

# Building a Stable Financing Foundation

Utilizing HELOCs to Improve Customer Service and Drive Business Growth

A combination of rising material costs, fluctuations in customer preferences, and heightened interest rates have placed added pressure on merchants. Rising rates have had an outside impact, making traditional unsecured or credit-based financing options less appealing to consumers. But there is good news for merchants. **With home equity at an all-time high, the HELOC (home equity line of credit) has emerged as a compelling financing option that has the power to increase average job size and improve close rate.**

**In this infographic, we delve into the use of HELOCs as a valuable tool for merchants looking to optimize their financing strategies, grow their business, and enhance the transaction experience for their customers.**

## What is a HELOC?

Home Equity Lines of Credit (HELOCs) are a loan category in which homeowners leverage the equity in their homes for a variety of uses. The home serves as collateral, often providing lower interest rates for the borrower and immediate access to funds. A main benefit of HELOCs lies in their revolving nature, meaning homeowners can utilize the funds when needed for various projects and purchases.

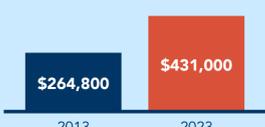
## Why are merchants moving to HELOCs for project financing?

The following factors are contributing to the HELOC's rise in popularity for financing, particularly in the home improvement segment.

### Increased real estate prices driving renovations

Housing prices in the US have seen tremendous growth. As a result, Americans are still opting to update their homes instead of move to a new location. HELOCs offer an attractive way to pay for these renovations.<sup>1</sup>

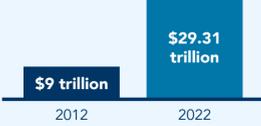
#### Housing Costs in the US



### Home equity growth increasing feasibility

As homeowners stray away from selling their homes and real estate prices continue to rise, home equity in the US has seen significant growth.<sup>2</sup> HELOCs are defined by the available equity in the home—presenting more opportunities the more equity is available.

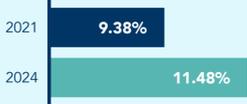
#### Home Equity in the US



### Rising rates have consumers looking for other options

Faced with the rise in personal loan rates over the past few years, consumers are increasingly searching for new financing options—HELOCs included—to find more favorable rates.<sup>3</sup> HELOCs often offer a more flexible borrowing avenue, while also allowing homeowners to leverage the equity in their homes with lower interest rates.

#### Average Personal Loan Growth



### Inflation normalizing demand

The home improvement rush induced by the pandemic has ended, normalizing demand across home improvement categories.<sup>4</sup> HELOCs can enhance the availability of funds for home improvement projects, encouraging customers to make improvement now rather than later.

#### Predicted Home Improvement Spending



### Rising cost factors increasing job size

Cost inputs in the home improvement market, including materials and labor, have increased average job size significantly and increased the probability a customer will seek some form of financing—including HELOCs.<sup>5</sup>

#### Material Cost Growth Since the Pandemic



## Considering offering HELOCs to your customers?

Use these helpful questions to determine whether HELOCs might be a good opportunity for you and your customers.

- 1 Are you a contractor whose projects typically total \$7,500 or more in value?
- 2 Do your customers inquire about financing options when making significant purchases?
- 3 Are you seeking a solution to address rising material costs and its impact on job size?
- 4 Have you experienced challenges in closing sales due to customer budget constraints?
- 5 Would integrating financing options directly into your transaction process benefit your business model?

## Answer yes to one or more of the questions?

Offering HELOCs has the potential to drive significant value for your business.

## Here's how HELOCs benefit merchants in the home improvement segment and beyond:



#### Increase customer loyalty and retention

HELOCs provide an ongoing line of credit, enabling merchants to foster long-term relationships with customers who continue to make purchases with the available credit.



#### Gain a competitive advantage

Providing HELOCs can give merchants a competitive advantage as they offer financing solutions that are superior to the credit-based or unsecured alternatives offered by competitors.



#### Increase sales volume and job size

HELOCs open the door for customers to purchase larger projects or offerings, increasing sales volume and the likelihood customers will opt for desired upgrades or additions.



#### Benefit from strategic partnerships

Collaborating with financial institutions to offer HELOCs can be mutually beneficial, with merchants gaining access to financial expertise and institutions diversifying their loan portfolio.

## Building your HELOC offering with LoanStar

At LoanStar, we are dedicated to fostering mutually beneficial connections among lenders, merchants, and customers. The HELOC segment is differentiated by its ability to simultaneously drive positive outcomes for all stakeholders in the loan value chain. Through the MerchantLinQ platform, we connect our merchants with local lenders to quickly add HELOCs to their financing options. Easy to deploy and utilize from both the customer and merchant perspective, MerchantLinQ is your answer to enhanced customer service and continued business growth.

**Grow your business with LoanStar.**

Contact us at [merchantsales@loanstartech.com](mailto:merchantsales@loanstartech.com) to learn more today.

1. <https://fred.stlouisfed.org/series/MSPUS>  
 2. <https://www.statista.com/statistics/375865/value-of-homeowner-equity-usa/>  
 3. <https://www.marketwatch.com/guides/personal-loans/personal-loan-statistics/>  
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 5. <https://www.nahb.org/blog/2022/04/building-materials-prices-start-2022-with-8-percent-increase>