PIPELINE

ACUMA

Summer 2023

CREDIT RATE SCORES TRENDS APPRAISAL BIAS HELOC REFINANCE CYCLES LIQUIDITY PRESSURES APPLICATIONS DEIA FHLB LOS TECH SYSTEMS

BREAKING OUT OF YOUR COMFORT ZONE

MORTGAGE LENDERS STEP OUT OF THE BOX TO MAKE THEIR MARK

PIPELINE MAGAZINE

ACUMA

The ACUMA *Pipeline* is a publication of the American Credit Union Mortgage Association, 6907 University Ave, #331, Middleton, WI 53562

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WHO WE ARE

ACUMA is an organization of and for credit unions, dedicated to the simple principle that credit unions have both an obligation and a competitive need to become a "premier provider of home loans for their memberships."

ACUMA brings together the shared real estate lending and financing interests of credit unions and CUSOs.

ACUMA member organizations include federal- and state-chartered credit unions and CUSOs, mortgage insurance companies, secondary market investors and investment banking firms, and technology companies operating in the field of mortgage banking.

ACUMA's MISSION

To be the premier source of home lending information, networking, and advocacy opportunities for credit union home finance professionals.

A MESSAGE FROM ACUMA PRESIDENT

Peter Benjamin, CMB

It's the End of the Beginning

ACUMA Embarks on the Next Leg of Its Professional Journey

By Peter Benjamin, CMB

A journey of 1,000 miles begins with a single step.

We've all heard that cogent observation before, often attributed to the Chinese Taoist philosopher Lao Tzu. Every successful enterprise, it seems to say, starts small and requires great commitment to see it through. More than 25 years ago ACUMA started small, and through the support of its members and affiliate members and the commitment and leadership of its various board members has grown into a community devoted to helping you better serve your members. End of story, right?

Ah, not so fast. I see it as the end of the beginning of ACUMA's story, a period during which our organization started out, found its sea-legs, and set sail in service to our members. *Pipeline Magazine*, first published as a way to educate our members, has featured the ideas and insights of some of our industry's best and brightest professionals. In fact, the issue you hold in your hands is the largest issue we've ever published thanks to the selfless contributions of so many experts dedicated to supporting our community. As with past issues, I want to thank each and every author for supporting our organization and its mission to serve credit unions.

At the same time, I have to announce that this is the **very last issue** of *Pipeline Magazine*.

With an economy in ferment and competitive landscapes that change every day, static — and possibly stale — information on a page is no longer useful enough to our members. If you've been watching carefully this year you know that ACUMA has been rapidly moving to digital services, including podcasts, webinars and other forms of virtual communication and education. The authoritative sources are still very much present, but we believe that news and education that's more readily available in real time and at your fingertips allows us greater relevance in meeting your day-to-day informational needs. This change to all-digital is our commitment to you so that you can — as the theme of our farewell issue states — make your mark on the families your credit union serves.

In fact, we aim to help you make that mark — however you define it — as you move forward on your own journey of 1,000 miles, clearly a metaphor for your path to success. That journey never comes in a straight line, nor is it free from false starts, perils, interruptions, and uncertainty. If you hold true to your vision and your commitment and pursue that journey with all your heart, you will reach your goal.

That's something I know from personal experience.

My professional journey has taken me down many roads, under the tutelage of some great mentors, ultimately landing me in the credit union side of the mortgage industry. That connection unlocked in me a passion for service that I didn't know I had, and I loved having the ability to help put people in homes, achieve financial security and, in many cases, fulfill their lifelong dreams. I thought I had arrived at the end of my journey.

But I was wrong. As the market changed in 2020, the numbers took on greater importance than the people I served. Growing competition made monthly sales goals of paramount importance. My ability to help people was taken out of my hands almost as quickly as it arrived. I knew I couldn't spend my life doing that job any longer.

But I still had this same body of knowledge and the same goal of helping people build financial security through homeownership. I heard ACUMA was looking for a new president and told the recruiter filling the position that I might have something to offer the organization and its members. My name was submitted as a potential candidate.

End of story? Not by a long shot.

