

# Help Your Remodeling Customers Find Financing

by Robert Weickgenant

**T**he remodeling business is largely a service business: The companies that give customers the best service tend to get the best referrals. But to deliver truly superlative service, you've got to have all the cards — and in today's competitive market your trump card may be the ability to arrange financing.

My company has been providing this service for 20 years with quite a lot of success. We have ongoing relationships with people in the mortgage business, to whom we refer any customer who wants financing. And a lot of customers do: Of the approximately \$3 million in business we do each year, I estimate that our lending partners finance about half of it.

In today's competitive market, offering this service can help you land jobs.

If handled correctly, financing can be a great addition to any builder's or remodeler's offerings. We make no profit from financing, but it helps us land jobs we otherwise might not have snagged. I've seen lenders make customers jump through so many hoops to get a loan, the customers give up in sheer frustration; we make sure that we work only with lenders who don't create such obstacles.

Offering financing can lead to more profitable jobs, too. Most people today are payment buyers, and they will spend more on a remodel if they can make low monthly payments over time.

But if you dive into financing blindly, you can easily get burned. Over the years, we've learned what does and doesn't work. The advice that follows — on how to make your effort a successful and rewarding one — is based on our own experience.

## Making the Sale

Although offering financing doesn't require a lot of financial knowledge, it does require some. I strongly recommend that you invest six hours or so in learning about interest rates, construction draws, and the appraisal process. You should also familiarize yourself with real estate comps in your area, and update that knowledge regularly.

The sales process is simple. During the first meeting with customers, we talk for 10 to 15 minutes to make sure we're a good match. If we are, we ask them how they plan to pay for the job. If they're looking into financing, we tell them how we can help.

Our job is to refer customers to lenders and to answer general questions. We never claim to be experts. We answer questions about interest rates and terms only in very general terms, with rough ballpark numbers. We always make it clear that the lender is the only one who can give definitive answers.

We also ask customers certain questions to determine whether they place a higher value on the cost of the loan or on the service they'll get from the lender. Keeping them happy requires that we have relationships with different types of lenders — a couple of banks and a mortgage broker.

For example, if a customer's priority is low monthly payments, we send them to our mortgage broker, who can help them compare rates from multiple banks.

Other customers will happily pay a slightly higher rate for more personal service, so we refer them to a local bank. These people want a friendly face to work with, and they like the fact that if they need a loan two years from now, they can walk into the bank and make an appointment with the same person who financed their remodel.

## Keeping Things Moving

We give the customers the lender's name and phone number and tell them we'll call first to make an introduction. When we call the lender, we talk about how

much hand-holding we think the customer will need and explain the scope of the proposed job. My company deals only with lenders who will make loans based on the future value of the house — that is, what the house will be worth after the improvements my company is going to make.

We also give the appraiser our gut feeling about what the house is currently worth, the budget for the renovation, and what we believe the house will be worth when the job is done.

We don't blindly accept every valua-

approval, it typically takes a week to 10 days to get a design agreement. The design process can take up to six weeks, and during that time there is continuing contact among my company, the homeowner, and the lender.

Our ongoing relationships with lenders has made this process easier over time. For instance, we're able to submit the project plans when they are three-fourths done, and then go to closing before the plans are completely finished or the permits have been filed for.

## Evaluating Lenders

A key to making all of this work is choosing lenders who understand the remodeling business. Our customers are people with good incomes, good credit ratings, and equity in their homes. Lots of lenders would like to loan them money.

The problem is that some lenders don't want to loan on the future value of a home, some have draw schedules that make it impossible to keep the job going, and some are slow at getting that final payment out.

It's important to flesh these issues out before agreeing to do business with a bank or finance company. You need to qualify lenders as carefully as you qualify prospective customers.

My company has a list of stipulations that lenders must agree to before we send our customers to them. They must:

- agree to give us a 30 percent down payment before work starts;

- be willing to make payments by wire transfer directly to our bank account (we don't want to hear that the check is in the mail);
- commit to having inspectors at the job site within 48 hours after we call for an inspection;
- make final payment within 10 days of completion. We specify that the project is finished when the final county inspection is done, and when the homeowners have signed off on the punch list.

We don't get these promises in writing, but we know after the first job whether the lender is one we want to have an ongoing relationship with.

Be aware that if you leave the lender in control of the process, it'll kill you. The lender won't give you a deposit to start, or it will be slow paying your draw requests, or it will make you wait 60 days after the job's done to get paid.

The good news is that we have worked with 10 lenders in the past 20 years and have had problems with only two or three; in each case, the problems started because the lender got bought by another company with different policies. We stopped doing business with these lenders as soon as they stopped meeting our conditions.

That's the value of a good screening process.

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**Robert Weickgenant** is president of *Star-Com Design/Build Corp.*, a full-service remodeling company based in Columbia, Md.

It's important  
that you qualify  
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tion. Two appraisers can have very different ideas about what a particular house will be worth after a job, and if we think they're coming in too low, we talk with them. This is where keeping current on real estate comps pays off.

We can usually get a customer pre-approved in 24 hours. After pre-