

Heating Up Your Lending Portfolio

Power up reliability and dial down risk with heating and cooling loans.

Market price increases and constrained buying power have consumers looking for fair financing options, particularly for essential repairs and purchases. One such category is heating and cooling.

By offering tailored HVAC financing options, financial institutions can optimize risk through secured and unsecured options while establishing strong, mutually beneficial relationships with local contractors through embedded financing options.

Let's explore the potential of HVAC lending...

Ventilating the opportunity

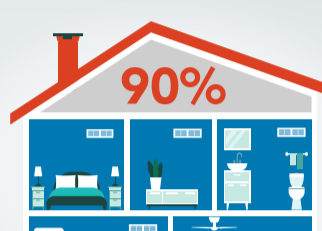
Characterized by increasing prices and ever-growing demand, HVAC loans offer lenders a wide range of project costs, reduced default risk, and diverse customer segments.

The need:

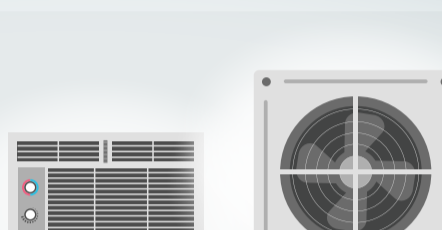
Each year in the US, about three million heating and cooling systems are replaced, with approximately **\$14 billion** spent on HVAC services or repairs.¹



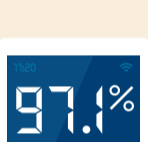
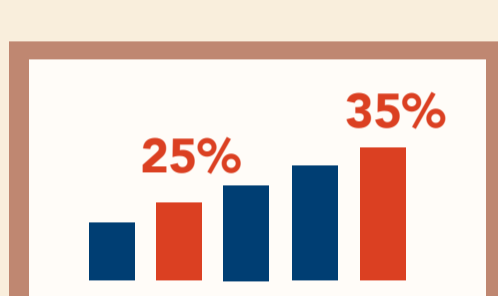
In 2020, nearly **90%** of US households used air conditioning—with central AC or central heat pumps utilized as the main equipment for two-thirds of households.²



The average cost of installing a new HVAC system is around \$7,500 but **ranges from \$5,000 to \$12,500**.³



The opportunity:



In 2022, **97.1%** of new single-family homes constructed had central AC systems installed, showcasing a consistent rise in the adoption of central AC.⁵

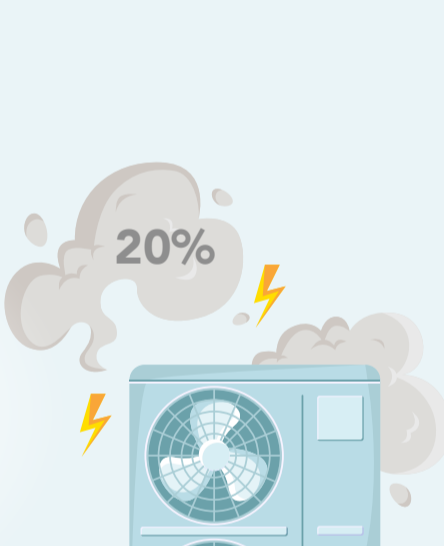
The average financed amount for HVAC purchases has increased by **25%-35%** depending on the region, indicating a growing reliance on lending options.¹



National statistics indicate that **around 80%** of HVAC projects are financed, showcasing a significant reliance on lending options by consumers.⁴

Environmental factors & green incentives

Approximately **20%** of American homes have inefficient HVAC systems that cost homeowners an extra \$882 annually.⁶



These inefficient HVACs account for **45%** of all cooling consumption nationwide.⁷

Federal and state initiatives, such as the **Inflation Reduction Act of 2022**, provide monetary incentives for lenders to support green home upgrades, including those with eco-friendly HVAC systems.⁷



Here's why lenders are adding HVACs to their lending portfolio.



Market demand

HVACs are an integral part of modern living, with homeowners and businesses relying on these systems to maintain comfort and productivity. With recurring demand and seasonal fluctuations, HVAC financing provides a predictable stream of loans for financial institutions.

Green initiatives

By powering financing for eco-friendly HVAC upgrades, banks and credit unions can qualify for state and federal monetary incentives. Research your state's green initiatives to learn how you can gain access to incentive funds and drive sustainable practices in your area.

Merchant partnerships

By establishing partnerships with reputable HVAC contractors, lenders can meet new customers and provide a seamless borrowing experience to homeowners in their local community. Both merchants and consumers have the potential to become loyal depositors and multi-product customers for financial institutions over time.

Activate your HVAC loan opportunities with embedded lending.

Unlock the full potential of the heating and cooling segment with LoanStar's MerchantLinQ platform, a turnkey embedded lending technology that benefits lenders, merchants, and end customers alike. MerchantLinQ is configurable to your institution's branding and supports various loan types to empower your institution to meet the diverse HVAC financing needs of your community.

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



1. <https://epsc.energy.gov/tech-solutions/hvac>
 2. <https://www.eia.gov/hoday/energy/detail.php?id=52558>
 3. <https://www.bankrate.com/homeownership/hvac-installation-cost/>
 4. <https://contractorplus.app/financing-for-hvac-contractors/>
 5. <https://eyeonhousing.org/2023/10/hvac-in-new-construction-in-2022/>
 6. <https://electrek.co/2020/10/01/20-percent-us-homes-use-45-percent-cooling-consumption-sense/>
 7. <https://stateline.org/2023/01/09/green-banks-poised-for-billions-in-climate-funds-draw-states-attention/>