

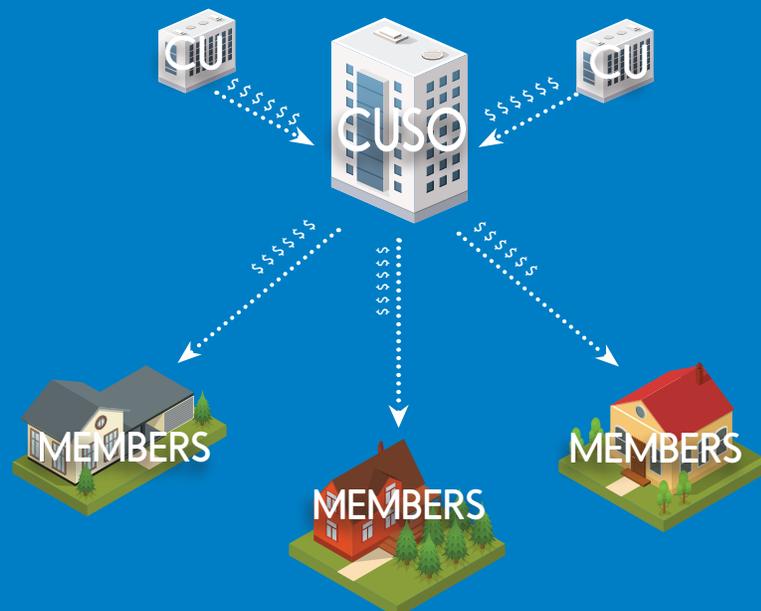


Kansas CUSO Keeps on Growing, Keeps on Servicing All of Its Loans

By Tom Burton

When Hutchinson Credit Union Vice President of Lending Todd Brunner set out to service mortgage loans in 2004, not many people gave him a chance to succeed.

Brunner's idea—to create a Credit Union Service Organization (CUSO) to buy loans from local credit unions, sell the loans into the secondary market and, importantly, keep all servicing on the loans—was met with lots of pessimism. Not enough business, too expensive, too complicated, were some of the “naysayer” comments.



“They said, ‘You’re crazy. You’ll never be able to get the numbers up,’” recalls Brunner, now President and CEO of the CUSO, Members Mortgage Services, based in Hutchinson, a city of about 42,000 in central Kansas. “But with a collaborative effort, we did it.”

You bet they did.

The CUSO that began at Brunner’s credit union (now called Heartland Credit Union) in partnership with Credit Union of America in Wichita, Kansas, includes 38 credit union owners and handles servicing for \$1.5 billion in mortgage loans originated through those credit unions in four Midwestern states—Kansas, Missouri, Nebraska and Iowa.

SUCCESS THROUGH COLLABORATION

The idea is all about collaboration. The CUSO helps credit unions that can’t keep all the loans in their portfolio due to the size of the loans and the interest-rate risk, as well as increasingly complexity of loan regulations. Members Mortgage Services buys those loans, handles the loan sales and co-brands the servicing with the individual credit union.

The credit unions are happy to make the loan; the members are happy that they make their payments to a credit union company that won’t sell the servicing—someone they can contact with any questions they might have.

The CUSO’s 36 employees include a team that fields calls from borrowers. “They help the member directly,” Brunner says.

And some CUSO employees work remotely—“If the job fits,” Brunner

says. For example, Members Mortgage Services has an underwriter based in Ohio.

The secondary-market business is mainly with Fannie Mae and Freddie Mac, but the CUSO also provides FHA, VA and USDA products. Most loans are fixed-rate, 30-year mortgages, but adjustable-rate and balloon loans are also possibilities, although they comprise a low percentage of the CUSO’s business, Brunner says.

Brunner has seen a shift from refinancing to purchase money. In 2017, he said the CUSO has handled 75% in purchase money. “Even though rates are still very low, we’ve had so many refi’s over the past 10 years that I think we’re finally done with that,” he says.

LOAN SERVICING HAS ‘LOCAL’ FEEL

Brunner notes that a goal of the CUSO is to keep the loan servicing feeling “local” so the credit union member borrowers know who they are dealing with, can get answers to their questions within the credit union space, and be assured that their loan servicing won’t be outsourced.

“Our philosophy from Day One has been that members

want to get a loan directly from their credit union, not an outside entity. So we focus on equipping and enabling the origination process at the credit union,” Brunner says.

The philosophy has fueled a steady growth for the CUSO, which now services about 13,000 loans and handled \$300 million in loan originations last

year. “That number has grown each year as our credit unions get better at what they do, and we add new customers,” Brunner says.

“Our portfolio has averaged 35% annual growth in 13 years” since inception, he notes.

Another impetus for the CUSO creation was the limited options for selling loans by credit unions that were not large enough to afford the investment to do it themselves. “For years we had been selling [loans] to banks and aggregators,” Brunner says. “And it felt terrible.”

With the CUSO, “Members don’t have to worry about their loan being sold again and again,” Brunner says. “Instead, they can work with a trusted company owned by their credit union.”

To join the CUSO, a credit union goes through a “not too terribly difficult” approval process, Brunner says. The owner credit unions are enjoined to support the program by “hiring competent mortgage professionals.”

Credit unions are in charge of their own marketing, but Members Mortgage Services has created generic marketing campaigns “they can plug in and use,” if desired, Brunner says.

An arrangement like a CUSO is something well-suited to credit unions. “The credit union industry is great about collaboration,” he notes. “We share information and learn from each other—something rarely encountered with our banking competitors.” ▲

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