

# SPECIAL SECTION ANNUAL CONFERENCE REVIEW

# OPENING THE DOOR TO OPPORTUNITY

## ACUMA SCORES ON CONTENT, ORGANIZA

The American Credit Union Mortgage Association welcomed nearly 500 attendees to its 23rd annual conference, and the consensus was that the event exceeded expectations and received top grades for content, organization and, well, even fun.

In addition to great late-September weather throughout the event at the Gaylord Convention Center on the Potomac River outside Washington, D.C., attendees enjoyed daily hot breakfast and lunch, as well as two evening receptions from ACUMA. From there, the sponsors picked it up with happy hours, river cruises, dinners, etc.

The conference theme, “Opening the Door to Opportunity,” could not have been more accurate. Speakers included NCUA Board Chair Rodney Hood and FHFA Director Mark Calabria; Cornerstone Advisors’ Daryl Jones and Fannie Mae’s Andrew Bon Salle, Real Estate Disruption guru Ben Clark and CUNA’s Mitria Wilson, among others.

J.D. POWER

Outgoing ACUMA President Bob Dorsa shared memories of his 23 years at the helm of the organization and beyond, including a 1960s-era publicity shot of his rock band. He thanked longtime associate Tracy Ashfield, who has taken over as president this year, and ACUMA’s Member Service Manager, Krista Korfmacher.

## JOIN US IN 2020

This special session provides highlights of the 2019 conference, including speakers and topics. If you were there, you already know how much knowledge and networking can be gained; if not, mark your calendars now for the 2020 conference on Sept. 20-23 at the Cosmopolitan on the Las Vegas Strip.



# ATION AND FUN AT ANNUAL CONFERENCE



# OPENING THE DOOR TO OPPORTUNITY

## JONES MAKES CASE FOR MORTGAGE TECH UPGRADES

Daryl Jones, senior Director of Cornerstone Advisors, spoke on Monday to the ACUMA conference on “Successful Strategies in Mortgage Technology Selection.”

His presentation offered a road map for making the process work from start to finish—and beyond: what to do and when to do it, who to involve, how to decide what’s needed at each point in the process, what to ask from vendors, etc.

He also provided statistics based on Cornerstone data to highlight his points.

Jones noted that more than 40% of financial institutions surveyed by Cornerstone planned to replace or improve their mortgage technology stack in 2020. To compete, Jones said credit unions needed to achieve “future-ready originations” for borrowers. He described three models:

- Managing models include having a dedicated team, a (mostly) paperless process, and a refined strategic growth plan; as well as a plan for monitoring basic volumes and efficiencies.
- Leading models, which he said “separates high performers,” include specialized teams and roles (e.g., government, equities); a completely paperless option; efficiency coupled with performance metrics; and a defined marketing plan with new-market growth.
- Innovating models feature robust automation; imbedded video tutorials for borrowers; multiple system administrators; and advanced performance and profitability metrics.

Innovative models are best equipped to provide the best experience for borrowers, he said. Then Jones discussed findings from Cornerstone’s borrower focus group.

Surprisingly, perhaps, the focus sessions found that two-thirds of partici-

pants were not credit union members prior to applying for a loan. Jones also said that potential borrowers did their research on credit unions—mainly online—but often failed to find enough information to make an informed decision.

He also said borrowers “almost always” choose rate over service, and they prefer dealing with the same person throughout the loan process, even if they wait longer for communication.

Upgrading technology is not inexpensive. Jones noted that Cornerstone research showed 87% of financial institutions will increase tech spending in 2019 from 2018 levels, and staffing requirements have increased more than 70% in the last 10 years.

“87% of financial institutions will increase tech spending in 2019 from 2018 levels.”

Finally, Jones led a review of how to select a vendor/system for mortgage technology. He listed key actions as define scope; don’t use vendor’s base implementation; create action lists (what you want accomplished and how to get there); plan a detailed workflow; and align your team (reach consensus).