I went through multiple levels of screenings and interviews, each time feeling less and less confident that I was right for the job. My lack of confidence grew, and I found myself withering at the thought of failure. My journey had hit what I perceived to be endless roadblocks, with nowhere left for me to turn. Then something happened that none of us in the Benjamin household had expected.

On a family journey to visit my brother in northern Virginia, one of our twins, Harper, then only one-and-a-half-years old, had a seizure. Far from home, we were beside ourselves with worry. She never had similar issues before, but we were taking no chances and went to the nearest hospital emergency room to seek treatment. While there, the emergency room doctors worked diligently to understand what was causing seizure after seizure, and finally admitting us for further testing and monitoring. My wife stayed with Harper for three nights, while I took our son and the other twin back home — roughly an hour away.

I'd load the kids into the car and make the journey back to the hospital every day, dropping them off at my brother's house so I could be with my wife and Harper. Then on the last day, the recruiter emailed me saying that he had an update on the ACUMA position. My professional journey was uncertain, either for good or bad, but my personal journey was taking me in a different direction and my daughter took precedence. I emailed him, explained the situation, and told him I didn't have time to talk right now. Given how much I wanted the job, that was a risky move, but it was a move I had to make.

Several hours later ACUMA's then-Chairman Tim Mislansky called and left a message. He understood our situation and wished us the best. The Board had decided to offer me the job, and once our personal life had settled down could I please call him for more details.

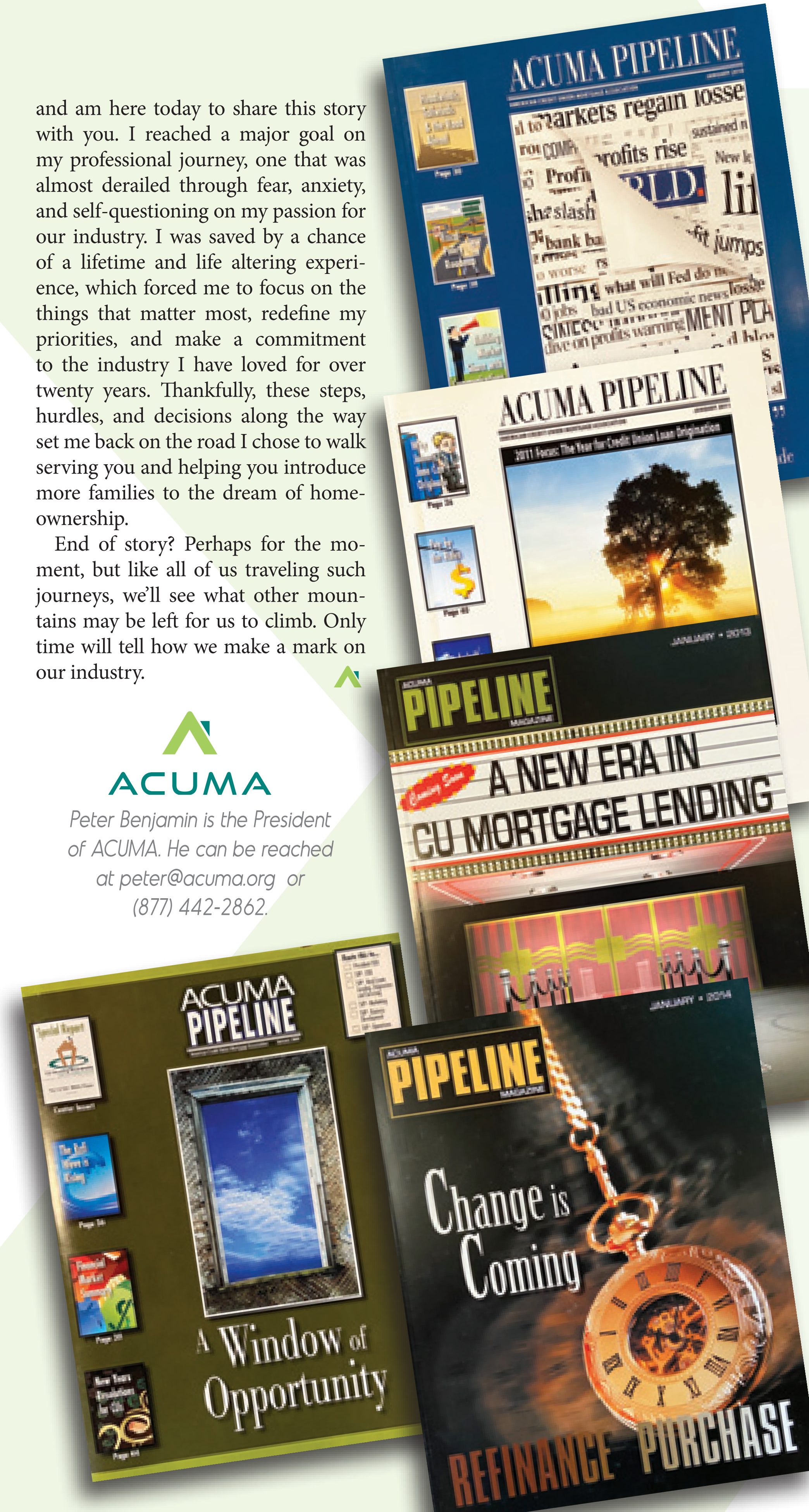
After weeks of self-doubt, fear, anxiety, and then the sudden scare of a lifetime with our daughter, I suddenly found out that I had reached a significant milestone on my professional journey. I broke down and wept.

