

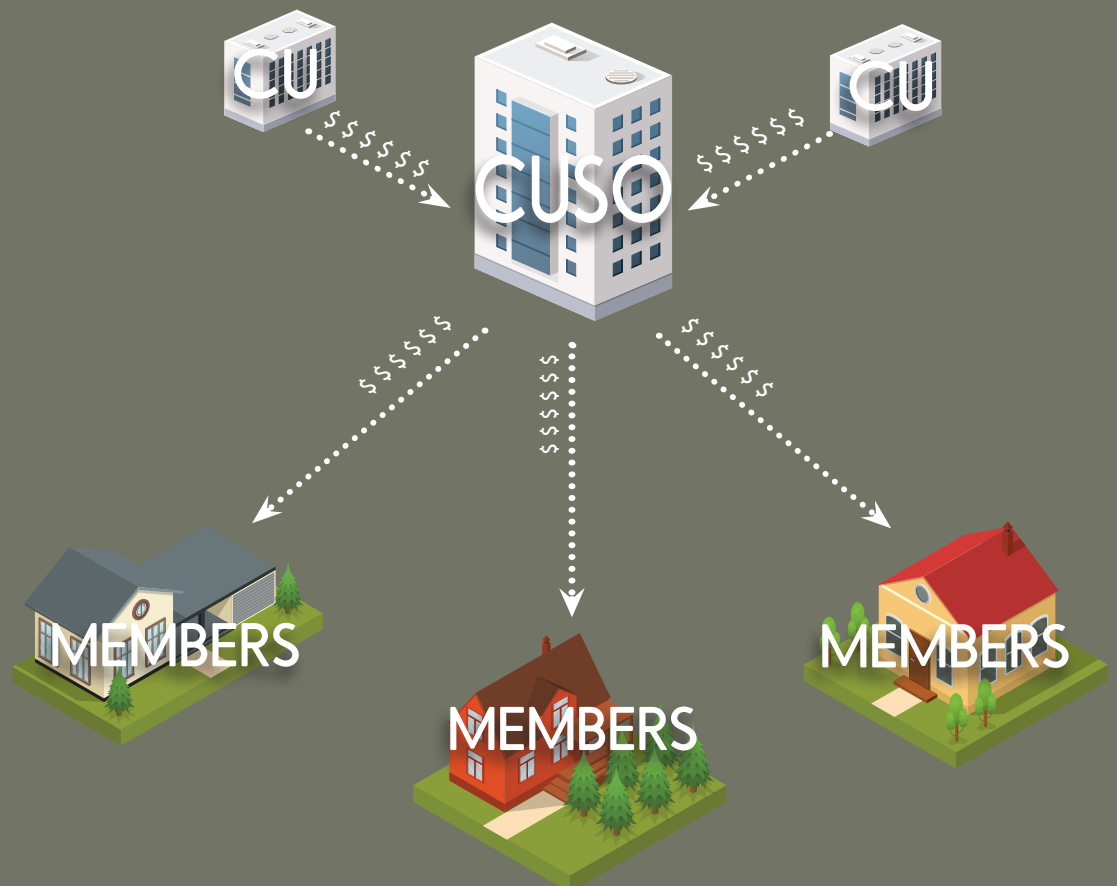


# For Maine CUSO, Mortgage Loan Promise Guarantees Success

By Tom Burton

In mortgage lending, scale of operation often enters the discussion. In other words, the bigger, the better.

Well, yes, but it works on many levels. Fact is, you don't have to be a billion-dollar credit union to successfully make loans to help your members purchase homes. The cooperative spirit of credit unions has shown that to be true.



Through Credit Union Service Organizations (CUSOs), credit unions have joined together, especially smaller ones, in a cooperative effort to boost their scale of operation and make mortgage loans more attractive to members.

One of these CUSOs happens to be thriving in the state of Maine.

CUSO Home Lending, owned by Maine credit unions and the Maine Credit Union League, has been originating and servicing mortgages since 1993 with a variety of loan programs for low-income and first-time homebuyers, as well as moderate- to higher-income borrowers.

Its mission “is to provide consumers—credit union members as well as non-members—with a full menu of competitively priced residential mortgage products with extraordinary courtesy and exceptional service.”

### WHAT HAPPENS IN MAINE...

CUSO Home Lending currently services more than \$1.5 billion in loans—all from Maine. So far in 2017, the CUSO’s pipeline is 70% purchase loans.

CUSO Home Lending offers a full line of mortgage options, including conventional fixed- and adjustable-rate mortgages, VA and FHA loans, rural housing, and Maine State Housing loans. But it’s most popular program is the CU Promise Loan, a loan held in credit union portfolios.

“There are savings in not selling to the secondary market,” notes John Reed, CEO of CUSO HOME Lending, who also works as President & CEO of Maine Savings Federal Credit Union.

CU Promise loans are placed in pools with each credit union sharing in the pool, using a traditional participation strategy. The program, created in 2010 and marketed through-

out the state, is built on a promise that guarantees same-day loan decision, on-time closing and local servicing.

“You tell us when you want to close, and we will do it,” Reed says.

If the CU Promise Loan doesn’t meet the promise, the CUSO makes a \$500 payment per individual—something Reed says it has never had to do. (There are qualifying conditions, of course, such as the promise doesn’t apply to applications for pre-approvals or refinance; same-day decision and on-time closing subject to receipt of required documents and “same day” excludes weekends and federal holidays.)

