

How To Select Loan Provider

20 Essential Questions for Contractors to Ask Before Selecting a Lending Partner

- 1) Is the provider an FDIC-insured bank?

EnerBank
EnerBank USA® is an FDIC-insured bank. Our strategic business partners and contractor clients rely on us to fund their customers’ loans and help them achieve their sales goals today and in the future.

Other Providers
Some providers are non-bank consumer finance companies. Will your customers feel comfortable dealing with a finance company that is not subject to FDIC audits?
- 2) Who owns the provider?

EnerBank
EnerBank is owned by CMS Energy Corporation (NYSE: CMS).

Other Providers
Will the provider share its stockholder list? Can you determine the competence, character and financial stability of the stockholder(s)?
- 3) How well capitalized is the provider?

EnerBank
EnerBank is “well capitalized” by FDIC standards and its financial statements are publicly available on the FDIC website.

Other Providers
Will you have access to the provider’s complete financial statements so that you can determine if they are profitable and well capitalized?
- 4) Does the provider have sufficient capital to fund your loans on its balance sheet?

EnerBank
EnerBank funds all its loans on its balance sheet and has ready access to sufficient capital.

Other Providers
Some providers do not have the capital to fund loans on their balance sheet. Instead, they originate and sell to third parties, a weak business model which routinely fails during a disruption in the secondary funding markets. How long would it take for these providers to raise additional capital?
- 5) What is the provider’s primary line of business? What percentage is home improvement lending?

EnerBank
EnerBank’s only line of business is unsecured home improvement lending to consumers.

Other Providers
For most providers, unsecured home improvement credit is a sideline and represents only a small percentage of their overall business.
- 6) With what priority will you be treated by senior management at your provider?

EnerBank
EnerBank’s senior management team routinely visits contractors. Our President & CEO is a frequent participant in these meetings.

Other Providers
Have you met the top executives at your provider?
- 7) Will the provider cross sell other products or services to your customers?

EnerBank
EnerBank does not.

Other Providers
Some providers aggressively attempt to sell other products and services directly to your customers.
- 8) How transparent is the provider’s pricing?

EnerBank
EnerBank offers consistent, competitive pricing that is clear and easy to understand. There are no additional or hidden fees that complicate pricing.

Other Providers
Some providers offer their best pricing only during seasonal promotion periods. You should also check to make sure there are no hidden transaction or merchant fees.
- 9) Does the provider have a comprehensive selection of payment options?

EnerBank
EnerBank is a leader in the development of comprehensive payment options that are developed in response to the market and client feedback.

Other Providers
Some providers are limited on the payment options they can offer.
- 10) What is the provider’s customer complaint rate? How does the provider handle customer complaints?

EnerBank
EnerBank has an exceptionally low level of customer complaints. Complaint resolution is conducted collaboratively among the bank, contractor, and the customer. The Bank’s Customer Relations team facilitates complaint resolution.

Other Providers
Be sure to ask for the provider’s specific complaint ratio, and what exactly happens when a customer lodges a complaint. Some providers are required to debit the contractor’s merchant account for the amount of the disputed transaction until the customer’s complaint has been resolved or determined invalid.
- 11) What is the provider’s Better Business Bureau Rating?

EnerBank
EnerBank’s BBB rating is A+.

Other Providers
Be sure to take a look.
- 12) What quantity and frequency of information does the provider offer?

EnerBank
EnerBank’s PartnerPortal provides real-time reporting for our partners. PartnerPortal provides insight into their performance and provides tracking for each project.

Other Providers
Some providers offer only periodic static reports of summary level program activity. Others offer no reporting at all.
- 13) Does the provider offer a choice of phone and internet application processes?

EnerBank
EnerBank offers multiple paperless application methods, including Mobile Loan App, Online Application, Loan-By-Phone, and API Integration.

Other Providers
Some providers are still stuck in the world of paper applications.
- 14) Does the provider allow integrations with your website?

EnerBank
EnerBank allows custom buttons with your unique code. We will customize buttons to match your site.

Other Providers
Some providers don’t offer site integrations.
- 15) Does the provider require an exclusive relationship?

EnerBank
EnerBank does not.

Other Providers
Some providers will not permit your company to use another lender.
- 16) Credit Commitment—for how long is the provider’s credit approval valid?

EnerBank
EnerBank’s credit commitment and terms and conditions to the borrower are valid for 120 days and borrowers may reapply for subsequent 120- day periods, if desired.

Other Providers
Most providers offer a conditional approval that they can withdraw at any time. During the recession, many providers cancelled their outstanding approvals. This is particularly risky when dealing with a provider who originates and sells.
- 17) What is the provider’s application approval rate?

EnerBank
EnerBank is able to approve 4 out 5 loan applicants.

Other Providers
Some providers state an approval rate that applies only to applications that have been pre-screened.
- 18) Does the provider change the interest rate offered to the customer at time of approval?

EnerBank
EnerBank guarantees the interest rate for the term of the loan if the loan is closed before the approval expiration date (120 days). Customers may reapply for additional 120-day credit and rate approvals, if needed. We do not impose a higher rate in the event of a payment default or for any other reason.

Other Providers
Some providers increase the borrower’s interest rate at their discretion or increase the interest rate if a payment is made late or under other conditions.
- 19) How did the provider fare during the recession?

EnerBank
EnerBank is committed to be your partner for the long term. We have continued to grow through both good and bad cycles in the economy. We have also continued to fund all our loans on our balance sheet.

Other Providers
During the recession, some of today’s providers were not even on the scene. Others cancelled their unfunded credit approvals, significantly tightened their approval criteria (thereby significantly decreasing their approval rates) and reduced their workforce. Some exited the home improvement lending sector entirely.
- 20) Does the provider require recourse on defaulted loans?

EnerBank
EnerBank never requires recourse for credit defaults.

Other Providers
Some providers require that contractors provide recourse for first payment and other credit defaults.