Daryl Jones

## HOOD DISCUSSES NCUA PRIORITIES

The Monday morning session’s Keynote Program began with remarks from NCUA Board Chairman Rodney Hood, who spoke of credit union successes and discussed the agency’s priorities under his leadership.

Hood praised credit unions for growing their mortgage lending originations by 60% over the past five years. The CU market share currently hovers near 8%.

In his remarks to the ACUMA Conference, Hood recognized the role of CUs to help the underserved by “helping people take the first step on the financial ladder” and “playing a strong role in building home ownership,” which he called the next step up that ladder.

And he cautioned that continued suc-

## CALABRIA, CU PANEL TAKES TURNS EVALUATING

The conference hall was packed to begin the Monday afternoon program as FHFA Director Dr. Mark Calabria sat with ACUMA’s Tracy Ashfield for a Keynote Q&A Session that focused on the GSEs.

Calabria pledged support for smaller lenders, including credit unions. In fact, he noted, Fannie Mae and Freddie Mac originally were created to help smaller lenders. To that end, he said he supported treating all lenders the same—not basing GSE pricing on size with bigger lenders getting better rates.

The “rate equality” position is one that many credit unions have been supporting amid signs that federal agencies, not Congress, would be the prime movers in any changes to the mission of GSE in the foreseeable future.

The federal regulator also was emphatic in his assessment that the mortgage market today is “not resilient, not efficient.” Further, he said the status quo is unsustainable. If changes involving the GSEs are not made, “In the next (economic) downturn Fannie and Freddie will fail—no doubt.”

For example, Calabria said Fannie Mae with \$3 trillion in holdings “is leveraged a thousand to one.” He then said an agreement reached with the Treasury Department would raise the capital limits for Fannie Mae and Freddie Mac. “The more we can raise capital, the more the risk goes down,” he said.

Calabria also said Congress should

cess was in part dependent on understanding and addressing the needs of younger generations while keeping up with technological advancements.

“You must reach out to Millennials in new ways and with new technologies,” he said, noting that NCUA was looking to provide new technological tools for credit unions, to help reach younger members as well as members in rural areas.

Hood also reaffirmed NCUA’s commitment to affordable housing options beyond Fannie Mae and Freddie Mac, citing initiatives to assist CU partnerships with Federal Home Loan Banks, along with FHA and USDA lending programs.

In promising “full-fledged support

from President Trump in pushing ahead,” Hood stressed a balanced approach to regulatory reform.

Hood thanked ACUMA for its role in helping credit unions make home loans, and he congratulated outgoing ACUMA President Bob Dorsa for his years of service.

In addition to his role as NCUA chairman, Hood serves as a voting member of the Financial Stability Oversight Council. He also represents the NCUA on the Federal Financial Institutions Examination Council and the Financial, Banking Information Infrastructure Committee.

Hood began his current term in April 2019 after being nominated by President Trump and confirmed by the U.S. Senate.



Rodney Hood

## ING THE FUTURE FOR GSEs

grant the FHFA charter authority over the GSEs to remove them from conservatorship and allow them to raise the equity they need. He also favors adding to the number of GSEs, which he said would make them more diverse and thus stronger.

Following Director Calabria’s presentation, a panel discussion on “Where is GSE Reform Headed and What Could It Mean for Credit Unions?” further explored the topic of secondary market loans.

Participants included Mitria Wilson, Senior Director of Advocacy and Counsel for CUNA; Tim Mislansky, myCUMortgage President; John McKechnie, Senior Partner at Washington, D.C. legal consultants Total Spectrum; and facilitator Ashfield.

A spirited discussion of where the GSEs are headed ensued. Panel members pointed out that although bringing the GSEs out of conservatorship appears to be a goal of regulators and the Trump administration, there are no guarantees for “a level playing field” for small lenders if that happens.

As Wilson noted, none of the proposals being tossed around include a provision for interest rates being the same for all lenders.

And as for pulling GSEs out of conservatorship, panel members agreed there is no incentive on either side of the political aisle to advance a legislative solution. And without legislation, “It would take 10 years [to meet requirements]” even if Fannie Mae and Freddie Mac were allowed to be capitalized.



