

Mortgages CUSOs Help CUs Be ‘Full Service,’ Part 2

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Published
April 2017 - Vol: 40 No. 4

Ways four through six, of six: monitoring what's hot in housing, helping members know you exist and promoting a shift from refs to purchase loans.

CUES on CUSOs

Read Mortgage CUSOs Help CUs Be ‘Full Service,’ Part 1

Bob Dorsa thinks helping consumers through the mortgage process offers many more opportunities to build that financial relationship than helping them through the indirect lending process.

Dorsa, president of the American Credit Union Mortgage Association, Las Vegas, Nev., says many credit unions have tapped into indirect lending as a way to enhance revenue, even as they acknowledge how hard it can be to cross-sell additional products to indirect borrowers. In comparison, the conversations that occur during mortgage processing and underwriting provide a ready foundation to introduce new members to the full range of credit union products and services.

CUSO executives offered three additional ideas on how organizations like theirs can help credit unions be full service.

4. Monitor What’s Hot in Housing—and Be There

Housing market demographics and trends are always evolving, observes Daniel Sugg, chief mortgage lending officer with Michigan First Credit Union, Lathrup Village, Mich., and its mortgage CUSO, Michigan First Mortgage. A current trend is downsizing and a move toward urban living among both older and younger homebuyers.

“We are seeing more pre-retirement and retirees looking to downsize to inner city communities that provide a variety of eateries, arts and nightlife options within walking distance,” he notes. “Millennials are also ready to enter the housing market, and they are eager to shift from a suburban to urban lifestyle. For our industry, the challenge is ensuring we have the tools, resources and products that will support these moves to the inner city.”

CUSOs can also help credit unions offer mortgage products tailored to their members' needs. As just one example, Michigan First Mortgage offers a portfolio lending program, known as Turning Point, designed for borrowers who've experienced such past financial hurdles as job loss or divorce. "If we see good lending characteristics in these individuals, we have the flexibility to make an exception for them and help them qualify for a mortgage," Sugg says.

5. Get to Members First

On average, credit unions that make mortgages hold home loans for 2 percent to 5 percent of their members. Bottom line: That 95-plus percent of existing members is a big and readily accessible market—that's much easier to communicate with than nonmembers who aren't familiar with credit unions.

But how can credit unions compete with Zillow, Rocket Mortgage, Redfin and other prominent players in the real estate and mortgage arena? CU Realty Services, Scottsdale, Ariz., offers a range of services through its Home Advantage program so that client credit unions can position themselves as a one-stop shop for homeowners—helping them connect with experienced real estate agents, member-friendly guidance through the home-buying process and even rebates from their agents at closing.

In combination with the credit union's range of mortgage options, "we make it simple for members to go from start to finish with their home purchase," says Tandy Vincent, CU Realty's director of marketing. "The message is, 'We're your real estate advocates.'"

Convincing even longtime members that their credit union makes mortgages is an age-old marketing challenge. Effective promotion of mortgages and related services via Internet and mobile banking is the best way to connect with members, as more than half of homebuyers start their search online, Vincent notes. And a study of Home Advantage participation indicates that 80 percent of home shoppers who sign on for the program stick with their credit union all the way through closing. \$2.2 billion Apple Federal Credit Union captures 87 percent of mortgages for all members who purchase homes through its Home Advantage program, says Rob Drake, mortgage origination manager for the Fairfax, Va., credit union serving 187,000 members.

Members using Home Advantage appreciate the referral to experienced Realtors, which is especially useful for first-time homebuyers who haven't worked with an agent previously. They also have access to the online Multiple Listing Service, which "keeps them within our own four walls" instead of surfing Zillow, Trulia and other sites filled with ads from other mortgage lenders, Drake notes. And members receive a rebate at closing of 20 percent of their agent's commission, which works out to an average \$2,000 among Apple FCU's members.

For the credit union, the program "gives us the ability to reach members early in the home-buying process and to capture their business before they go elsewhere," he adds. "In the mortgage business, typically whoever gets to the member first wins."

6. Shift From Refis to Purchase Mortgages

In the past, most of the revenue production from mortgages came to CUs from "re-fi recycling"—the cyclical demand for refinancing that has recurred every two to three years since 2003, according to John Giordano, president/CEO of First Heritage Financial, Trevese, Penn. Purchase-money mortgages have proven harder to come by, with Realtors recommending other loan originators, online realty sites promoting competitors, and homebuyers weighing the pros and cons of multiple properties—and lenders.

"Even if your credit union is doing preapprovals, a lot can happen before the closing," he notes.

Economic conditions have been a bit unpredictable in recent months, and some housing market pundits are predicting a drop in mortgage volume in 2017. In contrast, Giordano expects a smaller decline or even a steady pace for credit unions that market effectively to a captive audience—their own members and communities.

"I'm not convinced that this will be a down year for mortgage demand," Giordano says. "It could be a building year for credit unions to expand their member relationships through their first mortgage products. There will be challenges, but we should be looking for the opportunities within those challenges to advance our processes and marketing."

Greg Wischmeyer would like to convince all CEOs that their credit unions should be offering mortgages as a key source of interest income and non-interest revenue when loans are sold. More importantly, offering mortgages "allows credit unions to be full-service financial institutions for their members," says Wischmeyer, CEO of Neighborhood Mortgage Solutions, Frankenmuth, Mich. "If they don't embrace that opportunity, I think they could be missing the boat for future membership growth."

“When members have a credit union mortgage, the chances are really high that they are going to have their checking account and savings account with the credit union, too, and they’ll come back to you for a car loan,” he adds. “It’s like the foundation of a house. They just build on that for all their banking needs.”

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