LOANstar

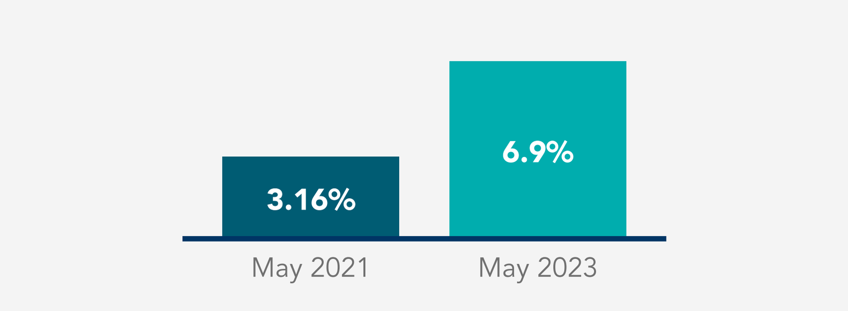
Home Sweet…
Home Improvement Loan

Today's current housing landscape has more Americans feeling at home in their current abode. For lenders, this has led to an uptick in renovations and housing projects that present compelling opportunities for capital financing.

Let's take a tour of this exciting opportunity segment.

A stable foundation for your loan portfolio

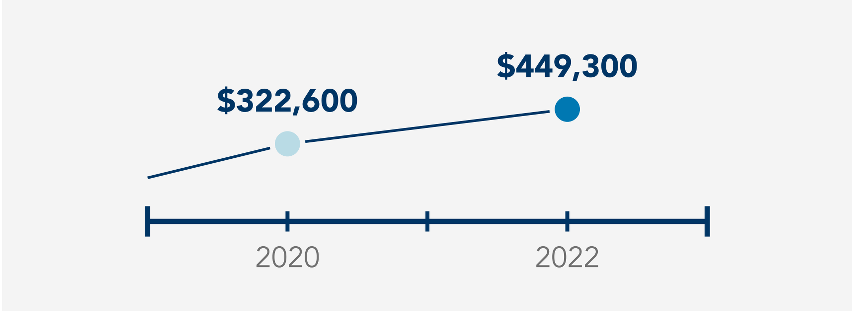
Market forces such as rising interest rates, high residential real estate prices, and low housing inventory, are driving many homeowners to choose home renovation rather than relocating.



Rising interest rates

As of May 2023, the average 30-year fixed-mortgage rate stood at 6.9%— **doubling since May of 2021 when the average rate was 3.16%.[1]**

With high mortgage rates lowering home affordability, homeowners are increasingly staying put and financing smaller, more affordable projects rather than moving.

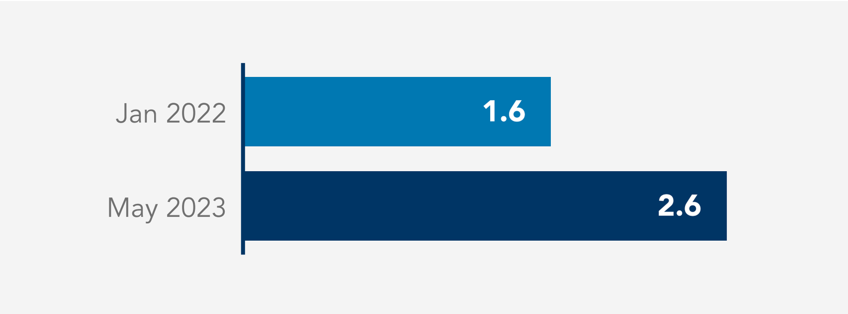


High residential real estate values

Over the past 10 years, real estate prices have been on a steady rise but skyrocketed during and after the pandemic.

The median cost of a house in the United States went from $322,600 in 2020 to $449,300 in 2022.[2]

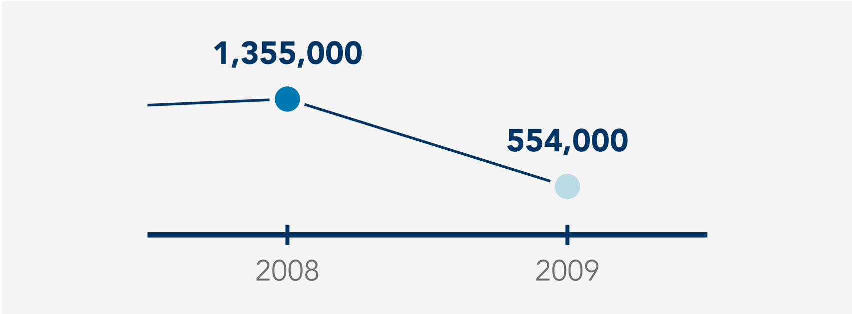
Rising costs in residential real estate continue to discourage potential buyers from moving—pushing many towards renovating their own home instead.



Low housing inventory

The housing inventory in the U.S. (measured in months of supply) hit a **historical low of 1.6 months in January 2022, and has since only risen to a 2.6 month supply in May 2023.[3]**

Due to the current low housing inventory, many homeowners who had previously planned to move are now opting to stay in their current homes and fulfill their home goals there.



Scarce new builds

Following the recession in 2008, the number of new builds in the US **dropped by over 50%—from 1,355,000 to 554,000 new starts.[4]**

The post-recession drop in new builds has greatly contributed to the current housing shortage today–a reality that has caused rising costs, pushing many potential buyers out of the running for a new home.

Did you know?