Tracy Ashfield and Dr. Mark Calabria



Tracy Ashfield, John McKechnie, Mitria Wilson and Tim Mislansky

# OPENING THE DOOR TO OPPORTUNITY

## HOUSING FINANCE FACES CHALLENGES

Andrew Bon Salle, Executive VP for Single-Family Business at Fannie Mae, chatted on Monday morning with ACUMA's Tracy Ashfield about "Today's Housing Finance: Where It's Headed."

Noting "We're in a much different place than we thought we'd be at the beginning of the year," Bon Salle mentioned an "uptick in housing price appreciation, but at a slower rate." However, he noted that the rise, between 4½ and 5%, still outpaced wage gains.

Noting the lack of affordable housing in general, Bon Salle said homebuilders have not kept up with demand for these units.

Bon Salle said Fannie Mae will continue to help regulators, in-



Tracy Ashfield and Andrew Bon Salle

“*The mortgage industry is ripe for innovation, ripe for disruption.*”



cluding FHFA Director Mark Calabria, with any transition from conservatorship for Fannie Mae, which has now lingered for more than 11 years.

He singled out technology innovations such as Day 1 Certainty and Digital Mortgage opportunities, saying Fannie Mae continued to spend time on improving technology.

"The mortgage industry is ripe for innovation, ripe for disruption," he said. "Our customers' expectations are changing, and we must

change with them."

A show of hands confirmed that credit unions are using the Fannie Mae "Ask Polly" self-service policy guide to get their questions answered, and Bon Salle said CUs could contact their Fannie Mae representatives, including Tammy Treffy, for more information.

Fannie Mae also has partnered with ACUMA for a continuing series of free, one-hour webinars on various lending topics. (Other ACUMA sponsors also participate in the free webinars. Check the ACUMA website, [acuma.org](http://acuma.org), for upcoming opportunities.)

## REALTORS FACE NEW COMPETITION IN CHANGING MARKET

The Monday conference program included a fascinating "Rapidly Changing Role of the Realtor" Q&A between Ben Clark, Real Estate Technology Strategist, and ACUMA's Tracy Ashfield.

Much of Clark's presentation discussed iBuyers—the so-called "flippers." Clark said that while iBuyers will continue to disrupt the market, there will still be a place for Realtors if they can "ignore the noise" and instead "specialize, anticipate and personalize."

"Today's Realtor is a warrior of disruption," Clark said. "Tomorrow our disruption will come from iBuyers."

Increasingly, he said iBuyers are increasing their presence. They use online services such as Zillow and Open Door to offer "full market value and fees" for homes and then can "have a buyer in the house in four days with title insurance," while holding the closing at a later date.

Clark said the number of home sales will rise as people move more often, but

the amount of Realtor commissions will go down. And in addition to iBuyers, the Realtor model is changing as more homebuyers are receiving pre-approval before looking for a home, leaving Realtors to direct fewer buyers to their preferred lenders.

How can credit unions benefit? One way is to increase efforts among existing members. Clark noted that credit unions have 110 million members but only 5% have real-estate loans. "There's much potential there," he said.

Clark said credit unions must also personalize their role as lenders to keep pace in the changing market. "Who's better to take the lead (with a buyer) than someone who's trusted?" he asked.

CUs have a real opportunity to increase loans by taking steps to identifying members who may be in the market for homes. He listed competitive rates, closing on time and affordability as three crucial factors for success.



Tracy Ashfield and Ben Clark

## TRANSFERRING KNOWLEDGE THROUGH GENERATIONS

Tuesday's opening Keynote Session, "Facilitating Knowledge Transfer" by Generational expert Phil Gwoke of Bridge-works Consulting, sought to help the audience understand the best ways to communicate—and pass along knowledge—to younger employees, the so-called Generation X and younger Millennials.

A show of hands made it clear that a larger portion of the audience was comprised of Baby Boomers. But there were a number of Gen Xers as well as Millennials, the oldest of whom are just turning 39.

