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For CUs, the Real Estate Advocacy Trend Comes of Age

Is your credit union's purchase mortgage business thriving as well as it should be? If not, the lessons learned and the trends that emerged from the housing crash could prove fertile ground for growing a purchase mortgage services program. Keep reading to help get your CU up to speed on real estate advocacy.

When is a trend no longer a trend? When does it become the new normal or an industry standard against which all other efforts are measured?

During the 2007–2012 housing market crash, many lenders struggled. Some failed. Home sales and new construction evaporated, and of course, the stream of purchase mortgage applications came to a virtual standstill. Instead, refi loans ruled supreme. That changed. Since that time – in spite of some ups and downs – consumer confidence has crept up. People are shopping for homes again.

That's all great news but that's not the whole story. Something big transpired during the housing crash. In the absence of "normal mortgage operations," a trend emerged: Credit unions increased their efforts to develop a stronger "watchdog" approach over their members' real estate interests. And as a result, they discovered innovative opportunities to grow their purchase mortgage business. Here's how the "real estate advocacy" trend started, matured and emerged as the industry standard for any CU that wants to develop a thriving purchase mortgage services program.

Before It Was a Trend

The spark of change occurred in 2000, a decade before the crash. This is when Mike Corn – a successful

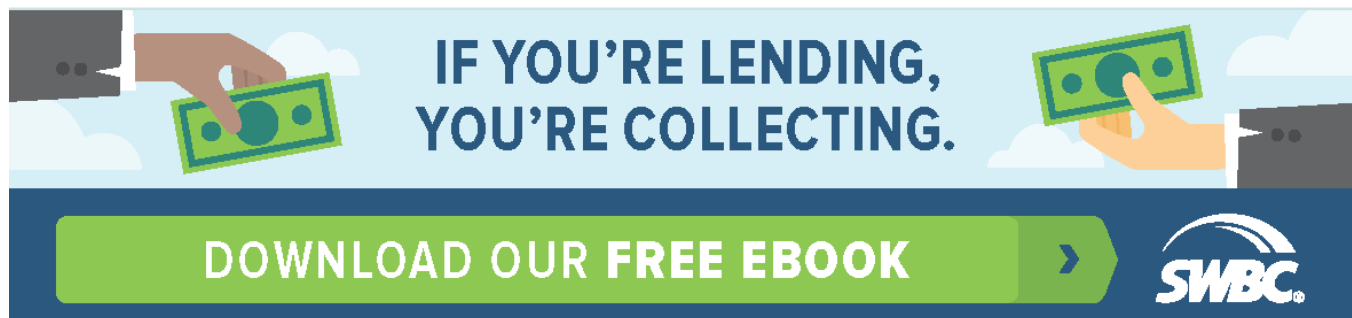
Scottsdale, Ariz.-based entrepreneur – was searching for a new home and selling his existing one. He found the entire real estate experience to be expensive, time-consuming and inefficient. Corn, who had launched and sold several thriving tech companies, was frustrated and wondered about better options. He believed buyers should be able to preview homes online and spend less money buying them. It's important to remember that this was long before the days of direct access to web-based MLS databases, so this was a very cutting-edge concept. Corn shared his experience with Craig Davis, a friend and real estate broker, and they began to develop an idea to offer a better way to buy and sell homes.

Integration was the cornerstone of their work. Corn and Davis believed it was important to give homebuyers a seamless experience: integrating all the tools needed to search for a home, research markets

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and get financing into one program. They also felt it was necessary for homebuyers and sellers to work with knowledgeable, competent real estate agents who had been properly vetted. And finally, the new model needed the right kind of client ... credit unions. According to Corn, “We identified credit unions as the perfect fit because of personal experience, because they are very member-focused and always striving to cultivate strong customer relations. We knew this concept would help credit unions improve on what they were already working hard to do.”

The result? In 2004, a new CUSO – CU Realty Services – was born. In that same year, the startup began working with select credit unions to finalize development of a turnkey real estate program called HomeAdvantage™.

The Secret Sauce

A primary goal of the venture was to ensure everyone involved was a winner, including members, credit unions and real estate agents. This meant that the HomeAdvantage program needed to:

1. Drive more business to partnering credit unions. But more than that, it had to help CUs build a bigger lead pipeline by identifying buyers and sellers early in the lead process, before they typically talk to a lender.
2. Be valuable and worthwhile to a network of select real estate agents. These professionals would be integral to a credit union’s success, so the program had to consider their needs. Hot, qualified prospects quickly attracted the

industry’s most experienced and highly-regarded agents.

3. Provide credit union members with a financial incentive. Along with the convenience of online shopping, members who use the program should also enjoy financial benefits that reduce their out-of-pocket costs.

