The complete guide to lease-to-own financing

Why helping underserved customers is key to incremental growth

snap leasing

Close more sales with lease-to-own financing

When money is tight and credit scores are low, it's difficult for your customers to get what they need. Among consumers with credit challenges, 76% have been turned down for financing.[1] Maybe they haven't established credit yet, or perhaps their low scores are due to missed payments, recent charge-offs, or high debt-to-income ratios. Whatever the reason, low credit scores keep many people from getting what they need.

You may be missing out on revenue from a significant customer segment. Offering lease-to-own financing can help your business reach underserved customers, close more sales, and impact bottom-line results.

Highlights

1. **Rethinking the business opportunity for customers with less-than-ideal credit**
2. **Identifying options to pay over time**
3. **Recognizing the value of lease-to-own financing**
4. **Finding the right lease-to-own partner for your business**

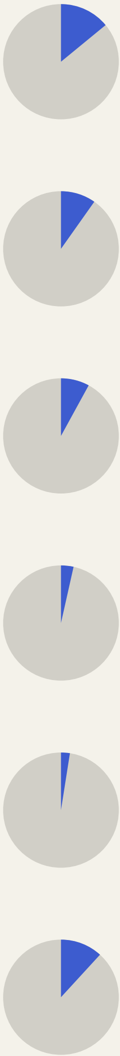
1

Rethinking the business opportunity for customers with less-than-ideal credit

Many consumers are just one crisis away from financial distress, often living paycheck to paycheck with little in savings to cover an unexpected expense. So when life happens – the tires are shot or the washer breaks – how do they get what they need?

37% of U.S. consumers couldn't cover an unplanned $400 expense with cash or its equivalent[2]

How consumers cover an unexpected expense without cash



16% Put it on a credit card and pay it off over time

10% Borrow from a friend or family member

7% Sell something

3% Use money from a bank loan or line of credit

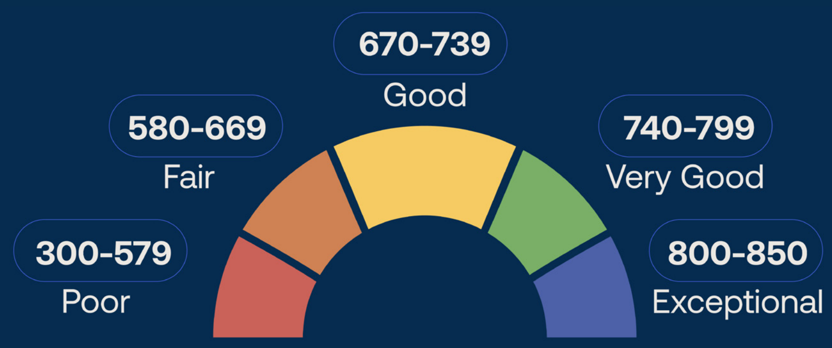
2% Use a payday loan, deposit advance, or overdraft

13% Would not be able to pay for the expense right now

Source: U.S. Federal Reserve, 2024.[2]

snap leasing

FICO score ranges



Source: FICO, 2022[6]

35% of consumers have a FICO® score below 670[9]