Noting that 10,000 Boomers turn 65 every day (and will for the next 10 years), Gwoke said that more than half of business owners 65 or older do not have a succession plan. Is it a mistake for someone of that age? Gwoke noted that age and activity have changed over the past few generations. He pointed out that in 1950 the average age to enter a nursing home was 65; now it's 81.

Statistics aside, Gwoke listed three obstacles to passing along knowledge to

a younger generation: They (younger people) think it's a waste of time to listen; they want to do it their way; and they're not going to apply what you say anyway, wasting your time, too.

So, while the task is difficult, it's not impossible. The key is to know that each generation has its own way of communicating, and understanding how to use that knowledge to reach them.

Gwoke noted that each generation is shaped by the events around them; for example, a milestone for Boomers was the 1969 moon landing; but for Gen Xers it was the explosion of the space shuttle. These milestones are examples of how events can shape a generation.

And as another example of generational difference, one that brought smiles to many faces in the audience, Gwoke said: When a Boomer boss said jump, employees would ask, "How high?" Gen Xers would ask, "Why?" And Millennials would ask, "How,

exactly?"

Quoting a TED talk by Simon Sinek, "How Great Leaders Inspire Action," Gwoke urged his audience to learn to communicate differently—and thus, more effectively—to younger generations of employees. He suggested a technique for sharing knowledge: "Turn it around" by stating the "why" before the "how" and then giving the "what," instead of ordering it "what," "how" and then "why."

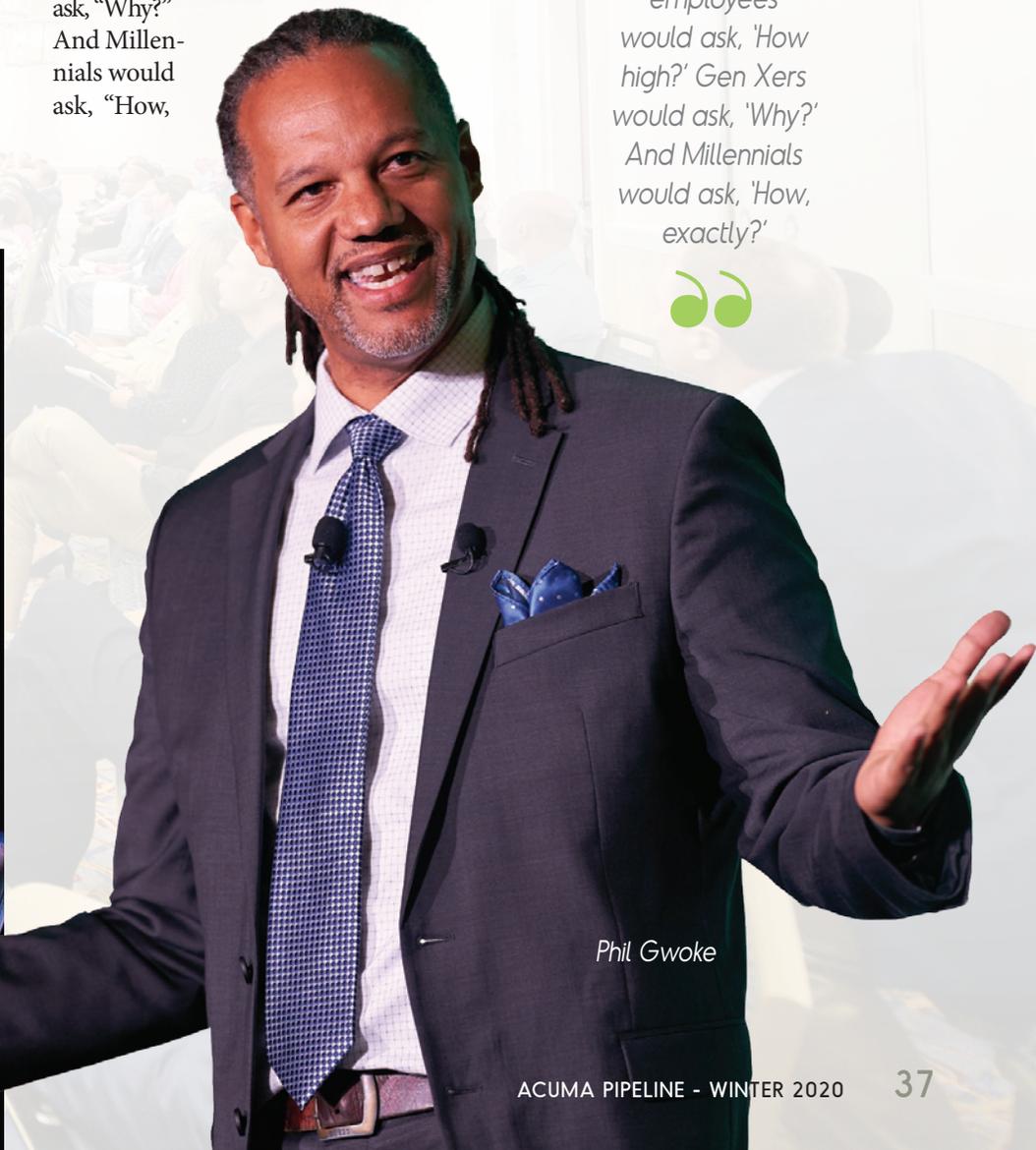
"Get their attention," he said. "Be brief and purposeful; don't waste their time."