These goals, though, were dependent on one key change: Credit unions would need to embrace a paradigm shift away from being seen as just a lender. And to do this, they would have to MOVE OUT of their long-held position of selling competitive mortgage rates and INTO a new, much more proactive role as a real estate advocate. The difference between lender and advocate is that one focuses on the loan while the other focuses on the member. Lenders sell mortgages, rates and terms. Advocates educate, equip and serve as a partner during the entire real estate journey, from finding a home to financing it.

This was an unprecedented shift in both the credit union world and the real estate industry because it positioned the CU as the First Point of Contact™, a role traditionally held by the real estate agent. The First Point of Contact can influence every aspect of the real estate transaction, including – and most importantly – the selection of a lender. CUs serving as advocates are connected and engaged with their members early in the home-buying lifecycle, long before they are ready to talk about home loans. This means that credit unions are perfectly positioned to earn their members’ mortgage business.

Early Adopters and First Successes

Remarkably, Corn and Davis were able to bundle all of this into one powerful package and then offered a beta version of HomeAdvantage to a few select credit unions. In 2004, Wright-Patt Credit Union (WPCU), Inc. (WPCU out of Beavercreek, Ohio) became one of the first to use CU Realty's HomeAdvantage program. This \$3.1 billion, 300,000-member credit union immediately saw an increase in loans closed and member savings, which came through rebates. Additionally, the CU saw an improvement in relationships with local real estate agents who had not previously valued Wright-Patt as a home lender.

In full transparency, I serve as the senior vice president and chief lending officer at Wright-Patt and I'm a member of CU Realty's Board of Directors. WPCU is also one of the owners of the CU Realty CUSO. This association, however, does not detract from the very real results achieved at Wright-Patt or any of the other credit unions that have adopted the real estate advocacy model. No one can argue over the results we've seen, like this: In 2015, WPCU – now the #1 purchase mortgage lender in our MSA – closed 260 mortgages through the HomeAdvantage program. Almost 94 percent of the members who use the program get their mortgage through us.

Looking beyond WPCU, there are some other early adopters that have been partners with CU Realty Services for a decade or more. These include \$3.9 billion Bank-Fund Staff Federal Credit Union in Washington, D.C. and \$2.6 billion Northwest Federal Credit Union in Herndon, Va. Last year, their members saved \$465,000 and \$462,000, respectively, through the rebate program.

The Trend Becomes the Standard

Now, 15 years after Corn's original idea, CU Realty is the largest real estate CUSO in the United States. More than 100 CUs and mortgage CUSOs, millions of members and nearly 500 real estate agents across the USA are reaping the rewards of the advocacy model

and the HomeAdvantage program. The successes are quantifiable. They have been – and continue to be – tracked, measured and validated.

From a corporate perspective, 2015 marked the fifth year in a row that CU Realty Services saw year-over-year growth and expanded into new markets.

- Nine new credit unions partnered with CU Realty to implement HomeAdvantage.
- Five new markets were added through expansion into San Diego, Calif.; Vancouver, Wash.; Melbourne, Fla.; San Francisco, Calif. and Charlottesville, Va.
- More than \$4.3 million in savings were rebated to members through the HomeAdvantage program – a 21 percent increase over 2014.
- 23,000+ members signed up to use HomeAdvantage – a 17 percent increase over 2014. Each completed a short questionnaire about his or her future purchase, including timeline and pre-qualification status. These profiles and other transactional data are available to the credit union.
- 8,500+ referrals of members to agents were processed through HomeAdvantage – a 10 percent increase over 2014.
- Nearly 3,000 closings were reported through HomeAdvantage – an 18 percent increase over 2014.



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While that macro snapshot is impressive, the success metrics of the individual credit unions paint an even more complete picture. For example, in 2015, Wright-Patt members saved more than \$225,880 from rebates through the HomeAdvantage program, landing it in CU Realty's top five credit unions with the largest payouts. WPCU is one of five CUs that saw member savings of almost \$1.5 million.

1. Bank-Fund Staff Federal Credit Union (Washington, D.C.) – \$365,855
2. Baxter Credit Union (Vernon Hills, Ill.) – \$363,799
3. Northwest Credit Union Association (Herndon, Va.) – \$318,957
4. Wright-Patt Credit Union (Beavercreek, Ohio) – \$225,880
5. Tower Credit Union (Laurel, Md.) – \$214,548

As success stories and figures like these are shared throughout the industry, more and more credit unions see the great value associated with adopting CU Realty's real estate advocacy model. There is a bit of a snowball effect now. What was once a new idea has transitioned to become the benchmark of success.

