

# Strategies for a changing rate environment

Contractor-offered financing is a proven way to grow your business. However, with changing loan interest rates, it can be hard to develop a strategy that allows your loan program to be as successful as possible. The good news? You don't have to do it alone.

Our team can provide the support and experience you need to successfully navigate the ever-changing economy. Don't think of us as just your financing provider, think of us as a consultant that can help guide the growth of your business. To help you get started, we've prepared this guide to help you better manage a changing rate environment.

## WHAT'S GOING ON WITH INTEREST RATES?

Following the pandemic, the Fed began increasing rates to help combat inflation. Since March 2022, there have been 11 interest rate increases. Recently, inflation has moderated but remains slightly above the Fed's target of 2%. In September 2024, the first rate cut took place with two more projected before the end of the year. It's anticipated that an additional four cuts will happen throughout 2025.

When determining what loans you're offering, it's important to keep changing rates in mind. If your rates are beating out the competition, you can keep the leads coming in while continuing to close sales.

### Federal Reserve Interest Rate History *As of September 18, 2024*

Fed Meeting Date	Change in Interest Rate	Level (%)	Fed Meeting Date	Change in Interest Rate	Level (%)
3/17/2022	0.25%	0.25% – 0.50%	5/3/2023	0.25%	5.00% – 5.25%
5/5/2022	0.50%	0.75% – 1.00%	7/27/2023	0.25%	5.25% – 5.50%
6/16/2022	0.75%	1.50% – 1.75%	12/14/2023	+0.00%	5.25% – 5.50%
7/28/2022	0.75%	2.25% – 2.50%	1/31/2024	+0.00%	5.25% – 5.50%
9/22/2022	0.75%	3.00% – 3.25%	3/20/2024	+0.00%	5.25% – 5.50%
11/3/2022	0.75%	3.75% – 4.00%	5/01/2024	+0.00%	5.25% – 5.50%
12/15/2022	0.50%	4.25% – 4.50%	6/12/2024	+0.00%	5.25% – 5.50%
2/2/2023	0.25%	4.50% – 4.75%	7/31/2024	+0.00%	5.25% – 5.50%
3/2/2023	0.25%	4.75% – 5.00%	9/19/2024	-0.50%	4.75% – 5.00%

Source: [Federal Reserve](https://www.federalreserve.gov/)

## National Average of Mortgage Interest Rates *As of September 18, 2024*

Mortgage Type	APR
30-Year Fixed Rate	6.28%
20-Year Fixed Rate	6.20%
15-Year Fixed Rate	5.67%
10-Year Fixed Rate	5.98%

Source: [Bankrate](#)

## National Average Credit Card Interest Rates *As of September 18, 2024*

Category	Latest Average	Q2 2024	Q4 2023	Lowest Level
Existing Accounts	21.51%	21.59%	21.47%	11.82% (Q3 2014)
All New Offers	23.30%	22.89%	22.90%	16.60% (Q1 2011)
Excellent Credit	18.35%	18.20%	18.01%	12.43% (Q3 2010)
Good Credit	24.53%	24.36%	24.10%	16.07% (Q3 2010)
Fair Credit	27.21%	26.85%	26.59%	19.18% (Q3 2012)
Store Cards	32.40%	30.54%	30.00%	22.21% (2011)
Secured Cards	23.13%	22.87%	22.86%	16.63% (Q4 2020)
Student Cards	20.10%	20.10%	19.67%	15.00% (Q2 2020)
Business Cards	22.35%	22.16%	22.13%	15.11% (Q2 2012)

Source: [WalletHub](#)