And pass along life knowledge, not just work knowledge—because that's very important to the younger generations.

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*When a Boomer boss said jump, employees would ask, 'How high?' Gen Xers would ask, 'Why?' And Millennials would ask, 'How, exactly?'*

”



Phil Gwoke

# OPENING THE DOOR TO OPPORTUNITY

## INDUSTRY LANDSCAPE AND LENDER PERFORMANCE

The second morning Keynote Session on Tuesday, “Mortgage Industry Landscape and Lender Performance,” was presented by Jim Cameron, Senior Partner at STRATMOR Group.

Cameron began his talk by describing recent trends in lending, including how market share was shaping the industry. He noted that non-depositories have been rising over the past decade (with a market share increase from 23% to 54%)



*Credit unions pay loan officers mostly on salary, which emphasizes service to members, but also keeps top performers working at better-paying jobs elsewhere.*

to claim more than half of the mortgage lending business.

By comparison, credit unions rose from 5% to 6% during that same time period while Big Banks were the losers, falling from 50% to 22%.

Why haven't credit unions grown more? Cameron noted the lack of secondary market capital for credit unions that comes with being a non-profit. He also mentioned a failure, of sorts, by credit unions to take advantage of marketing opportunities by promoting “the credit union difference.”

Cameron said that overall, 2018 (the most recent annual results available) was “a painful year for the mortgage origination business,” with production by retail loan officers at the lowest level in a century: a very low 3.8 loans per month. Contributing factors included a very tight market for new and affordable housing, as well as the end of the refinancing boom.

At the same time, Cameron said spending on technology was increasing, especially at Big Banks. (Besides Cam-



Jim Cameron

eron, a number of other conference speakers suggested that technology advances would play a bigger and bigger role in the mortgage industry.)

Cameron pointed out, too, that compensation in the mortgage department had not fallen along with production. He noted that credit unions pay loan officers mostly on salary, which emphasizes service to members, but also keeps top performers working at better-paying jobs elsewhere.

Borrower satisfaction surveys by STRATMOR showed the three top mortgage problems they mentioned involved 1. application process/document requests, 2. communications (or a lack of them) and 3. underwriting. He said providing borrowers with a checklist on the front end can greatly increase satisfaction by avoiding problems related to points 1., 2. and 3.

## INSIGHTS INTO NCUA EXAMINATION

Larry Fazio, Director of the Office of Examination and Insurance for NCUA, provided the ACUMA Conference with “Insights into NCUA’s 2020 Priorities,” a topic sure to be watched by credit unions that want to be prepared for examinations.