What Other Big Payout CUs Say about Real Estate Advocacy and HomeAdvantage

For CUs that want to grow their purchase mortgage business, there is much to be learned about real estate advocacy and the HomeAdvantage program from the other CUs that landed in the top tier. Their insight goes well beyond those fantastic member rebates.

Early Engagement Grows Mortgage Volumes and More

Along with Wright-Patt, Bank-Fund Staff Federal Credit Union partnered with CU Realty Services in 2004. As one of the CUSO's first customers, this CU has a long, rich history of success. Last year, it saw the largest member rebate payout. What's behind that? Dan Rogan, general manager of lending at

Bank-Fund, says HomeAdvantage provides members with everything they need during their home-buying process and allows the mortgage team to engage well ahead of mortgage application time. "By connecting with members early on, and [by] assisting them along each step, we are doing more than growing mortgage volumes. We are strengthening relationships."

Develop Stronger Member Relationships

Credit unions that already enjoy strong relationships with members report that HomeAdvantage improves those relationships significantly. Baxter Credit Union (BCU) is a great example of this. Director of mortgage sales at BCU, Bob Pondelicek, says the HomeAdvantage program strengthened the CU's relationships with members substantially. "When members come to us, they are already trusting us as their financial institution. And now they're coming to us as well for a real estate agent relationship."

Members Love One-Stop Shopping

Providing members with a 'one-stop shopping' experience while walking them through the home-buying process has fostered fierce loyalty for Northwest Federal Credit Union (NWFCU) ever since it partnered with CU Realty in 2004. In the last 15 months, the CU has had nearly 700 registrations and given nearly \$400,000 in HomeAdvantage rebates back to both buyers and sellers. Joe Talmadge, the VP of mortgage lending for NWFCU said, "We know that when our members use this program, we have an 85 percent chance of keeping their business and that is significant to us."

CUs New to HomeAdvantage See Success Early

Sacramento, Calif.-based Schools Financial Credit Union implemented HomeAdvantage in late 2015 to bolster purchase mortgage volume after rising interest rates hampered the refinancing side of the CU's business. The \$1.6 billion credit union hopes to achieve a new goal: becoming the "go to" name for both

refinancing and mortgage lending. David Menker, vice president of real estate lending at Schools Financial Credit Union, says results were almost immediate. “I wasn’t expecting to have much success [closing loans] in such a short amount of time. It’s very encouraging for us.” Plus, “We’ve found the HomeAdvantage program is particularly helpful for first-time homebuyers. There’s a lot of personal attention. Loan officers and real estate agents help coach our members through the entire home process, from beginning to end.”

In December 2015, Consumers Credit Union (CCU), out of Illinois, partnered with CU Realty Services to offer members a one-stop home-buying experience. The \$883 million credit union was in search of a way to boost growth in mortgage closings. With HomeAdvantage, CCU saw its mortgage pipeline expand by more than 100 members in less than 60 days! CCU’s director of mortgage lending, Gil Chavez, says, “The biggest thing I value about this program is that we’re getting to these buyers early. Most of our new registrations don’t have an agent or financing set up. Reaching them early is critical to accomplishing our goal of growing our mortgage pipeline.” Chavez added, “We should have joined with this program several years ago. Who knows where we’d be at this point if we worked with HomeAdvantage earlier. We’ve already seen results, and I can only imagine what the coming months will bring.”

The New Standard

Corn and his team at CU Realty Services have developed HomeAdvantage into an industry-altering solution for credit unions, helping them to be a contender in the home mortgage business. But even more, the program’s impact can be felt by members who are able to find a friend as well as savings in their credit union and by local agents who are able to develop new relationships with the credit union community.



Timothy J. Mislansky, Senior Vice President & Chief Lending Officer, Wright-Patt Credit Union; Author of the CU-focused blog, mortgagesarememberlicious.com. Mislansky’s career at WPCU began in 2001. His duties include formulating and administering high-level organizational strategies and initiatives as well as executive responsibility for consumer, mortgage and commercial lending. Prior to joining WPCU, Mislansky was vice president of member services at Chaco Credit Union in Hamilton, Ohio, where he was responsible for branch operations, lending and collection functions.

Currently, Mislansky serves as a member of the Board of Managers for the HomeOwnership Center of Greater Dayton. Additionally, he serves as a director for CU Realty, Inc., a director for America’s Credit Union Mortgage Association and a member of the Fannie Mae Credit Union Advisory Board.

A graduate of Miami University in Oxford, Ohio, Mislansky holds bachelor’s degrees in both accountancy and finance. He and his wife, Julie, live in West Chester, Ohio, with their two children, Joe and Mary.