CONTRACTOR'S HANDBOOK

Hearth

Everything you need to know about personal loans through Hearth

How personal loans found through Hearth can help you and your clients

Contents

Introduction

Picture this situation: a client calls you because their roof is leaking. When you get to the site, you see that there is already standing water in the rooms below -- and more is on its way.

Your client's insurance won't cover the costs, and they don't have enough cash on hand to pay for the repairs themselves. But they can't afford to wait any longer.

You want to help the client -- but you also want to guarantee that you'll be paid for your services.

What can you do? **You can offer your client a personal loan.**

In this handbook, you'll learn everything that you need to know about personal loans and how those found through Hearth can help you and your clients -- leaky roofs and all!

What is a personal loan?

Personal loans are one of the different financing options available for clients looking to spread out the cost of their project.

With a personal loan, clients receive the funding upfront and pay it back in monthly payments over a set period of time (known as the loan term). Throughout the loan term, the monthly payment amount won't change.

But there are more benefits to a personal loan than just fixed payments.

What benefits do clients see?

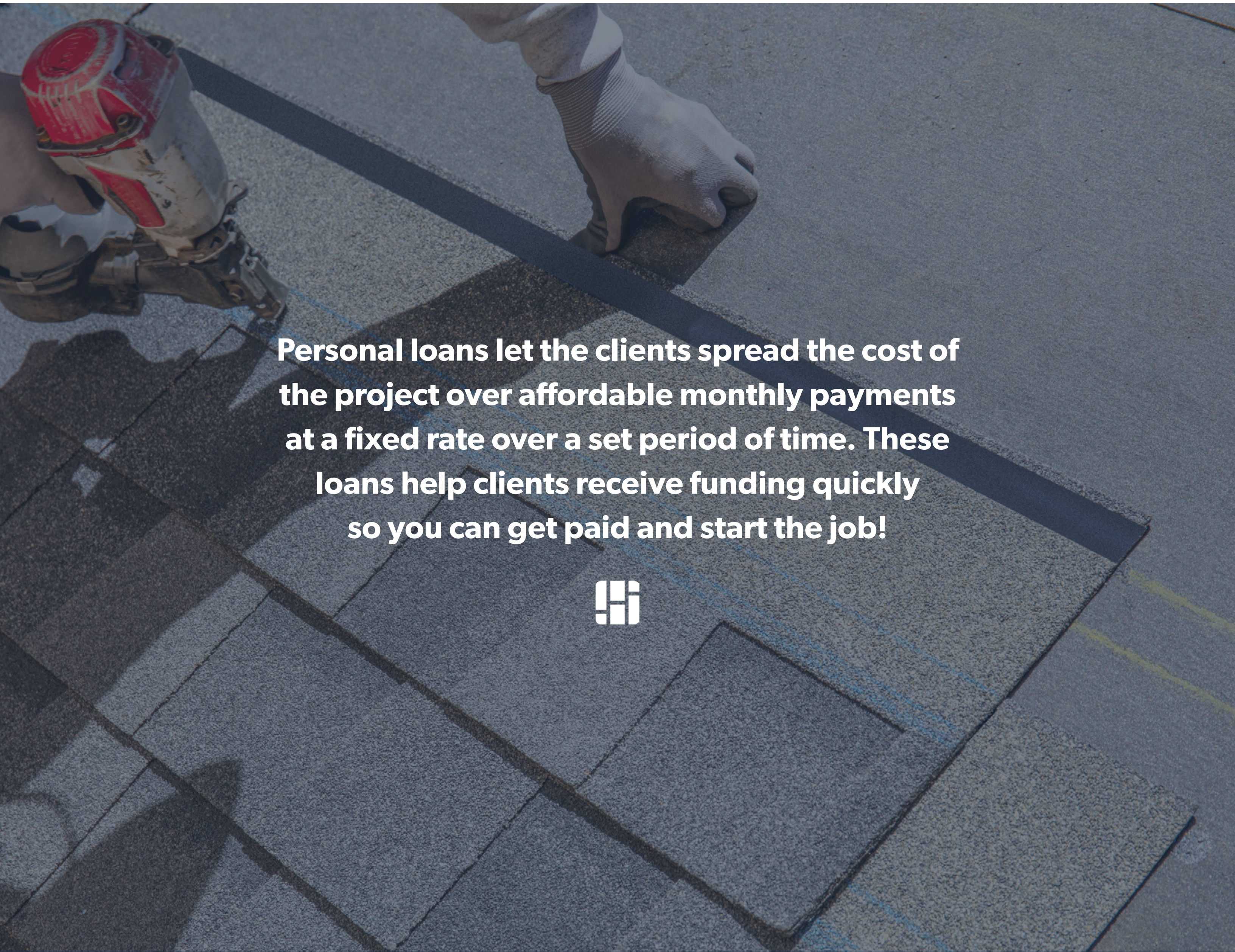
Your clients will see four main benefits if they find a personal loan through Hearth:

