

PERFORMANCEMATTERS

Is Merchant Lending Right for You?

By Mike Dorsett, President of Portfolio Performance LLC

If your new member/customer growth has stalled, perhaps it's time to consider merchant lending (point-of-sale financing). These indirect loans can drive in new borrowers for anything from ATVs to home improvement projects. Terms typically range from 24 – 120 months and risk-based pricing rates can be very attractive, delivering ROAA's in excess of 3%. Loan origination systems are web-based, or for those with budget restrictions, your online application will do just fine.

Selecting quality merchants is critical! Regardless where you do business, there will be a market for this product. Same-as-cash financing terms can be crafted with the merchant to generate some of the highest loan yields for your institution (yes, you read this correctly). Relationships with merchants may also lead to commercial loan needs, checking and savings relationships and more.

If you're ready to attract new members/customers and profitably grow your loan portfolio with borrowers who have additional needs for your products and services, call us today. We have a turnkey solution and years of experience with this product to assist you in qualifying merchants, loan pricing, underwriting tips, back office operations, and onboarding your new borrower, while navigating around any potential challenges.

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