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Skylights



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Pros and Cons of Offering Help with Project Financing

Four Remodelers Share Insights about Project Financing, Plus how and if it Helps Their Business

By Rob Heselbarth

Remodelers share varying degrees of commitment to helping clients obtain financing. Success, however, is not contingent upon how willing a remodeler is to assist clients with financing, as *Qualified Remodeler* discovered when talking to remodelers at all levels of commitment.

To share perspectives, *QR* interviewed executives at Orfield Design & Construction in Minnetonka, Minn., Schroeder Design Build in Fairfax, Va., Thompson Creek Window Co. in Lanham, Md., and Custom Design & Construction in El Segundo, Calif., the highlights of which appear here.



Laura Orfield-Skrivseth
Co-owner
Orfield Design & Construction
Minnetonka, Minn.
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Like many remodeling firms, Orfield Design & Construction does not offer financing to its clients, but it will work with any independent mortgage broker or bank a client brings to the table, says Laura Orfield-Skrivseth, co-owner.

When clients inquire about financing options, Orfield-Skrivseth is quick to tell clients that others have worked on their own with banks or mortgage institutions. "I tell them I know a few lenders that other clients have been happy with, but I always preface it with not knowing who the lending institution will assign to the client, and that I'm not able to vouch for the lender's behavior."

Thankfully, this has not been a problem because today, she says, clients mostly pay with what they have in savings or have done some sort of loan through a bank. "Usually they have ducks in a row before coming to us," Orfield-Skrivseth says.

Orfield Design & Construction chooses not to offer financing for a few reasons, including not wanting to force clients to work with one person or another and possibly someone who won't get along with the client. She adds, "Plus, no one can blame me if financing doesn't go very well. I've heard stories where draws take almost two months to get, which is a pain in the neck, and stories about bad communication. If this ever happens with one of our clients, it won't be a reflection on me since I would not be involved."

Orfield Design & Construction is doing fine without directly offering financing to clients. "We usually know upfront if a client will be able to fund the project or not.

Honestly, we've been in business since 1978 and have never provided financing, and we're doing OK," she says.



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Trish Schroeder
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Late in 2012, Schroeder Design/Build in Fairfax, Va., was hosting an open house and mailed some postcards to promote it to the local community. One of the recipients worked at a local bank and contacted Trish Schroeder, director of business development, but not about the open house.

"Joe [the banker] said, 'I think we might have a program that works well for your clients,'" Schroeder explains. So, Joe now works with Schroeder providing financing for remodeling and building projects. "There's nothing in particular we gain from going through Joe. For me it's more about keeping my ear to the pavement and understanding what's out there. Also, this bank understands the importance of timeliness as it relates to construction.



Orfield Design & Construction helped clients complete this bathroom job with a Wells Fargo financing program.



THOMPSON CREEK WINDOW COMPANY



Rick Wuest
President
Thompson Creek Window Co.
Lanham, Md.
Thompsoncreek.com

Plus, I now have a contact person to communicate with, which means I have a little better access to financial status.”

Being a smaller bank, they have a higher qualification threshold for the consumer, she says. Clients still tend to collect three proposals from banks, but they typically learn quickly that despite the higher threshold Joe’s services are much more user-friendly than other banks’. “I feel confident that I’m putting my clients into direct contact with someone who handles our industry.”

Joe specializes in George Mason Mortgage renovation loans. “First they qualify prospects; then once there’s an estimate Joe will take that estimate and qualify clients based on it. If they have a good credit rating and their house appraises correctly, Joe will finance up to 100 percent of the cost, which is back to what it was like before [the collapse of] 2008.”

Thompson Creek Window Co. in Lanham, Md., has experienced tremendous growth during the past decade, which partly is attributed to strategies such as sticking with its business plan and remaining aggressive about gaining market share. A tactical effort that has fed growth has been the company’s menu of financing options.

An exterior remodeling firm, roughly 45 percent of Thompson Creek’s window, roofing, siding and gutter replacement projects are financed. Of that 45 percent, roughly 90 percent are filtered through GE Capital’s program. The approval rate is

about 75 percent, which is pretty good in the opinion of Rick Wuest, president.

Wuest knows how valuable it is to offer clients a menu of financing options. “Most people don’t have disposable savings to handle the jobs they hire us for. The financing we offer gives them a tool so they can do the complete project now and pay for it over time. With cash, maybe they’d only want us to replace half their windows now and the other half years later when they have enough cash to finish the job. With financing, however, they can do everything at once and spread their payments out and keep their savings intact if they need it,” Wuest says.

The average size of a Thompson Creek job financed through GE Capital is 20 percent higher than that of cash jobs, which points to the contribution financing has made to the company’s growth.

“What we like about GE Capital is their value menu that helps every kind of client,”

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Wuest explains. "For the client that needs a low monthly payment, we can offer a low payment plan. If a low interest rate is important to a client, we can give them the lowest competitive rate possible. Or, if someone wants a deferred interest plan, we can do that, too. The fee to us as the remodeler is the same with any plan, so a sales rep would never feel compelled to put a client into a plan that's not in the client's best interest."

The fee to offer financing can be compared to what a retailer pays to accept credit card payments, Wuest says. The boost in average sales offsets the fee, ultimately making it a profitable venture.



Bill Simone
President
Custom Design
& Construction
El Segundo, Calif.
Remodelwithus.com

When Bill Simone created Custom Design & Construction in El Segundo, Calif., in 1985, he also founded Custom Funding Inc. to provide funding and financing to its clients. With help from his business partners, Simone was able to launch his very own private bank, of sorts, and grow it and CD&C over the years. "Our philosophy is to reinvest profits into the company, and to offer the financing option as a tool in our belt," Simone says.

"We haven't said no to a client, ever. They fill out an application like they would for any other bank, but that's where it ends with any similarities. Most importantly, we can make any decision we want. It's really simple for clients because we tailor their financing program to their needs. We can give them a long-term loan for 15, 20 or 30 years, all fully amortized."

Custom Funding Inc. has saved the day for many of Simone's clients, including one couple that was about to begin phase two of their project. "It was a rather large

project, and the client had a line of credit to pay for it. Phase two was slated to begin on a Monday, so the parents let the kids graffiti the cabinets and basically destroy the kitchen. That Saturday a letter arrived informing them that their line of credit was frozen. We received a rather panicked phone call from the couple asking what could be done. We said, 'Don't worry; we have a solution,' and we financed that portion of the project. End of story."

Another benefit to offering private financing is the message it sends. The message is, if a company is willing to put its own money into a client's home, it demonstrates: 1) the financial stability of the company; and 2) the company believes it can do what it says it can do. "It's a subtle yet powerful hidden benefit. Additionally, the financing arm of the business has provided an income stream during slow times in the housing market," he says. | **QR**

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