

Differentiate to Thrive

*Promote the Credit Union Member Experience
as Online Mortgage Lending Grows*



By Arch Mortgage Insurance Company

Online mortgages have grown by leaps and bounds. Approximately 19% of homebuyers using the Internet pre-qualified for an online mortgage in 2017—a solid increase over 2016’s 13%, according to the National Association of Realtors® (NAR) “Homebuyer and Seller Generational Trends Report.”

How much will that percentage increase this year?

The rapid growth of online mortgage lending poses a tremendous challenge to CUs. This is especially true of Millennials (ages 36 and younger), 99% of whom reported using the Internet for at least a portion of their home search, according to the NAR’s 2017 “Real Estate in the Digital Age” report.

And in a recent survey by Velocify, 48% of respondents who got their mortgage in the past year said they found their lender online.

Today’s home shoppers usually get started by casually looking at homes online. Advertising technology then ensures they’ll then start seeing online banner ads and pop-ups promot-

ing “Qualify for a Mortgage Now” or “Lock in Our Lowest Rate Today” whenever they browse the Internet.

For potential buyers who don’t know the size of the mortgage they

can qualify for (or who fear being turned down), these pre-qualifying offers tempt them with both the convenience of a quick answer and the anonymity of the online environment. Once a buyer is pre-qualified, the online lender is able to use the applicant’s information to send mortgage offers and messages promoting the ease of obtaining a mortgage at home, in the evening or on weekends.

CUs lose out because these buyers are not aware CUs offer not only mortgages at competitive rates, but something else as well. CUs have the local expertise and personalized attention that online lenders can’t match.

THE SECRET WEAPON: CUSTOMER EXPERIENCE

Going into 2018, the business catch phrase is “customer experience.” High-tech firms have identified a superior customer experience as the key difference that enables companies to succeed in a competitive environment. A satisfied customer is more likely to choose the same company for repeat transactions and refer friends, family and co-workers.

Ironically, customer experience is one area where online lending firms, despite their armory of algorithms, can’t compete with CUs.

The heart of the CU customer experience is membership. Many potential homebuyers in your community just don’t know the benefits that CU membership brings. By going online for a mortgage, they’re sacrificing a unique opportunity to gain not only a mortgage at a competitive rate, but a trusted financial advisor throughout

the entire loan cycle.

How do CUs make potential buyers aware that the CU customer experience beats the automated process of the online lender? One strategy for 2018 is for CUs to drive home the benefits of membership before members begin the path to homeownership.

Consider a major boost in the frequency and the urgency of your messages on the advantages of CU membership in getting a mortgage, including:

- CU loan officers have the knowledge and experience to help aspiring homebuyers understand loan requirements and mortgage options.
- The comfort of a familiar face advocating for the homebuying member and responding swiftly if challenges or delays arise.
- A deep reservoir of knowledge about value trends in neighborhoods across the community.
- The lower rates and fees that result from CU nonprofit status, the better credit profiles of fellow members and their lower risk of default.
- A trust relationship built over years, starting with a savings or checking account and progressing through car loans and mortgages.
- The security of executing documents in person rather than uploading large bundles of sensitive paperwork to an unfamiliar website.
- The greater underwriting flexibility CUs can offer members they've known for years.
- CU mortgages don't come with hidden fees and costs that, according to media reports, have been assessed by some online lenders.

The last point merits careful consideration. Dealing with an established, trusted CU is especially important in light of reports of non-bank mortgage lenders facing fines and sanctions by the Consumer Financial Protection Bureau and Ginnie Mae over the past two years. Several cases involved refinance deals in which homeowners paid significantly higher interest rates than traditional lenders typically charge.

MAKING THE DIFFICULT STEPS EASIER

The long list of CU mortgage benefits can be summed up in one statement: Delivering a truly superior customer experience.

Online lenders provide call centers and email addresses for customer contacts. When a borrower is asked to supply a document to the lender for the second time and wants to know why, navigating through a menu of phone options can escalate their frustration. CU members can rely on a loan officer they know and trust to provide clear answers, which is especially valuable if problems crop up.

Due to the complexity of the mortgage process, few CU members even realize all the actions loan officers are taking to understand their needs, eliminate issues before they exist and reduce friction throughout the process.

The rewards of successfully balancing all of these elements to create a great customer experience are high satisfaction levels, enthusiastic homebuyer referrals and repeat business.

Before the application is even filled out, CU loan officers must ease the anxieties of prospective homeowners as they transition from shopping for a home to actually buying. According to the NAR's 2017 survey, home shoppers ranked the most difficult steps in buying a home as:

1. Finding the right property.
2. Paperwork.
3. Understanding the process.

It's up to the buyers to choose the property, but CUs are ready to help with paperwork and process.