### WIN-WIN FOR CREDIT UNIONS, MEMBERS

Since all CU Promise loans are credit union portfolio loans done via participations, there are multiple benefits on all sides of the transaction.

By taking just a piece of each mortgage loan, a credit union earns interest income but is well diversified from an ALM standpoint. The CU can fund members’ mortgages while mitigating interest rate risk, creating great geographic diversification and sharing in any loan losses (which have been minimal).

Participating credit unions have earned well over \$72 million in interest income since inception of the program.

Members benefit, too, by dealing with their local credit union, thereby receiving consistent, excellent personal service. They save significant dollars by not having to pay for mortgage insurance on 90% LTV loans and by paying no agency delivery fees.

Reed estimates that since the pro-

gram started, credit union members have saved more than \$31 million in fees that banks would have charged.

### PROMISE LOAN PROVES POPULAR

The loan program, offered through the CUSO by 28 Maine credit unions, has been well received by consumers who are impressed by the guarantee. The continuing marketing campaign keeps awareness at a high level, too. And a CU Promise-branded website collects leads.

Reed says the program was built on the assumption that the purchase-money market would return—not a given back in 2010.

It’s also built on differentiating it from the competition: the CUSO has on-time decisions and closings, local servicing (no loans are sold; any issues are handled locally), and with 10% down payment, no PMI is required.

Program volume for closed loans was \$50 million in 2012, soon after things got rolling. In 2016 it topped \$145 million. Since inception it has closed more than \$562 million in loans with an average loan amount of \$182,000.

There are two loan options.

The CU Promise 90 loan has a 90% maximum loan-to-value and 50% maximum loan-to-debt ratio with a minimum 640 credit score. Down payment may come from any source and mortgage insurance is not required.

The CU Promise 97 loan has a 97% maximum loan-to-value and a 50% maximum loan-to-debt ratio with a minimum 640 credit

score. Down payment of 3% must be the borrower’s own funds and mort-



John Reed



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gage insurance is required.

Credit unions are getting “dozens of new members” who join to take advantage of the CU Promise loans, Reed says. Some of the business comes through real-estate professionals. “Realtors are having customers call the credit union to join and actually ask for the CU Promise loan,” notes Reed.

Credit unions can join the CUSO for a promise of booking \$2 million in loans. “This commits the credit union for a period of time,” Reed explains. Each credit union participating must also comply with service quality standards. In return, the CUSO helps train loan officers to originate mortgage loans.

### ENSURING SERVICE QUALITY

To “guarantee” success, the CUSO adheres to a strict process. When a CU Promise loan comes into the CUSO, the contact information is immediately passed to the appropriate credit union. The CU loan officer must then attempt contact within

three hours. That’s right, “hours.” Usually, contact is almost immediate.

A completed CU Promise loan application must be immediately registered and uploaded to the CUSO. And when the CU loan officer hits the “submit” button for the loan, the 24-hour clock for the “decision promise” starts ticking.

To make it all work efficiently, CUSO underwriters guarantee returned phone calls or emails within two hours. Conversely, a CU loan officer must also guarantee returned calls or emails within two hours. If a loan officer needs someone for an immediate issue, a CUSO receptionist will find them a “live body.”

Same-day communication is guaranteed for Realtors and homebuyers by both the CUSO and the CU, although the credit union loan officer makes almost all contact.

For the closing-date promise to be

met, all loan conditions must be received at least 10 days prior to closing. And, Reed notes, closing day is “pay-day” for Realtors, so they love it.

All this with a delinquency rate of just 0.46%.

Examiners give the program a top-notch rating, Reed says. “We are among the top two lenders in the purchase arena among all Maine financial institutions,” he adds.

Reed sees continued growth for the CUSO and CU Promise loan program. And he offers a word of advice for credit unions hanging back on the purchase-money market:

“Credit unions that don’t tackle purchase-money business will fall by the wayside and remain irrelevant in the marketplace.” ▲

*Tom Burton is a freelance writer and editor who worked in the credit union industry for 10 years. Prior to that, he was an editor and manager at a daily newspaper.*

“  
The CU Promise loan is built on a promise that guarantees same-day loan decision, on-time closing and local servicing.”



## MARKETING THE CU PROMISE LOAN

### OBJECTIVE:

Develop CU Promise brand and continue to establish it as the top-of-mind choice for brokers and consumers (including current credit union members)

### STRATEGY:

Implement a comprehensive campaign focusing on key points of differentiation. Make messages memorable through light humor and emotion.

### TACTICS:

Deliver the message through multiple channels to maximize reach and targeting potential, and repeat over time to drive home the message.

### BACKGROUND:

- Launched in 2010 with significant media buy statewide.
- Launched with three TV spots, radio and print.

- Messaging focused on guarantees.
- TV spots added to keep fresh and elevate the message from general awareness to brand-driven emotional appeal.
- Branded website allows easy lead collection.
- Have added social media search engine marketing, other digital.

### CHANNELS:

Television: Focus on local news broadcasts, live events and “must see” TV.

Radio: A variety of music formats, as well as Red Sox baseball broadcasts.

Newspaper: Very little spent here.

Digital: Hulu, realtor.com, for example.

Search Engine Marketing: Google AdWords.

Social Media: Facebook.