

'Millennials First'

Millennials

Why (and How) Credit Unions Should Be Chasing Millennial Homebuyers

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In 2019, the Pew Research Center estimates Millennials will overtake Baby Boomers as the nation's largest living adult cohort.

As this generation of people ages 22 to 37 reaches new levels of maturity, perhaps not surprisingly, they're turning out in droves to purchase homes and settle down; albeit, a few years later than most generations before them.

In the third quarter of 2018, 55% of the loans made to homebuyers went to first-time buyers, according to Genworth Financial. The National Association of Realtors reports the median age of first-time homebuyers across the country is 32, signaling to the larger market that Millennials are ready to own homes.

Just as the methods they use to get to work, pay their bills, shop for food, and select careers are different, so too is their approach to homebuying. Ellie Mae found that 43% of Millennials make their first contact with a lender online, a number that's expected to rise.

WHAT MILLENNIALS EXPECT

The expectations Millennials have for the mortgage process are also distinctly different than those of their parents.

They have heard rumors of how difficult and expensive the process is, they are generally skeptical of the economy because of the 2008 financial crisis, and they have grown accustomed to first-class customer service and technological innovation in other aspects of their lives.

Millennials don't understand why the process hasn't improved in decades, and they expect a better experience than their parents had three decades ago. They expect it to be tailored to them, to be completed at least in part digitally,

and they expect a high degree of attention from their lender.

Credit unions, which originate a relatively small proportion of overall mortgages, are uniquely poised to win a significant percentage of Millennials' mortgages as waves of them reach prime home-buying age and search for their first homes.

However, with an increasingly competitive market full of other options for getting a loan, winning that market share means credit unions must take the right steps to meet millennials where they are.

CREDIT UNIONS ARE SET UP WELL TO WIN MILLENNIALS' LOYALTY

"Members first" has become much more than the credit union mantra. As STRATMOR pointed out in its October 2018 report, "delivering a superior customer experience is the new competitive paradigm."

For the past few years, smart indus-

try leaders and consultants have been advising lenders to zero in on the consumer experience and invest in it heavily, or risk losing market share. But the importance of the member journey isn't news to credit unions.

Credit unions' focus on member experience has helped them through recent years as the mortgage market changed dramatically. While new products have emerged like Quicken Loan's Rocket Mortgage, traditional banks have seen their mortgage market share decline by 23% since 2012. On the other hand, credit unions have remained steady during that time with a market share between 6.1% and 7.6%.

When it comes to mortgages, a top credit union advantage is that they already have a loyal member base, including more than 54 million economic households throughout the United States. Banks and non-traditional lenders need to pay to acquire leads for loans, but credit unions can simply tap those it already holds deposits for.

Even so, credit unions are closing only one in six members' mortgages, according to STRATMOR, despite the fact that CUs are able to offer extremely competitive rates on the most common mortgage, the 30-year fixed rate, and they are able to offer lower closing costs on average while continuing to maintain a stellar reputation for member-centric service.

WHAT CREDIT UNIONS NEED TO FOCUS ON TO WIN MORE MILLENNIAL MARKET SHARE

Earlier this year in July, the Urban Institute released a report offering the lending industry several policy recommendations to increase Millennial homeownership. Among the top recommendations are enhancing financial knowledge and homeowner awareness, and streamlining the mortgage process using financial technology.

Credit unions, with a responsibility to reinvest their profits into their teams

and their members' services, have a unique advantage in that spending money on their mortgage experience makes perfect sense for their business model. Not only is it good for acquiring more mortgages from their member base in the short-term, but research from STRATMOR shows that once a member gets a mortgage from a credit union, they tend to become a customer for life.

To that end, investment in digital mortgage experiences is a strategic short-term and long-term goal.

With regard to enhancing financial knowledge, credit unions are uniquely poised to offer that, too. Again, they have a captive member base. Many of their members have been with the credit union since they were in their early teens when they opened a first checking account.

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As trusted institutions who have been present throughout their members' lives, credit unions are well-placed to satisfy Millennial hunger for homeownership knowledge and advice.

Working in tandem, investment in transformative digital processes frees up time for credit union loan officers to spend more productive and personal time with members, providing valuable advisory services. Instead of talking about necessary documents and emailing back and forth, loan teams can talk to young homebuyers about how much they can really afford and what mortgage product is right for them.

Those advisory services, which can only be delivered by experienced personnel, are continuing to be in demand from the next generation of homebuyers.

For example, despite the shift to Millennials searching for their homes online, they still want to work with a Realtor to help advise them on the largest purchase of their lives.

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service at branches or over the phone so that young members can jump between channels and still complete the process in one seamless experience.

Fortunately for them, though, there are fewer changes needed in the back room than other traditional lenders because priority has always been focused on holistic member experience.

WHAT NEXT FOR CREDIT UNIONS WHO WANT TO ATTRACT MORE MILLENNIALS?

Investing in the home purchase experience is one of the best moves credit unions can make to attract Millennial members as they take the first steps toward purchasing a home. Ramping up mortgages is both a great way to build more capital to invest in both short-term and long-term ROI strategies and ultimately serve members better and make sure they stay on board for life.

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