In his Wednesday morning presentation, Fazio first shared overall financials that he said showed credit unions were in a good place:

- More than 95% had CAMEL ratings of 1 or 2.
  - Asset growth continues and now totals more than \$1.5 trillion.
  - The average net worth ratio is above 11%.
  - Loan and share growth are “very strong” at around 6%.
  - Real estate loans comprise about 50% of lending portfolios, including 41% in first mortgages.
- Next, Fazio took attendees through a list of points examiners would be looking at closely in 2020. These include:
- Preparation for CECL implementation.
  - Provisions for adjustable and variable-rate loans when LIBOR ends.
  - Cybersecurity practices, which he called a priority of NCUA Board Chair Rodney Hood.
  - BSA compliance.
  - Consumer compliance (FCRA, late fee practices, Regulation E disclosure and error resolution, and Regulation Z APR).
  - Liquidity.
  - Credit concentration risk.



Larry Fazio

## WINNING THE BATTLE FOR CUSTOMERS

Wednesday morning, Keynote Session speaker John Cabell, Director of Wealth and Lending Intelligence at J.D. Power, presented research to show how credit unions can be “Dazzling the Mortgage Customer.”

Cabell’s talk revolved around three points he said were necessary for success: dealing with urgency in the marketplace, being noticed during the customer’s shopping phase and winning the battle of customer experience.

Cabell said urgency has never been greater and mortgage customer expectations have never been higher. The entry into the market of “fintechs,” companies that use financial technology to gain efficiencies in the market, has helped raise expectations.

Of course, companies such as Rocket Loans have enjoyed success by giving customers quick mortgage approvals, but there is much more out there, he said. For example, a company called Divvy will buy a house for you and rent it back until you are ready to buy it.

“Customers are thinking not only about digital (mortgages), but personal service and transparency,” said Cabell. To compete, you must offer all three.

But first you must get their attention in an increasingly competitive marketplace. J.D. Power research consistently finds that loan shoppers choose a lender on rate and relationship, first and foremost.

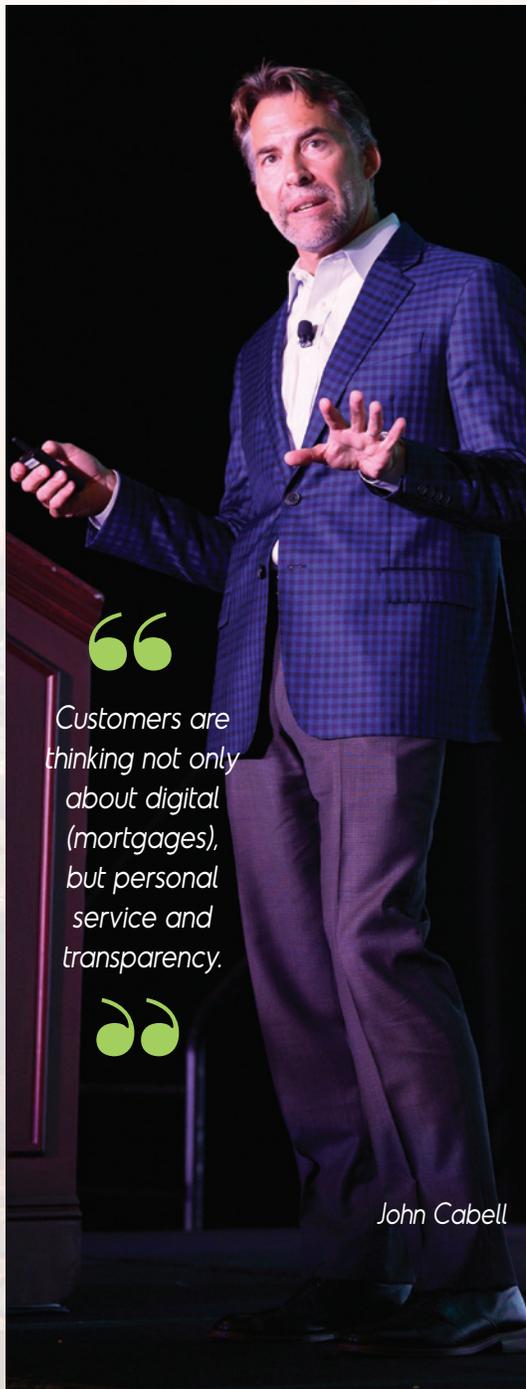
Cabell acknowledged that online resources are playing a bigger role in mortgage shopping. And he said borrowers are waiting until later in the process to find a lender—even sometimes after they have found the home they want (about 25% in 2018, according to J.D. Power research).

