

How Credit Unions Can Master the Mortgage Market

By Dan Putney
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Credit unions have been surging in the mortgage market for the past few years. They have nearly quadrupled their share of the mortgage market over the last decade, thanks to the lower mortgage rates they offer compared to traditional lenders and the more personalized experiences they deliver to their members.

To keep the momentum going, credit unions need to build on their strengths.

For instance, credit unions have strong connections with their members, which they can further bolster by adding convenient services like online and mobile mortgage applications.

And credit unions are more agile than larger banks, so they can adapt to their members' needs by providing products and services unique to their member base.

By building on existing strengths and understanding how to incorporate technology into their processes, credit unions can gain a greater share of the



mortgage business without having to add staff or become data scientists. The key to success will be remaining true to the principles of service and trust that members value.

NEW MEMBERS, NEW OPPORTUNITIES

Large banks have around an 80% customer satisfaction rate, which sounds acceptable until compared to credit unions. Credit unions boast a 96% customer satisfaction rate.

Members appreciate the personal service and lower fees credit unions

provide, and that satisfaction sets up credit unions to be the top choice for members seeking a mortgage lender.

Consumers who are disengaged from their current financial institutions present an opportunity for credit unions willing to take steps to win their business.

Many credit unions are doing this successfully, as evidenced by the increase in credit union membership; more than 116 million consumers belong to a credit union, which is 2 million more than last year and about 8 million more than the year before that.

These new members represent an opportunity for credit unions to grow their mortgage loan portfolios organically.

To ease the application process for members and streamline the acceptance and processing flow for employees, credit unions need to develop their capabilities in three areas: efficiency, reach and experience.

EFFICIENCY

Reduce mortgage loan processing times by streamlining back-end loan origination processes.

Cyprus Credit Union in Utah described the ways its inefficiencies hindered its growth. The institution relied on manual processes, spreadsheets and a whiteboard to manage its loans.

National Credit Union Association (NCUA) audits took up to three weeks and required more than 700 staff hours per audit and another 80 staff hours for post-audit remediation. The slowness in accepting and processing loans and the cost of managing audits prevented Cyprus Credit Union from doing more commercial business.

The credit union decided to automate and standardize the underwriting process with an end-to-end technology solution. The new system enabled Cyprus Credit Union to transition from mortgage broker to direct lender and grow the number of loans in its pipeline by 40%.

Another credit union, Northwest Federal Credit Union in the DC Metro area, implemented a POS solution that made loans easier to accept and process.

"After the implementation, our business took off," said Jason Tucker, the credit union's mortgage systems administrator. Now the credit union is able to process 300 applications each month and close 200 loans without adding any additional staff.

"It's become easy for our members to submit applications, our loan officers to accept them and our processors to move the loans along," Tucker said.

REACH

Give members choices and continue traditional relationship-building.

There are more credit union members than ever before, but to turn those members into borrowers, credit unions need to make the mortgage application process easy and convenient. Borrowers want to the choice of online, mobile or telephone applications.

When Northwest Federal Credit Union implemented a mobile app that was capable of accepting mortgage applications, the institution saw about 30% of its applications begin to come through the app, and that number continues to rise.

According to Tucker, the POS solution enabled the credit union to expand its lending footprint into other geographical areas while garnering positive feedback from customers.

Technology solutions are essential to gaining market share in the mortgage business, but traditional relationship-based practices are important as well. Credit unions can increase their reach by setting up formal processes to connect with real estate agents and other vendors in order to grow referral networks.

EXPERIENCE

Transfer excellent experiences from the branch to the digital realm.

Credit unions already excel at providing exceptional member experiences in their branches. Now they need to transfer those great experiences to the digital realm.

Credit unions that have not yet entered into a digital transformation may be concerned about the costs and difficulties of building the data warehouse necessary to drive personalized experiences, but the reality is that most credit unions already have the data sources they need, such as debit and credit card, ACH and mobile



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banking information.

What they lack is the ability to analyze the information and automatically convert it into actionable intelligence.

The right technology vendor will help a credit union understand its data assets and make any changes necessary to feed the data into a system that can automate customized offers to the right member at the right time. A truly customized and timed message is not viewed

by members as an intrusive advertisement; it is appreciated as an extension of the personalized service that members expect from their credit unions.

CHANGE YOUR WAY, NOT YOUR 'WHY'

While credit unions have gained market share in mortgages in recent years, there is still plenty of potential for growth. Some analysts suggest that in upcoming years credit unions will dominate community banks, smaller independents and possibly even large bank and non-bank mortgage lenders as well.

Technology solutions are going to be necessary to stay competitive in this changing mortgage landscape, but technology is not the entire answer. It is a tool that credit unions should use to stay true to their strengths: superior service, pricing, trust and customer retention.

Credit unions should ask themselves, "How do we grow without sacrificing the differences our members appreciate? How do we get better at being who we are?"



Dan Putney is the Managing Director of Total Mortgage Sales for Finastra, which offers the broadest portfolio of solutions for financial institutions of all sizes. Putney is an experienced mortgage and technology professional, helping to connect community-based financial institutions to innovative future-facing digital capabilities.



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