- **Budget responsibility.** The monthly payment amount and rates that clients see when they apply for the loan are the ones that they'll get throughout the loan term. Even if the market's interest rates rise, clients won't see any changes to their payments.
- **Start the project soon.** Clients can receive funding within 1-3 days.
- **Avoid prepayment penalties.** Clients can pay off their loan as quickly as they want without paying an extra cent.
- **Check eligibility without consequence.** Checking eligibility through Hearth means that clients can prequalify, see their financing options, and pick their favorite one without any effect on their credit score.
- **Protect home equity.** Clients who apply for an unsecured personal loan don't have to put up home equity as collateral in order to receive the funds.

What benefits do contractors like you see?

Here are the three benefits that you as a contractor will see if you find your clients a personal loan through Hearth:

- **Keep all your profits.** With Hearth's Profit Protection Financing options, you don't have to worry about paying thousands of dollars in dealer fees. Instead, you can keep every cent that you earn.
- **No liability for your business.** You aren't liable if the loan isn't paid back in time or in full. Any conversations about the loan are between the lending partner and the client who receives it.
- **Get the job started now.** You don't have to sit around wondering when the project will start. As soon as your client receives the funds, you can start the project and get paid as if they had cash in hand.



Personal loans let the clients spread the cost of the project over affordable monthly payments at a fixed rate over a set period of time. These loans help clients receive funding quickly so you can get paid and start the job!

What do I need to know about the APRs my clients will see?

APRs (Annual Percentage Rates) refer to the yearly cost of getting a loan, including the clients' interest and the individual lending partner's origination fee (if it charges one). APRs depend on three factors: the type of financing you offer, whether the personal loan is secured or unsecured, and your client's financial profile.

Type of financing

There are three types of financing options available to contractors: Institutional, Buy-Down, and Profit Protection. You'll probably work mainly with Buy-Down Financing or Profit Protection Financing. (If your client wants to use Institutional Financing, they'll probably go directly to their financial institution.)

If you offer **Buy-Down Financing** through companies such as GreenSky or Service Finance, you are buying down your clients' rates through dealer fees. Your client may see lower rates than they would've otherwise seen with a personal loan, but you'll see less money in your pocket because you're covering some of the loan costs.

Because Hearth offers **Profit Protection Financing**, the rates may not be as competitive as they are with Buy-Down Financing. But, both you and your client will see benefits from this type of financing. Since you don't have to pay any dealer fees, you can keep every dime that you earn. You also allow your client to prequalify, see their options, and start their loan application all within minutes and without any effect to their credit score.

Secured vs. unsecured loans

Because Hearth's lending partners offer unsecured loans, there isn't any home equity requirement. Rather than putting up their home equity as collateral, clients will see higher rates that cover the risk to the lending partner if the loan isn't paid back.

Your client's financial profile

Lending partners also determine rates based on your client's specific financial profile. Here are the main four factors they consider:

- Your client's creditworthiness
- Your client's income and employment status
- Your client's debt-to-income ratio
- The lending partners' individual needs

Your client's creditworthiness:

Unsecured personal loans, like those found through Hearth, have higher rates than loans secured by home equity. Because Hearth's lending partners can't foreclose your client's home, they need another type of assurance to ensure that your client will pay back the loan on time and in full. That assurance is your client's FICO score.

Your client's FICO score is a representation of their creditworthiness. Lending partners use this number, which is between 300 (a poor credit score) and 850 (an excellent credit score), both to predict the client's ability to pay back a loan and to decide what rates to offer.

When lending partners see higher credit scores, they know that the client isn't going to be a risky investment. The lending partner will offer lower rates because they see that the client, based on their credit history, will probably pay back the loan without a hitch.

To minimize their own risk, many lending partners don't even offer loan options to clients with a below-premium credit score (lower than 640). Some lending partners, such as those who have partnered with Hearth, serve clients along the credit spectrum, but clients with lower FICO scores tend to see higher rates to account for any risk of default.

Remember, though: a high FICO score is not an automatic guarantee that your client *will* get a loan offer or favorable loan terms and a low FICO score is not an automatic guarantee that your client *won't* get a loan offer or favorable loan terms.

> **Tip:** Hearth's network of lending partners works with a range of FICO scores, including those as low as 500!

Your client's income and employment status:

Lending partners ask your clients about their income and employment status. A client's income shows whether or not they make enough money to meet their monthly payment amounts and a steady job increases the odds that they'll be able to pay every month.