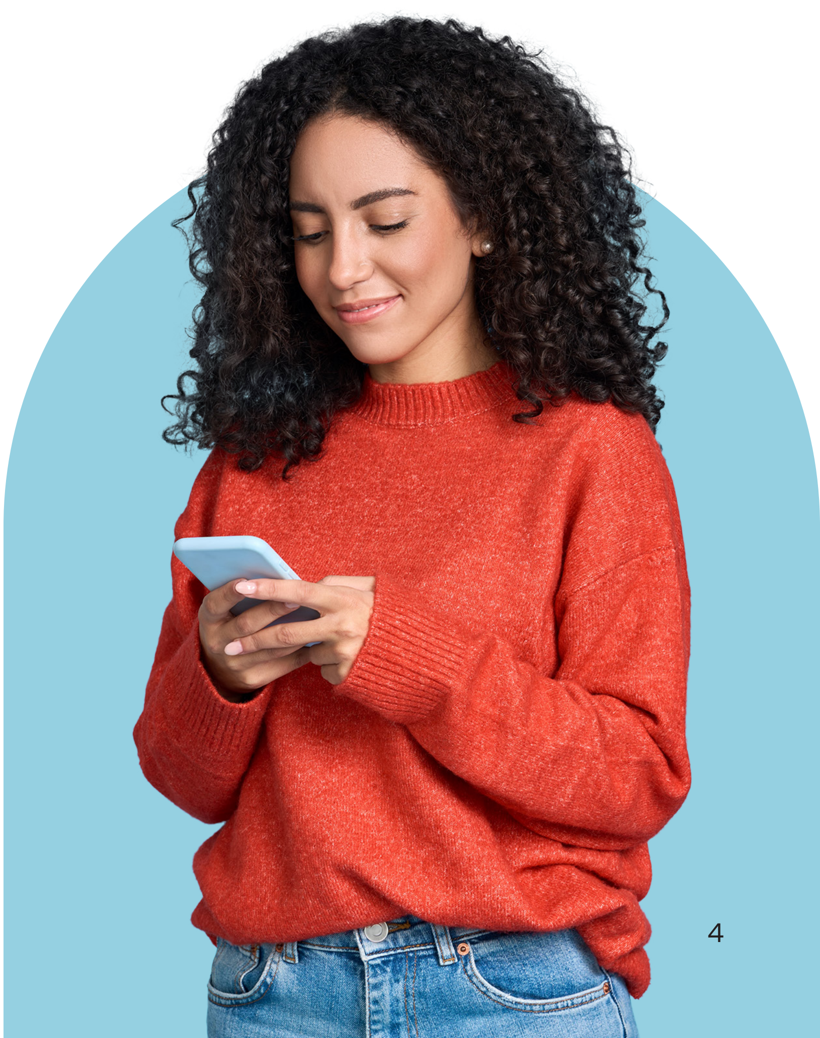
Lenders, banks, insurers, and others often use a consumer's FICO® score to determine creditworthiness. FICO scores range from 300 to 850,[3] and the average FICO score is 717.[4] And while the threshold for accessing traditional financing can vary from one lender or financial institution to the next, a subprime score is generally below 670, or in the poor to fair score range.[5]

How many people have low credit or no credit?

Among U.S. consumers, 96 million are unable to secure credit at mainstream rates, which breaks down to:

- **47 million Americans who have subprime credit[7]**
- **28 million who are credit invisible with no documented credit history[8]**
- **21 million who are unscorable with a thin or insufficient credit history[8]**

These consumers may not have access to traditional credit, but they still may need the products you sell. Offering lease-to-own financing can be the answer for many of your customers, generating more sales for your business.



2

Identifying options to pay over time

For consumers with challenging credit histories, qualifying for traditional financing is difficult. Due to increased demand, the rise of financial technology, and innovation in the market, there are more opportunities for shoppers of all credit types to get what they need.

Unfortunately, there is also a history of inadequate and unsatisfactory options for this customer segment, including payday loans and check-cashing stores, pawnshops, and title loan companies. Payday loans, for example, are typically for small amounts, such as $500,[10] and are usually repaid in a single payment on the borrower's next payday. But according to the Federal Trade Commission, the annual percentage rate on payday loans is usually very high – 390% or more.[11]

Lease-to-own financing is accessible to most customers, including those with challenging credit histories.

Secured credit cards require a refundable security deposit, usually $200-$300, and limit the user's spending to the amount of the deposit. They are an option for consumers with bad credit because they offer high approval rates.[12]

Peer-to-peer lending is a personal loan between peers or investors, facilitated by online fintech platforms. The platform sets the rates and terms and enables the transactions, so there can be big differences in interest rates, loan terms, maximum loan amounts, and required credit scores. Peer-to-peer lending platforms also impose fees on borrowers or lenders and sometimes both.[13]

Buy now, pay later is a deferred payment option that enables consumers to receive a purchase immediately but break payments into equal monthly installments. Plans are offered as part of the online checkout process and/or at brick-and-mortar locations. Fees, costs, and interest rates vary from plan to plan, although most don't charge interest when the purchase is divided into four installments.[14] A quarter (25%) of consumers used a buy now, pay later service in the past year, making it a popular way to pay over time.[15]

Lease-to-own financing enables customers to lease an item and make payments over time, with the option to buy it at any time. There may be a processing fee, but typically, no upfront payment is required.

3

How credit scores affect financing options and access

Lease-to-own financing offers accessibility and flexibility for your customers. Among consumers with credit scores below 670, 22% have used lease-to-own financing to pay for a major purchase.[1] Because customers with credit challenges are often turned down for financing, lease-to-own is often the only way they can get what they need. Among Snap Finance's retail partners, 83% say their customers were more likely to make a purchase when Snap's pay-over-time solutions, including lease-to-own financing, were available.[16]

Leasing also offers added flexibility. Customers can make payments on a product while using it, take advantage of early buyout options, or even return an item.

87% of small businesses that offer tertiary financing, including lease-to-own, say it leads to increased sales[17]

How lease-to-own financing drives incremental sales

Lease-to-own can help grow incremental sales for your business, helping you reach more customers, boost order value and customer satisfaction, and build brand perception – all while providing your customers with extra spending power and manageable payments.

