Todd Nelson

Providing More Options Will Help Close the Sale

Today's buyers bring with them more than just interest in a specific property when approaching the sales table. They also bring concerns—lots of them.

Concerns about tapping their diminishing home equity to gain access to cash, unnecessarily spending too much of their hard-earned money, or getting involved with another long and arduous loan process. The ability of timeshare developers to remain viable in these adverse economic conditions may well depend on their ability to alleviate these decision factors at the point of sale.

Let's face it. The mindset of the buyer has changed and when that happens, it's imperative that the mindset of the seller change, too. The time has come for developers to start viewing on-line consumer lenders as partners that can at times be the difference between a done deal and another "almost".

A Different Loan Experience

To understand how on-line consumer lenders can benefit your development, it's important first to understand how they benefit your customers. Many potential buyers are turned off by getting mired in the traditional loan process. Past experiences lead them to expect vast amounts of paperwork, days of waiting, and liens against their assets. Often, this is enough to deter any buyer from even beginning the process.

On-line lenders, however, can provide a different experience, one that benefits your buyers by eliminating many of the hassles typically associated with securing a loan. With FirstAgain, for example, borrowers with excellent credit complete and submit their loan applications online. Applications are reviewed by underwriters, and a credit decision often is made within minutes. Once approved, customers can set their loan up for funding and funds can be deposited into their bank accounts within that same day. Because each step is done via the Internet and the loans are entirely unsecured, not a single piece of paper is needed.

"It's about convenience," said Gregg Amonette, senior vice president of business development for Ultimate Resort, a luxury destination club. "Buyers are really busy people. They don't want to get involved with a long process that's going to give them more work. They're buying to get away from work in the first place."

When "Cash Buyers" Aren't Really Cash Buyers

Many people typically identified by developers as "cash buyers" are not really in the truest sense. That is, they have not simply opened their checkbooks to dole out the funds necessary for a timeshare purchase. Instead, they have tapped into their home equity, liquidated investments, or drained retirement savings to access the cash.

The decline in the housing market is well-documented. The availability of home equity loans is shrinking as lending standards tighten and home values decline. Published reports of homeowners whose lines of credit have been frozen are surfacing everyday. With the economy slowing, major stock market indexes also are down considerably, meaning would-be cash buyers may be far less willing to liquidate assets to secure the cash needed for timeshare purchases.

This trend cannot be ignored. Major sources of funding have been eliminated, and the number of buyers who bring cash to the table is dwindling dramatically. Developers need to respond to this challenge by being aware of alternatives that can put cash into customers' bank accounts and make purchases possible. The traditional timeshare loan, with its double-digit interest rate, probably won't suffice as that alternative—not when interest rates on home equity loans historically have been significantly lower.

Creating Cash Buyers

This is precisely where an on-line lender offering a lower interest rate and faster turnaround can be useful. Borrowers can use these direct-to-consumer loans to quickly secure the cash needed for their timeshare purchase. For you as the seller, that means a buyer who might otherwise have walked out the door now pays cash on the spot.

"As a smaller entrepreneur, if I can get cash every time, I'm a happy guy," said Jay Finley, president of Sales Consultants International. "It's a tool that works to everyone's advantage. It gets me the cash deal, and it brings something good to the client."

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More Options: More Opportunities

Both developers and buyers used to be limited in the options available to finance timeshare purchases. With no relevant source of outside financing available to their buyers, many developers created one-size-fits-all timeshare loans. Buyers with great credit and those with average credit were offered the same loans at the same interest rates. Today, however, more lending options exist, and developers can use them to better service customers with top-tier credit.

According to a recent ARDA PricewaterhouseCoopers study, the average interest rate on a timeshare loan is 14.1%. While suitable for many buyers, that interest rate may not appeal to buyers with excellent credit. It bears repeating that given the current state of the housing and stock markets, even buyers with excellent credit cannot be expected necessarily to pay cash for their timeshares. Some are going to need financing. Developers will benefit from partnering with lenders that offer loan options featuring attractive interest rates that are more suitable for customers with excellent credit.

Buyers May Stay In-House Anyway

Remember, not all buyers will find that an outside lender is right for them. FirstAgain's timeshare loans, for example, feature interest rates as low as 7.49% but are tailored exclusively for borrowers with excellent credit. Many buyers then, especially those who do not fit this category, will find that in-house finance programs remain their most viable option. But as developers, you'll have the ability to service top-tier buyers with alternative options that could very well be the final piece of the sales puzzle.

Win the Sale

Remember, the average buyer attends three sales presentations before making a purchasing decision. The difference is in the service. Win the sale by being the developer willing to discuss different loan options. Win it by providing a viable alternative to home equity. Win it by understanding that buyer financing is first and foremost about creating a better customer experience. D

Todd Nelson is head of business development for FirstAgain. His e-mail is ***todd.nelson@firstagain.com.***