Our daughter recovered, we watch her carefully every day, and, I'm happy to say she is the happiest and most loveable of all our kids. Obviously, I reached an agreement with the ACUMA Board and am here today to share this story with you. I reached a major goal on my professional journey, one that was almost derailed through fear, anxiety, and self-questioning on my passion for our industry. I was saved by a chance of a lifetime and life altering experience, which forced me to focus on the things that matter most, redefine my priorities, and make a commitment to the industry I have loved for over twenty years. Thankfully, these steps, hurdles, and decisions along the way set me back on the road I chose to walk serving you and helping you introduce more families to the dream of homeownership.

End of story? Perhaps for the moment, but like all of us traveling such journeys, we'll see what other mountains may be left for us to climb. Only time will tell how we make a mark on our industry.

ACUMA

Peter Benjamin is the President of ACUMA. He can be reached at peter@acuma.org or (877) 442-2862.



ACUMA Continues to make an impact

Check out these ACUMA events that could have a positive impact on you and your credit union's mortgage lending programs.

The primary purpose for starting the American Credit Union Mortgage Association in 1996 was to advocate for better quality loans made by credit unions, which was supposed to lead to better pricing policies from Freddie Mac and Fannie Mae. For all of my 25 years with ACUMA, the organization's emphasis was to serve as a "clearing house" for great ideas through networking, educational meetings and other member resources.

Although my time has come and gone, I believe ACUMA should continue to be leader in promoting home mortgage lending education and resources and recognized as such by credit unions and the credit union industry throughout the United States.

Bob Dorsa, Founder and Inaugural President
American Credit Union Mortgage Association

ACUMA's ONpoint PODCASTS

Feel-good 30-minute interviews within the CU world with a focus on mortgage lending.

Fast Track WEBINARS

Featuring ACUMA-designed online conversations with mortgage industry thought leaders.

Inside Track WEBINARS

Sponsor-hosted webinars focused on how a CU client benefited from a product/service.

VIEWpoint REGIONAL SUMMITS

One-day events focused on legislative, regulatory and economic issues in a roundtable format.

FOCALpoint WORKSHOPS

Two-day experiences filled with formal and informal networking opportunities and roundtable discussions to enable you to tap the knowledge of industry experts and your peers.

FOR MORE INFORMATION AND TO REGISTER VISIT ACUMA.ORG

A MESSAGE FROM THE ACUMA BOARD

Barry Stricklin

Clarity, Concentration, Commitment and Community

That's the Start of Making Your Mark

Fresh out of college I set my sights on a financial services career. When I became involved in credit unions, I discovered a new, more humanitarian way to pursue my passion.

I found that it was possible to create sound financial practices, achieve economic growth, and increase an institution's asset base while helping people who needed help achieving their own financial goals. They were called members, not customers, and their economic growth played a significant role in the credit union's economic growth as well. Could there be a more perfect partnership? I doubted it, and my resolve and support of credit unions has only grown over time.