But when you ask customers what a digital mortgage is, the most frequent answer is “I don’t know.” However, the perceived

benefits are convenience (24/7 availability) and time-saving (faster loan approval)

And demand for mobile apps is rising, Cabell said, especially among younger consumers. A recent J.D. Power survey showed about 80% of Gen X and Millennial customers would use a mobile app for a mortgage loan. For them, “The website is becoming old school,” he said.

Yet it’s not necessarily speed that wins customers, Cabell said. Trust is a key opportunity in financial services. Gain a customer’s trust and not only will you have their business, you can keep it.



“

*Customers are thinking not only about digital (mortgages), but personal service and transparency.*

”

John Cabell

## OTHER CONFERENCE HAPPENINGS

In addition to the Keynote Sessions, the annual ACUMA Conference includes a variety of smaller “breakout” sessions with topics such as:

- “Mortgage Origination Fireside Chat” with Michael Christians, Regulatory Compliance Counsel, Michael Christians Consulting.
- “Fannie Mae Fraud Update” with Kevin Ludden, Fraud Industry Relations Manager, Fannie Mae.
- “Twenty Tips on Coaching MLOs to Succeed” with Jeff Miller, VP Sales, Sunmark FCU.
- “Mortgage Servicing Fireside Chat” also with Christians.
- “CECL Impacts on Profitability and Risk-Based Pricing” with John Toohig of Raymond James and Masha Muzyka of Moody’s Analytics.
- “Making E-Mortgage Technology a Reality” with Amy Moser of Mountain America CU and Caleb Cook of DCU.

During the conference, attendees could visit the Digital Mortgage Showcase for individual discussions and demos from a variety of vendors. Also open during the event were booths of ACUMA’s sponsors in the Exhibit Hall adjacent to the conference hall.

Social events—all included with registration—featured Sunday night’s opening reception, a wine and cheese reception Monday evening, and hot breakfast and lunch buffets on Monday, Tuesday and Wednesday.

During the evenings, attendees were free to check in with work at home (briefly, of course), join sponsor events (such as dinners, happy hours and nightclub events) or spend time exploring on their own.



The Digital Mortgage Showcase fostered many discussions during the conference.

# OPENING THE DOOR TO OPPORTUNITY

## ‘CRUCIAL CONVERSATIONS’ AT PRE-CONFERENCE WORKSHOP

ACUMA kicked off its 2019 Annual Conference with a new twist: a Sunday afternoon workshop. The theme: talking about having important—and often difficult—discussions in the workplace.

This 2½-hour workshop on “Crucial Conversations,” sponsored by the Federal Home Loan Bank of San Francisco, explored how to handle emotionally charged, high-stakes at-work discussions among people with significantly different opinions.

The well-attended session proved timely and relevant for mortgage executives dealing with crucial situations such as explaining compensation changes, responding to an objection or seeking to improve performance coaching.

Workshop presenter Stephen Childs is a founder of VitalSmarts, a consulting company specializing in leadership development. Childs engaged the audience in an active learning process to increase retention and post-learning application.



*Stephen Childs leads the workshop discussion.*





*The “Crucial Conversations” workshop grabbed and held the full attention of attendees who discussed challenges and engaged in role-playing to help understand how to deal with difficult situations.*

# OPENING THE DOOR TO OPPORTUNITY

## SCENE AND NOTED



*In addition to great education and networking, the conference brought people together for food, fun and even a bit of frolic. Of note: ACUMA's Bob Dorsa (in photo on right, second from bottom) receives applause from hotel staff for another successful conference.*



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