Adding lease-to-own financing can help increase revenue in several key ways:

Increased average order value

Because they can break payments into smaller monthly installments, customers have more spending power.

Repeat customers

Providing multiple payment plans helps reach a wider audience and encourages customers to come back for more of what they need.

Brand recognition

Your customers shop with you because they trust your business. Build trust, loyalty, and brand recognition with a positive point-of-sale experience.

Reduced cart abandonment and improved conversions

If they couldn't find the payment options they wanted, 13% of online shoppers abandoned their carts.[17] Offering customers more ways to pay – online and at physical locations – helps them complete their transactions.

If financing options weren't available, 44% of credit-challenged customers would go to a different store.[1]

Offering more ways to pay for more people, including lease-to-own financing, provides more reasons for shoppers to complete their purchases.

But offering financing is just the first step. Targeted marketing helps deliver the right financing message to the right people and at the right time. Understanding your customers' traits, feelings, and shopping behaviors will help you build strategies for reaching key customer segments, including those who may not qualify for traditional financing.

4

Finding the right lease-to-own partner for your business

Leveraging the experience, market knowledge, and regulatory expertise of an established provider can help you deliver best-in-class payment options that meet the needs of your customers. External partnerships can add value, scale, and innovation to companies' products, services, and payment options, especially as e-commerce continues to grow and alternatives to traditional financing gain traction.

Adding the right lease-to-own financing solution to your suite of payment options can open your business to new customer segments and incremental revenue.

What to look for in a lease-to-own financing provider

Market understanding

You want a financing partner that understands the complexities of alternative financing in the subprime space. Navigating new markets can be difficult but leveraging a financing partner's expertise and experience can potentially save you time and money.

Regulatory compliance

State and federal governments heavily regulate financing to rightly protect consumers from predatory and unfair practices. That includes agencies such as the Consumer Financial Protection Bureau, federal fair lending laws including the Equal Credit Opportunity Act, and various state-specific regulations.

It's important to choose a financing partner with a strong history of regulatory compliance and a commitment to fair lending practices.

E-commerce solutions

E-commerce sales accounted for 15% of all retail sales in 2022 – a number that is expected to rise to nearly 21% by 2026.[18] As e-commerce grows, so does the importance of choosing a strategic financing partner that understands e-commerce and can seamlessly integrate with your virtual checkout process.

Values alignment

Alignment is about more than day-to-day operations. Choose a financing partner with a mission and vision that aligns with your business – one that is focused on the same things as your business.