> They were called members, not customers, and their economic growth played a significant role in the credit union's economic growth as well.

I am not ashamed to admit that I initially spent a number of years in the for-profit financial services sector. I learned a lot, most of which was centered around profitability. I feel fortunate to have discovered the credit union industry. That is where I found a way to "make my mark" serving the public in the industry I've embraced and doing the things I have been called to do.

"Make Your Mark" is the theme of this last issue of *Pipeline Magazine*, as well as our upcoming conference in National Harbor, Md., Oct. 1-4. It's not that we ran out of clever ideas for themes; instead, we felt that this theme went above and beyond many we've used in describing ACUMA's *raison d'etre*, as the French folk would say, to describe the most important purpose for someone or something to exist.

> ACUMA exists for you, the members, to help you become more efficient and more effective at what you do.

ACUMA exists for you, the members, to help you become more efficient and more effective at what you do. We want to enable you to better serve the credit union members that rely on you for their own financial success. We want to arm you with the tools you need, the knowledge you seek, and skills and abilities you must develop to be the best at what you do. If you succeed, then to some degree at least we've played a role in helping make that happen. And that's how ACUMA defines success.

> What does it take to make your mark? It's starts with a clarity of vision of what you want to accomplish.

What does it take to make your mark? It's starts with a **clarity** of vision of what you want to accomplish. This is followed by **concentration** on that vision to truly understand its depth and breadth. Once understood, you'll need to make a **commitment** to realizing that vision for the full benefit to the **community** you have chosen to serve. And that's when the hard work begins.

I believe ACUMA itself has made its mark, first as the only organization serving the professional needs of credit union mortgage lenders and doing so for more than 27 years. Second, as an organization that has continued to grow through a variety of executive administrations and boards of directors devoted to keeping its member services on the cutting edge. And third, in evolving those products and services, removing those that no longer serve and instituting new approaches that match current media with the messages the marketplace is sending.

And, as I said, now the hard work begins. Changes in the marketplace, the technology we've come to depend on, and the growing educational needs of those of us working in the field require a more vibrant organization offering more immediate responses to members. One characteristic of those who have truly made their mark is that the "mark" and the achievements it represents are never static. If you're not moving forward, you're falling backward, and then you have to start over again.

> One characteristic of those who have truly made their mark is that the "mark" and the achievements it represents are never static.

Life is a journey — you've heard the phrase before, probably too often. But in a very real sense it is a journey that follows the trajectory of your life through time, hitting milestones of both success and failure as you achieve one goal after another while comparing results to your personal plan. Those of you who have made your mark know how much further you have to go; those who think that they've arrived probably haven't even gotten started.

> Those of you who have made your mark know how much further you have to go; those who think that they've arrived probably haven't even gotten started.

This year I'd ask as many of you as feel ready to embark on that journey, or renew your previous efforts. With clarity of vision gained over time, recommit to those original goals and objectives to reach the community you've chosen to serve as you continue to do the right things for the right reasons.

That is ACUMA's goal, and I'd invite those of you who are committed to such a journey to become more involved in our organization and help us all better achieve the goals that we've set out to meet.

Barry Stricklin serves as the Chairman of the ACUMA Board of Directors, which governs the organization. He is the Senior Vice President and Chief Lending Officer for Tower Federal Credit Union, headquartered in Laurel, Maryland.

