

# Build Your Bottom Line with Discounted Bids

Most lenders in the home improvement financing space approve or deny applications for credit solely based on a customer's credit score – which typically needs to be prime. So, what happens to customers that have average credit or challenged credit? That's where discount financing comes in.



## What is discount financing?

Many banks, credit unions and finance companies will only lend to people with stellar credit. Anyone with a credit blemish is denied.

Rather than simply rejecting customers who have some credit blemishes, Foundation Finance may offer a dealer a "discounted" approval. The discount is reflective of the customer's credit and application risk factors. The riskier the customer, the higher the discount.



**Important:** The discount is between the finance company and the dealer; it does not affect the customer, who in the example below, would receive coverage for the full \$5,000.



### Example:

- \$5,000 sale to a customer with weaker credit.
- Financing approved at a 95% bid (5% risk discount for the dealer).
- Customer still finances \$5,000 for the project.
- Dealer is paid \$4,750 at funding time.

## Why accept a discounted bid?

Without discount programs, many customers would not qualify for financing...which means fewer sales can be closed. And fewer sales mean lower profits.



- ✓ Close sales that other lenders decline.
- ✓ Some profit is better than none.
- ✓ Get future business from existing customers.
- ✓ Increase referrals – happy customers are likely to recommend you.
- ✓ If you're able to finance a project for them that another company is not – it's win/win.

## How much discount is too much?

This varies by business. Each company has its own margins, business goals, cost structure, etc. At Foundation Finance, our goal is to offer you as many approvals as we can. We approve customers with qualifying credit at 100% payouts, but we'll also offer discounted bids when we can.

We understand that not all dealers can accept large discounts, but because we work with many different dealers nationwide, each of whom has different profit margins, we'd rather give an approval than a denial and put the option in your hands. Figure out where your margins are and what you can afford to accept on each deal since those costs cannot be passed on to your customer.

If the discount is larger than what makes sense for your company, simply decline our offer and pursue an alternate payment method with your customer.





## Frequently Asked Questions

### Do all approvals have a risk discount?

No! Risk discounts are only applicable to Tier 3, 4 and 5 approvals. Tier 1 and 2 will always be at 100%. The only discount that would apply is if you select a promotional program that has a discount.

### Can I accept a down payment?

Yes. Any down payments will go directly from your customer to you. These funds won't be counted in the financed amount.



### On discounted bids, what determines the risk discount? How can I get the best approvals?

Foundation Finance looks at credit and application factors to determine what a customer's risk discount is. Getting joint credit applications whenever possible and accurately listing all income will help with getting better approvals.

### Can I pass along the discount to the customer?

No. You are not allowed to pass along the cost of any discount to the customer under any circumstance.



If you have any questions or would like to speak to one of our dealer service experts, don't hesitate to reach out to us!

### Dealer Services

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