PAPERWORK

While online mortgage lenders like to boast about the minimal paperwork required—with the inevitable minimal level of explanation or support—

CU customer experience takes a different approach.

Apprehensive members appreciate CU experts who walk them through the process in person, document by document. Some CU loan officers are also having success in delivering an even higher level of customer service by meeting with members in their homes or workplaces, often after regular business hours.

The enhanced security of processing paperwork in a familiar setting is becoming increasingly important to potential homebuyers as they see more and more media reports on outbreaks of Internet-based identity theft and security breaches.

UNDERSTANDING THE PROCESS

Online mortgage companies use algorithms to prompt shoppers to complete each step in the process of buying a home, but CUs are much better positioned to educate members up front and explain the process as it unfolds.

Some CUs are building on those advantages by offering or expanding first-time homebuyer education programs, including homebuying seminars. Those education sessions can also be presented with local real estate agents to provide even more local market expertise—and attract new members.

INCREASED HOMEBUYER DIVERSITY

Because of changing demographics among homebuyers, it's also important that advertising and educational materials reflect a population that is becoming increasingly diverse. According to NAR's 2017 report on homebuyers:

- Single women now account for 17% of all homebuyers.
- Hispanics have a 7% share of homes purchased. (See related stories on Pages 26-28.)
- Mature buyers (ages 37 and up) make up one-third of the first-time buyers.

Credit unions know their communi-

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ties and their changing demographics, and have experience with the unique housing needs of diverse populations. This enables them to match homebuyers to an appropriate loan program rather than taking a “one-size-fits-all” approach.

Online mortgage providers may attempt to reach out to these groups with targeted Web-based advertisements, but online promotions are rarely as effective as in-person events or printed materials from a trusted source that really knows the local scene.

Reaching out to single women, as an example, could include an article in a CU newsletter or even a homebuying seminar with a title like “A Two-Bedroom Home for One.” An article or ad could feature a member testimonial about buying a home for one.

At a time when many singles (including both women and men) don’t see themselves as potential homebuyers, these kinds of promotions and events showcase your CU as an advocate for their interests and prompt the type of renting-vs.-buying discussions that can lead to home ownership.

Internet users aren’t likely to give the messages of online mortgage providers the same level of attention as printed materials you distribute in your office or through the mail. According to the Direct Marketing Association, the response rate to email is 0.12% (less than 1%), while direct mail generates a 4.4% response rate.

CUs should engage members considering homeownership with a homebuyer seminar targeted to their interests. Potential topics could include:

- Financing a Multi-Generational House and Granny Apartment.

- Five Things Older First-Time Homebuyers Should Know.
- Building Equity Every Month and Avoiding Rent Increases.

CUs can also team up with real estate agents who specialize in specific market segments to include topical subjects like coastal living (including popular lakes), the trend of senior couples moving back into cities, environmentally friendly homes and more.

Homebuying seminars are part of a highly personal approach to customer service that set CUs apart from what online lenders can deliver. These events are also an excellent way to spotlight the CU’s loan officer during the event and in invitation mailings and other promotions leading up to the presentation.

Using seminars and other opportunities to highlight the CU’s loan officer helps prepare future homebuyers to think first of that individual—and your CU—when they begin getting serious about applying for a mortgage.

SUPPORT THROUGHOUT THE LOAN CYCLE

CUs also command a final advantage in the customer experience process. When homeowners run into difficulties or the economy weakens, an online lender is unlikely to provide the quality of support that CUs routinely offer their members.

One lesson of the Great Recession was that CUs were better able and more motivated to reach out proactively to members in crisis, having a greater familiarity with their individual situations. CUs

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focused on providing tools and workout options to help members keep their homes.

Online mortgage companies, with their dedication to a minimum of staff and a maximum of automation, are perceived to be fair-weather lenders. While the member might find their low rates and the promise of no hassle appealing in the early stages of homebuying, the flip side of this sales pitch is that there’s no one person to call when a serious life event prevents timely loan repayment.

SELL THE CUSTOMER EXPERIENCE

Homebuyers in your communities need to know what they’re missing out on when they choose an online lender. CUs have a compelling story to tell and an exceptional customer experience to promote.

Some of the shortcomings of online mortgage lenders will become apparent over time, but CUs shouldn’t wait. In 2018, get the word out to your community: CUs offer the best customer experience for any hopeful homebuyer. ▲

Arch Mortgage Insurance Company provides mortgage credit default protection using proven systems supported by experienced professionals dedicated to making customers the top priority and providing outstanding service with a personal touch. Arch MI believes in the value of mortgage lending, and of providing credit union customers with products and services to help their members achieve home ownership For more information, visit micu.archcapgroup.com.

ARTICLE SOURCES

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