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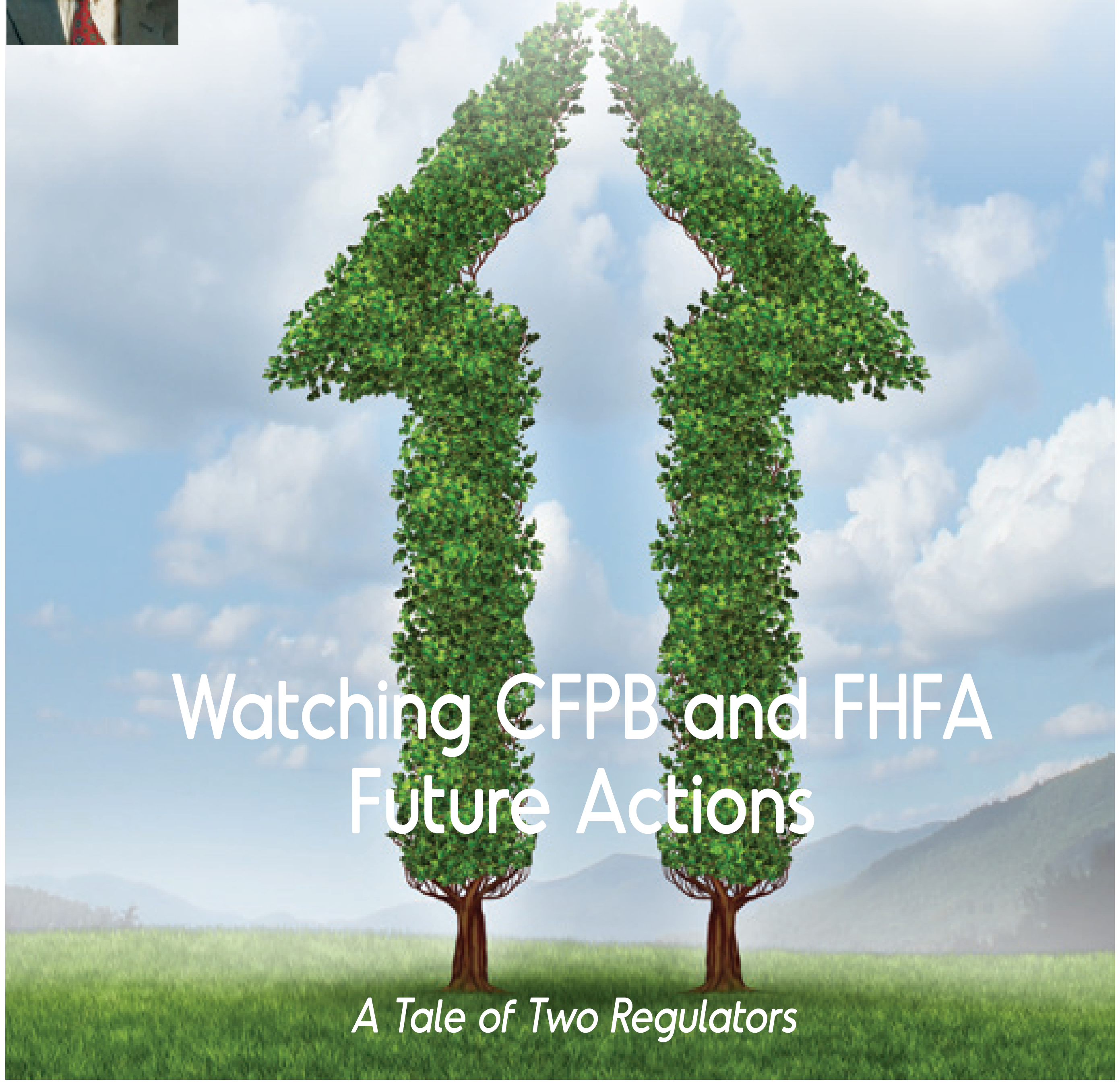


Watching CFPB and FHFA Future Actions

A Tale of Two Regulators

By John J. McKechnie

Complementing the central role that the National Credit Union Administration (NCUA) plays in the daily life of all credit unions, those involved in mortgage lending also have to pay close attention to two other federal agencies: the Consumer Financial Protection Bureau (CFPB), which oversees compliance with the myriad consumer protection laws and regulations; and the Federal Housing Finance Agency (FHFA), the body that regulates the housing GSEs and, by extension, supervises the federal footprint in the housing finance space.

In recent weeks, the heads of these two regulators have given clues, some subtle some overt, that point the way to what credit unions can expect from them for the duration of 2023 and beyond.

ARE CFPB RULES "UNNECESSARILY COMPLEX"?

First, CFPB. In a May blog post CFPB Director Rohit Chopra stated that he was re-thinking his approach to writing and implementing federal mortgage regulations. This was immediately seen by many observers as a signal of broader changes in the Bureau's rulemaking process.

