.

## Online Tracking & Reporting

Stay on top of everything from wherever the job takes you. Our convenient online dashboard, PartnerPortal, lets you track performance results through customizable reports, access loan codes, check application statuses, and work with electronic loan documents.

Plus, so much more, we can't fit it all in one ebook! Hopefully you can now see the value of offering contractor financing.

Ready to offer your own contractor financing? It's easy! Simply visit <https://www.regions.com/small-business/contractor-financing> to get started!



**Offering payment  
options can help  
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