## National Average Home Equity Line of Credit Interest Rate *As of September 18, 2024*

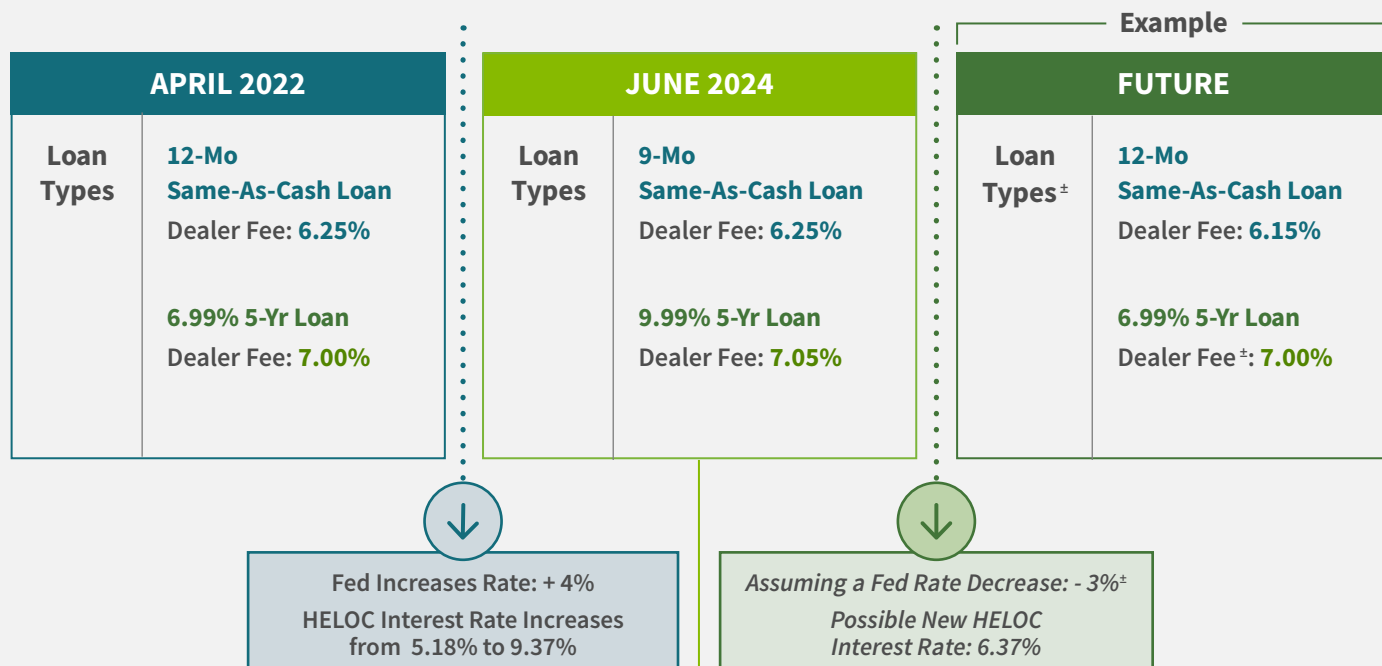
Average Interest Rate	Average Interest Rate Range
9.25%	8.71% - 11.06%

Source: [Bankrate](#)

## WHAT DOES THIS MEAN FOR YOUR BUSINESS?

There are steps that your business can take in both an increasing and decreasing rate environment to ensure you continue to be successful. Let's look at what contractors were doing before rate increases, how they've adjusted with increasing rates, and how you can prepare for the future.

<sup>±</sup> This chart is intended for educational purposes only. Actual rate decreases, interest rates, and dealer fees may vary.



### Increasing Interest Rate Environment To-Do List

- ✓ **Increase Interest Rates & Decrease Terms** – As long as your rates remain competitive with the market (i.e. lower than personal loans and HELOCs), you'll remain an attractive option for homeowners.
- ✓ **Shorten Term of Same-As-Cash** – Customers who have the cash on hand will take advantage of this short-term option.

### Today's To-Do List

- ✓ **Watch Interest Rates** – Consistently monitor rates including [mortgage](#), [HELOCs](#), personal loans, and [credit cards](#).
- ✓ **Adjust Offerings** – Depending on the changes in the market, switch out your offerings so you can beat out the other financing options that customers can find on their own.
- ✓ **Make Applying Easy** – Update website banners, QR codes, and other advertising to reflect your current offerings.
- ✓ **Work with Your Accounting Department & Relationship Manager** – They can help you build the cost of payment options into your overhead and manage other aspects of your loans.

### Decreasing Interest Rate Environment To-Do List

- ✓ **Reduce Low-Interest Loans** – When interest rates start to go down, update the loans you're offering so you reflect the market and remain competitive with HELOCs and personal loans.
- ✓ **Extend Term of Same-As-Cash** – Increasing the term of your Same-As-Cash loan provides your customers with more ease and flexibility – helping you close more jobs.

## CONTACT YOUR RELATIONSHIP MANAGER

Your relationship manager is here to provide insight on current trends and what loans are most popular with homeowners. If you want to go over this guide in more detail or would like to change what loans you're currently offering, schedule an appointment today.