Chopra noted that CFPB rules and guidance are "unnecessarily complex and overly reliant" on the largest players in the mortgage market. The blog outlined Chopra's views on revising CFPB calculation of the Average Prime Offer Rates (APORs) and addressing "weaknesses resulting from single sources of information CFPB uses to write rules." Chopra cited a Freddie Mac market survey as an example of an "inconsistent or unavailable data source that would be supplemented by other input" in the future. He said this latest Freddie episode validates his concern about "risks of relying on complicated reference rates, rather than more robust market-based measures that stand on their own."

> CFPB rules and guidance are "unnecessarily complex and overly reliant" on the largest mortgage market players.

What does this mean for future mortgage-related CFPB rules? Chopra contends he is fostering a "mindset of critical analysis" at CFPB and is asking for public comment on "long-term solutions to ensure system resilience and eliminate unnecessary complexity."

Congressional sources briefed on Chopra's announcement say CFPB will also focus on what Chopra has termed "junk fees" pertaining to mortgage origination and servicing fees that CFPB considers not meeting a "reasonable and proportional" standard. Mortgage payment late fees are also under the CFPB microscope, and new rules of the road could be developed using Chopra's new, broader, and more encompassing methodology.

THEN THERE'S FHFA'S VISION

Another top-of-mind regulator for credit unions is the Federal Housing Finance Agency. FHFA has received significant attention in recent months, and in testimony before the House and Senate FHFA Director Sandra Thompson laid out her vision for what credit unions and other mortgage lenders can expect from that agency for the balance of the year.

The hottest topic that Thompson discussed in her testimony was the decision to rescind fees charged by Fannie/Freddie based on debt-to-income ratio. This move occurred after some critics contended FHFA had improperly increased prices on creditworthy borrowers. Both friends and foes of the proposed fees viewed the episode as a poorly communicated attempt to reallocate costs from higher to lower income borrowers, and Thompson was publicly forced to reevaluate GSE pricing. New guidelines will be announced later in the year.

> FHFA's hottest topic is the decision to rescind fees charged by Fannie/Freddie based on Debt-to-Income ratio.

Thompson also announced updates to two Fannie/Freddie programs that are likely to have an impact on the secondary market. The FHFA "Equitable Housing Finance Plan" will be revised to remove barriers to Latino homebuyers and will also change loss mitigation procedures. The plan will include more details for lenders on financial coaching and other FHFA mandates to provide equitable access to affordable housing for minority consumers. Second, Thompson said FHFA will request input on Environmental, Social, and Governance (ESG) Bonds to be issued by Fannie/Freddie. According to FHFA, "this request seeks to inform future actions by the GSEs to develop and issue social credit bonds which will provide investors with the additional information they seek and promote sustainability, affordability, and equity in homeownership."

Both program updates are expected by the end of 2023.

AN EMPHASIS ON FHLBS

But the major focus of FHFA in the second half of the year will be the publication of its review of the Federal Home Loan Bank System. Thompson announced that the final report on the findings of this comprehensive assessment of the FHLBs, undertaken in the Fall of 2022, will be finalized by the end of the Third Quarter. Expect detailed findings on FHLB mission and purpose in a changing marketplace; their role in promoting affordable housing; FHLB product and service offerings, collateral requirements, and FHLB membership eligibility.

Recent upheavals in the banking sector, in part fueled by FHLB advances to troubled banks, will make this report especially timely, and could modify the future role FHLBs could play for the credit union segment of the market.

In all, moves made by federal actors other than NCUA continue to be worth watching. The regulatory landscape continues to evolve in a more expansive, and more complex direction for credit union mortgage lenders.

John J. McKechnie is a partner at Total Spectrum, a Washington, D.C.-based team of companies providing strategic counsel and effective plan implementation using advocacy, research, communications and political engagement. You can reach him at (202) 544-9601 or jmckechnie@totalspectrumsga.com.

COMPLIANCE CHALLENGES

Kris Kully

Keeping "Apace" with the Issues

CFPB Proposes PACE Underwriting and Disclosure Requirements

By Kris Kully

In 2018, Congress instructed the Consumer Financial Protection Bureau (CFPB) to issue ability-to-repay regulations for property assessed clean energy (PACE) financing. Some state governments offer PACE programs to encourage homeowners to make energy conservation or disaster preparedness improvements to their homes. The jurisdictions provide financing for those improvements through a property tax assessment on the homeowner. The repayment obligation is generally secured by a superior lien on the property. The programs are typically administered through a government contract with private companies that market the programs and enlist the participation of home improvement contractors. Homeowners typically obtain PACE financing through the contractors' sales efforts, and the transactions are often originated quickly at the point of sale.