Your client's debt-to-income ratio:

Your client's debt-to-income ratio is the sum of their monthly payments divided by their monthly income. A ratio of around 40% is usually the highest any lending partner will consider. Clients with low ratios tend to get lower rates because they've shown that they make payments on time and don't carry a lot of debt.

Individual lenders' needs:

APRs change across lending partners for two reasons:

- **Different underwriting models:** Lending partners take these three factors and use them to decide whether to approve a client for a loan. Every lending partner has a different way of weighing each factor.
- **Credit score specialization:** Some lending partners serve borrowers with good credit scores while others focus on clients with credit that isn't as strong.

> **Tip:** Rather than spend hours researching which lending partner best suits your client's unique financial situation, use Hearth's loan-matching technology to find options from 13 different lending partners automatically. A process that could take hours of researching now takes only 60-90 seconds and doesn't affect your client's credit score! Getting rates from several lending partners means your client will find a partner who best suits their needs – at the lowest cost.

Lending partners each have different criteria when deciding to extend a loan to clients. A client's financial profile, the lending partner's individual model and specialization, and the type of financing that you offer can all affect the rates that your client sees.

What rates can my client expect to see?

If you offer Profit Protection Financing through Hearth, your clients can expect to see the following rates. Note that the majority of clients will see options with APRs in the ranges listed below, and some may receive options with lower or higher APRs. Exact rates depend on the factors that we reviewed in the prior section.

Rate Plan	**Pre-qualification rate***	**Est. APR Range****	**Loan amount**	**Loan term*****	**Lending partners**
Excellent Credit Plan: **700 - 850 FICO**	90%	5.34% - 16.30%	$1,000 - $100,000	1 - 10 years	13
Good Credit Plan: **640 - 700 FICO**	70%	13.00% - 26.87%	$1,000 - $100,000	1 - 7 years	11
Building Credit Plan: **Below 640 FICO**	39%	19.95% - 30.61%	$1,000 - $50,000	1 - 5 years	5

It's important to remember the tradeoff between your company's margins and your client's rates. Because Hearth offers Profit Protection Financing, your clients may see higher rates than they would if you offered Buy-Down Financing and bought down their rates.

---

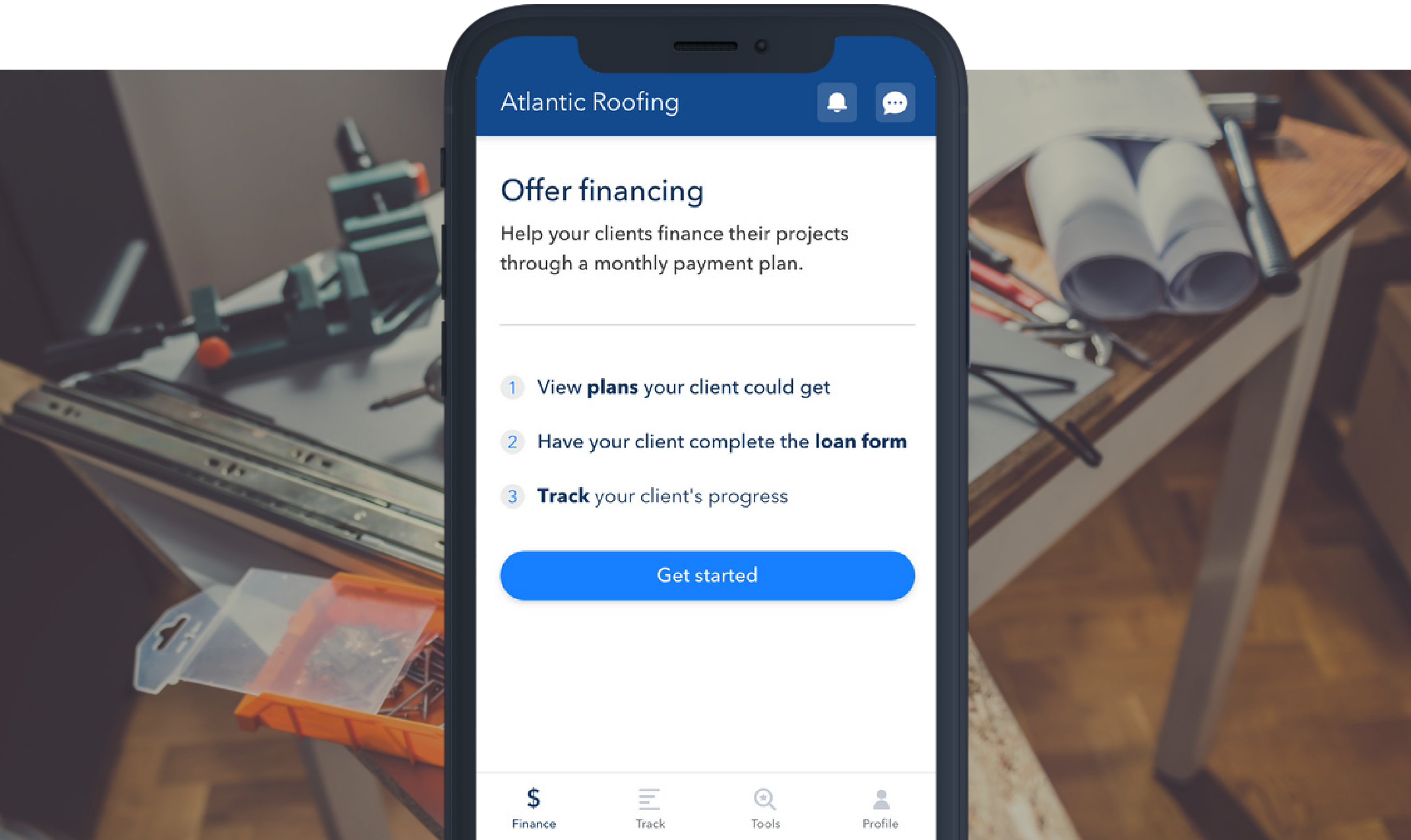
*For each self-reported credit score range, pre-qualification rate is calculated by dividing the number of pre-qualified Hearth users by the total number of users who submitted a loan request.
**For pre-qualified Hearth users with this credit score range, our lending partners returned loan options with this range of minimum APRs for the 65% of pre-qualified users with minimum APRs between the 10th and 75th percentiles.
***For example, a loan in the amount of $10,000 for a term of 5 years with an APR of 6.00% would be repaid over 60 monthly payments in the amount of $193.33.