59% of U.S. homes were built before 1980.[5]

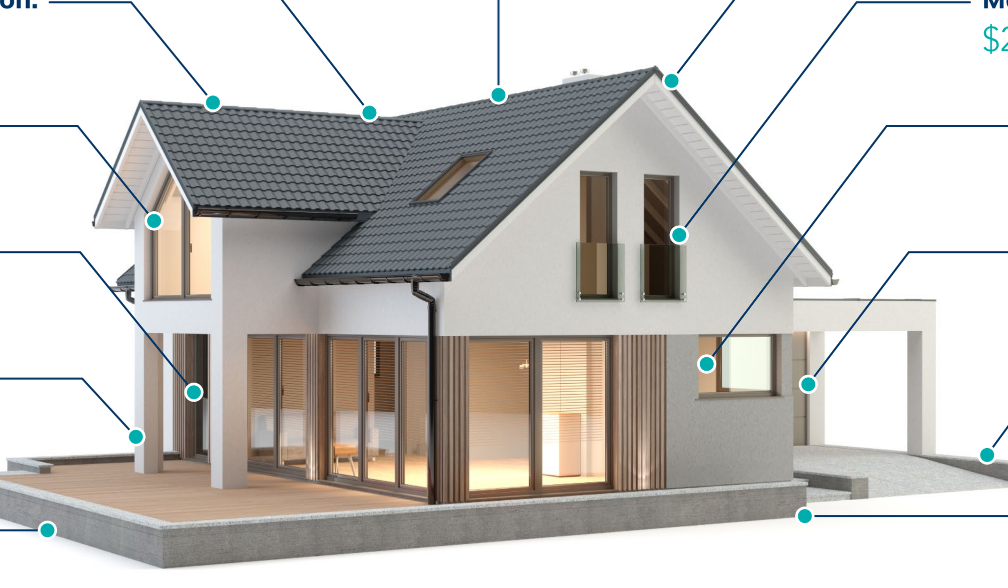
This suggests the demand in home improvements will remain stable in the years ahead.

America's homes are in need of repair. While the monumental growth seen in 2020 – 2022 has stabilized, home improvement will remain a stable and necessary segment of consumer spending—particularly for necessary improvements.

Furnishing the opportunities

One of the key benefits of adding home improvement loans to your portfolio is the diversity of loan types. Home projects vary widely in their size and duration and span the full range from essential to luxurious.

Homeowners spend an average $15,000 on a home improvement project.[6]



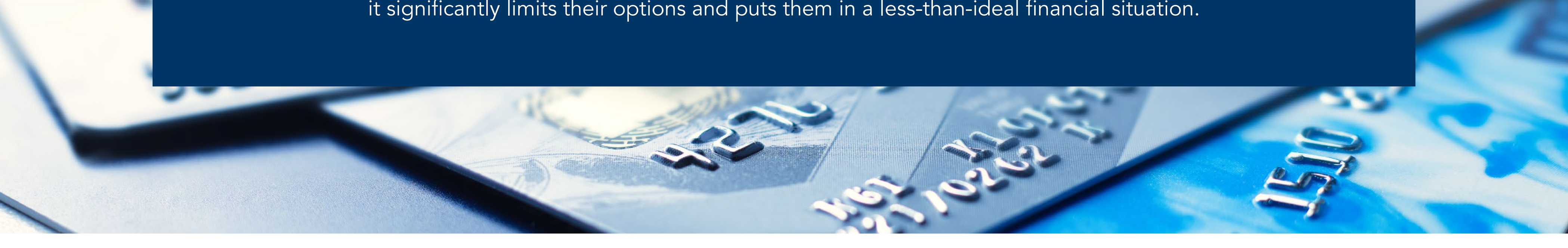
Lenders can tailor their home improvement focus based on the unique goals of their portfolio.

Did you know?

57% of homeowners pay for their projects with credit cards. Only 11% use conventional loans.[8]

This underscores the importance of consumer education around financial alternatives.

Unfair financing options have flooded the home improvement market, offering usury rates and harsh terms. In some cases, this prevents homeowners from pursuing improvements altogether. In other cases, it significantly limits their options and puts them in a less-than-ideal financial situation.



Painting the town green

One especially compelling segment of home improvement loans is zero carbon home improvements, which enable homeowners to build sustainable practices into their daily lives while also reducing costs associated with running their home. For lenders, funding these types of initiatives is considered green lending and may qualify for federal funding.

Examples of sustainable home improvements that can be covered through green lending include:

- **Geothermal Heating and Cooling**
- **Solar Panels for Energy**
- **Solar Water Heating**
- **Energy Star products that meet the "zero emission home" ratings**

Did you know?

The Greenhouse Gas Reduction fund was passed in February 2023.

It makes $20 billion available to financial institutions that support the adoption of green products. $8 billion of that total is earmarked for assistance in low-income and disadvantaged communities.[9]

Green lending initiatives may qualify for federal funding from the Greenhouse Gas Reduction fund passed in February 2023, which aims to accelerate and support the adoption of green products among consumers.

Making yourself at home in home improvement

Adding home improvement to your loan portfolio is easy with LoanStar's embedded lending platform. Fully branded and fully configurable to your financial institution's unique process, LoanStar supports connected lending experiences for consumers and sustained business growth for home improvement merchants.

For more information, contact us at **lenders@loanstartech.com.**

1. https://www.bankrate.com/real-estate/housing-market-predictions-2023/
2. https://fred.stlouisfed.org/series/MSPUS
3. https://www.houzeo.com/blog/pennsylvania-real-estate-market/#:~:text=Low%20Months%20of%20Supply%3A%20As,will%20remain%20stable%20for%20now.
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