In accordance with the Congressional mandate, the CFPB's proposed rule would require a determination — similar to that for a mortgage loan — that the borrower will be able to repay the PACE transaction, considering the borrower's income, assets, employment status, monthly payments on the transaction and other obligations, debt-to-income ratio or residual income, and credit history. The borrower's income would have to be verified based on third-party documentation. Also, if a borrower has a pre-existing PACE transaction, the mortgage lender would have to consider the payments on that transaction in its ability-to-repay determination for the new mortgage loan. The proposal would not provide for any Qualified Mortgage-like safe harbor protection for PACE transactions.

DEADLINES FOR DISCLOSURES APPLY

The CFPB's proposal also would require the provision of Loan Estimates and Closing Disclosures (i.e., TRID disclosures) for the PACE transactions. The proposal would modify the content of those disclosures as applicable to the unique transactions, but it would not modify the timing requirements. In other words, the deadlines for providing the disclosures and the waiting periods prior to consummation would apply. In addition, it appears that the tolerance restrictions for amounts disclosed in the Loan Estimate also would apply.

> *Tolerance restrictions for amounts disclosed in the loan estimate also would apply.*

The CFPB also indicates that a PACE administration company or a home improvement contractor may, in connection with a transaction, operate as a "loan originator." Under those circumstances, the proposal would impose on those persons Regulation Z's compensation and anti-steering restrictions, as well as qualification requirements, including licensing and/or criminal background checks.

> *A PACE administration company or a home improvement contractor may, in connection with a transaction, operate as a "loan originator."*

POSSIBLE PROBLEMS FOR LENDERS AND SERVICERS

While PACE programs are laudable in encouraging energy conservation or disaster preparedness, they may cause several struggles for mortgage lenders and servicers. As mentioned above, the property tax lien generally takes priority over a mortgage, even a first-lien mortgage loan recorded prior to the PACE financing. In addition, the CFPB asserts that PACE financing increases mortgage delinquency rates. Since payments on the PACE transactions often are due only annually or semi-annually, the payments can create a sharp, delayed payment shock, temporarily increasing the borrower's escrow payments on an applicable loan by as much as two or three times. Under those circumstances, a servicer may have to advance funds to cover a disbursement or an escrow shortage or deficiency (assuming the servicer is even aware of the PACE obligation).

PROTECTING CONSUMERS

Of course, the CFPB is primarily concerned about protecting consumers. The agency reports accusations of aggressive sales tactics and targets on vulnerable populations in the PACE arena. The parties responsible for originating PACE transactions arguably have little financial incentive to ensure the borrower understands the transaction and can afford to make the tax payments. The CFPB also described tactics like loan splitting or stacking that burden borrowers with multiple PACE transactions. Although the industry has taken steps to self-regulate by promoting best practices, the CFPB seeks to ensure that borrowers receive information about the transactions' costs and terms and have time to consider that information in advance. Additionally, the proposed rule would clarify (consistent with Congressional mandate) that PACE companies substantially involved in making the credit decision would face penalties for a failure to comply with the ability-to-repay requirements.

The CFPB recognizes that imposing an ability-to-repay requirement, along with a TRID-like disclosure regime, may have a significant impact on the PACE marketplace, and may decrease the availability of PACE financing. Certainly, the proposed requirements will slow the origination of the transactions, as PACE companies may be required to gather income documentation, conduct underwriting, provide a waiting period prior to consummation, and allow for a three-day right to rescind the transaction. Imposing those compliance obligations and delays could fundamentally change the way the product is offered.