How can I help my clients find a personal loan?

If a personal loan is the right fit for your clients, Hearth can help you offer options and close the deal. The process is simple and straightforward -- perfect for contractors and clients who want a no-frills financing option.

1. **Prequalification:** Your client can pre-qualify through Hearth and see their options within 60-90 seconds. This process doesn't affect their credit score.
2. **Application:** Once the client has found their favorite loan option, they'll be taken directly to the lending partner's webpage. The lending partner will perform a hard credit pull and may ask for additional income or employment verification documents, such as a W-2 or paystub, for final approval. (The exact requirements and turnaround time depend on both the lending partner and your client's employment status.)
3. **Funding:** If your client is approved, they'll typically receive the funds in their account within 1-3 days

> **Tip:** All of Hearth's Pro and Elite Plan members will receive customer tracking with their subscription. You'll be able to see where your client is in the funding cycle and when they receive the loan amount. That way, you know when to send the invoice and prepare for the beginning of the project.



Conclusion

Personal loans are a fast, hassle-free source of funding that benefit both you and your clients.

Think back to that client with the leaking roof. Waiting to save cash is a luxury they can't afford -- a personal loan is a quick way to get them the funds that they need.

Hearth helps make it easy for your clients to find personal loan options. Your clients won't have to worry about putting up their home as collateral or about running into any bureaucratic delays while they're finding and applying for a loan option. Once they receive the loan amount, they can pay you as if they had cash in hand and start fixing their issue right away.

With Hearth in hand and this handbook as your guide, you won't have to choose between helping a client in need and wondering whether or not you'll get paid for your work. Now that you know when and why to offer personal loans to your clients, you can focus on what's important -- your new project!

Hearth

*For each self-reported credit score range, pre-qualification rate is calculated by dividing the number of pre-qualified Hearth users by the total number of users who submitted a loan request.

**For pre-qualified Hearth users with this credit score range, our lending partners returned loan options with this range of minimum APRs for the 65% of pre-qualified users with minimum APRs between the 10th and 75th percentiles.

***For example, a loan in the amount of $10,000 for a term of 5 years with an APR of 6.00% would be repaid over 60 monthly payments in the amount of $193.33.

Hearth is a technology company, which is licensed as a broker as may be required by state law. Hearth does not accept applications for credit, does not make loans, and does not make credit decisions. Hearth works with various lending partners to show customers available financing options; all loans subject to credit approval. Hearth is available nationwide, other than in Maryland, Nevada, North Dakota and Vermont.

All loan information is presented without warranty, and estimated APR and other terms are not binding. Hearth's lending partners generally present a range of APRs (for instance, from 5% to 35.99%) with a range of terms and monthly payments. As an example, a $10,000 loan with an APR of 14.50% and a term of 36 months would have a monthly payment of $344.21. Actual APRs will depend on factors like credit score, requested loan amount, loan term, and credit history. Only borrowers with excellent credit will qualify for the lowest APRs. All loans are subject to credit review and approval.