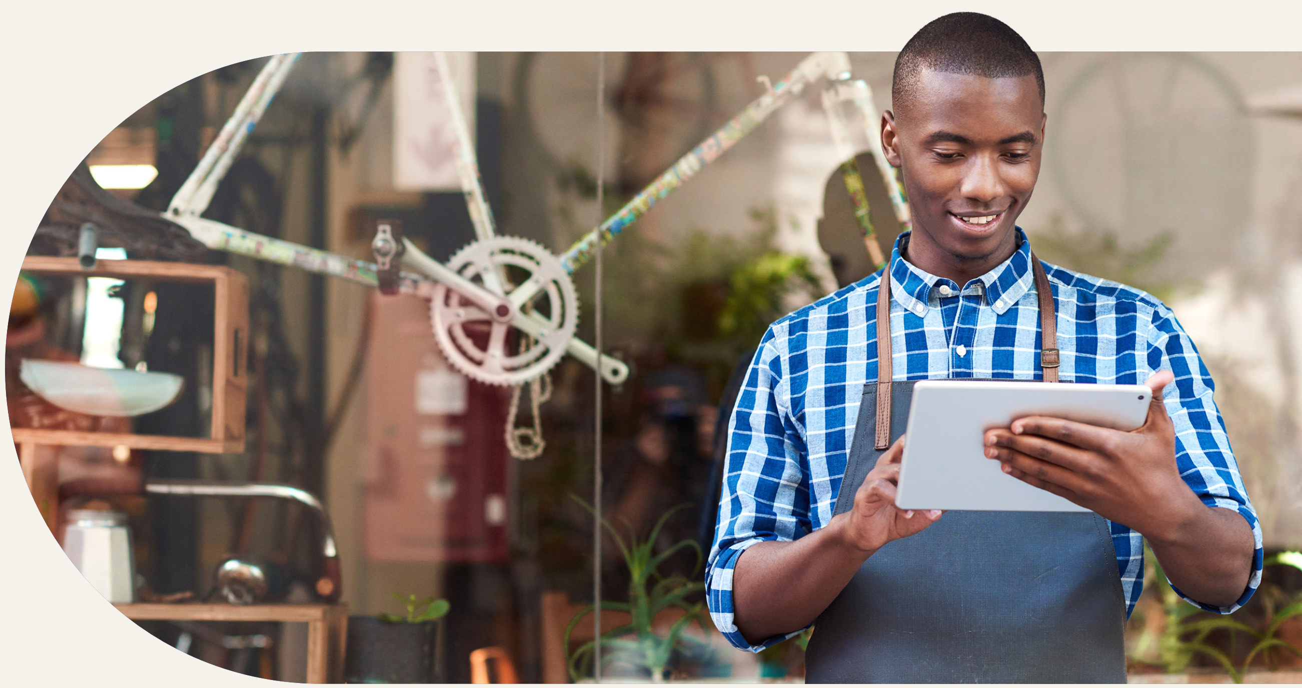
Plug-and-play solution

To be successful, your financing partner should work effectively with your website, software, and back-end systems so you can offer your customers a seamless experience and your business avoids any downtime.

Waterfall or multi-lender platforms

Small businesses are increasingly using waterfall or multi-lender platforms to offer tertiary financing options. Many third-party financing providers, including Snap Finance, offer easy integration to waterfall and multi-lender platform solutions.

54% of small businesses that offer tertiary financing use a waterfall or multi-lender platform solution[17]



Grow your business with Snap's lease-to-own financing

Securing financing is an important part of the shopping experience, which moves quickly from "What do I want?" to "How do I pay for it?" Lease-to-own financing is the answer for many consumers, including those with less-than-ideal credit histories.

Retailers have an opportunity to gain market share by offering more ways for people to pay, no matter their financial background.

Snap delivers partner success

The benefits of a Snap partnership go beyond adding lease-to-own financing to your payment suite. It means real results that can boost incremental sales, increase customer retention, and grow your business.

Here's how Snap partners benefit, with results based on internal Snap data:

- $7.3 billion in lease-to-own partner sales since 2012
- More than $2 billion in sales from collaborative value-added marketing programs to date
- 27% year-over-year increase in same-store sales
- Up to 80% approval rates[1]
- High approval rates resulting from reviewing multiple data points and machine learning algorithms[2]

Learn how you can reach more customers and grow your business with Snap.

About Snap Finance

Snap Finance harnesses the power of data to empower consumers of all credit types to get what they need. Launched in 2012, Snap's technology brings together more than a decade of data, machine learning, and nontraditional risk variables to create a proprietary decisioning platform that looks at each customer through a more holistic, human lens. Snap's flexible lease-to-own and loan solutions are changing the face and pace of consumer retail finance.

For more information, visit snapfinance.com.

The advertised service is a lease-to-own agreement provided by Snap RTO LLC. Lease-to-own financing is not available to residents of Minnesota, New Jersey and Wisconsin.

[1] Results are based on the experiences of a few merchants. Individual results may vary.
[2] Not all applicants are approved. Approvals subject to underwriting qualification criteria.

Sources

1 Proprietary research, "Tapping in to an Untapped Market." Conducted through Accelerant Research's Agora panel with 1,024 consumers. Snap Finance, July 2023.

2 "Economic Well-Being of U.S. Households in 2023." Federal Reserve, May 2024.

3 "What Is a Credit Score?" myFICO.

4 Arkali, Can. "Average U.S. FICO Score at 717 as More Consumers Face Financial Headwinds." FICO Blog, March 6, 2024.

5 DeNicola, Louis. "What Does Subprime Mean?" Experian, July 19, 2022.

6 "What Is a FICO Score?" my FICO.

7 Hardy, Adam. "Credit Score Trouble: 1.2 Million More Americans Just Became Subprime Borrowers." Money.com, April 4, 2024.

8 "Financial Inclusion and Access to Credit." OliverWyman, 2022.

9 "670 Credit Score: Is it Good or Bad?" Experian.

10 "What is a Payday Loan?" Consumer Financial Protection Bureau, Last Reviewed May 28, 2024.

11 "Payday Lending." Federal Trade Commission.

12 Kiernan, John. "Compared Secured Credit Cards." WalletHub, January 17, 2023

13 Kagan, Julia. "What is Peer-to-Peer Lending? Definition and How it Works." Investopedia, updated August 24, 2024.

14 Veling, Jackie. "What Is Buy Now, Pay Later?" Nerdwallet, Updated August 23, 2024.

15 Renter, Elizabeth. "2024 State of Consumer Credit Report." Nerdwallet, May 28, 2024.

16 Proprietary research, "Unlock the Benefits of Tertiary Financing." Snap Finance, July 2024.

17 "Top Cart Abandonment Statistics." Wisernotify, 2023.

18 "E-Commerce as Percentage of Total Retail Sales in the United States from 2013 to 2025." Statistica, 2023.