> *While PACE programs are laudable in encouraging energy conservation or disaster preparedness, they may cause struggles for mortgage lenders and servicers.*

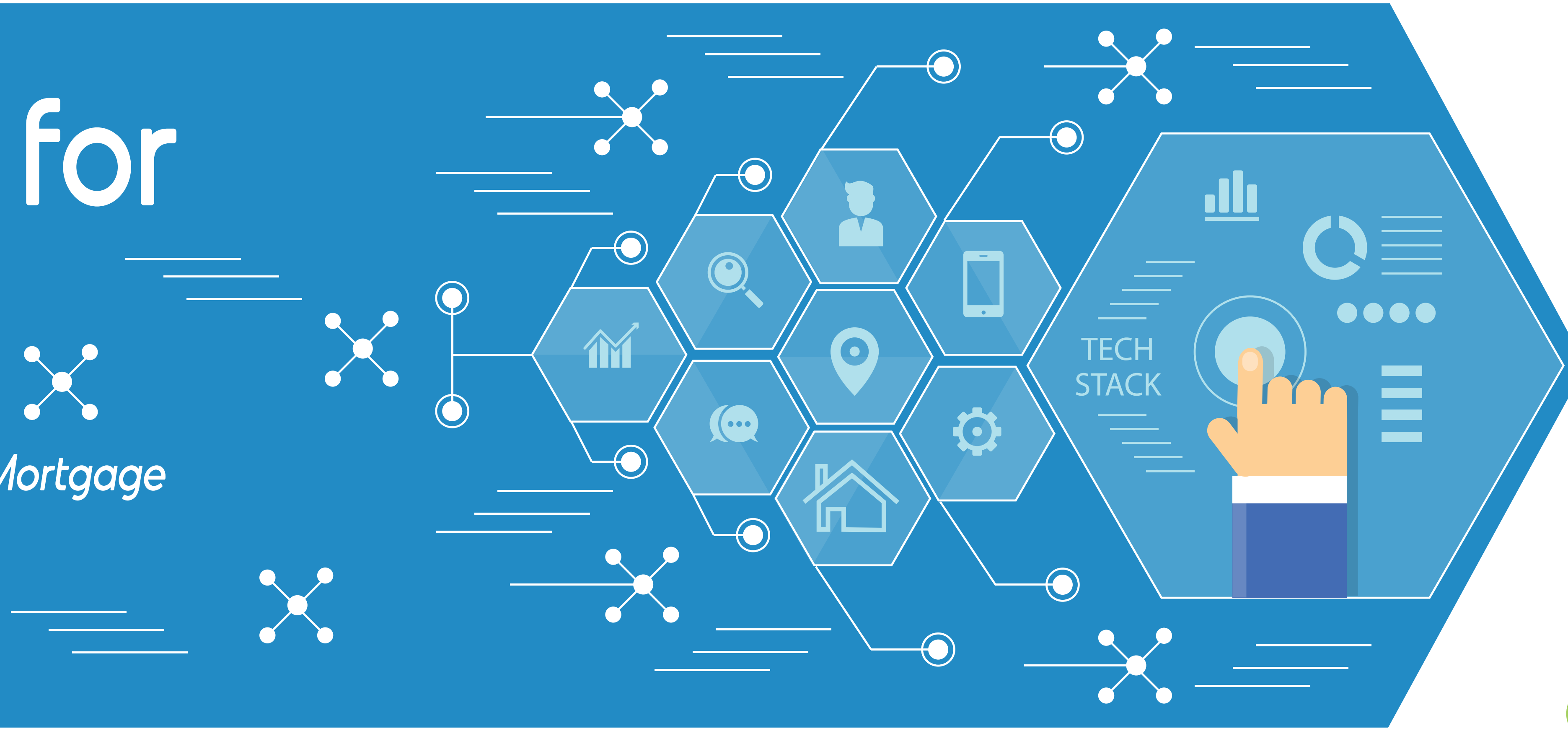
The CFPB issued its proposed rule on May 11, 2023, and comments are due by July 26, 2023. The final rule would be subject to a delayed effective date of at least one year after it is issued.

Kris Kully is a law partner in Mayer Brown's Washington, D.C. office. She concentrates her practice on federal and state regulatory compliance matters affecting providers of consumer financial products and services. Kully is a former lawyer for the Department of Housing and Urban Development, where she provided legal counsel on the mission oversight of Fannie Mae and Freddie Mac, the interpretation of the RESPA and the implementation of housing assistance and community development programs.

Planning for Change

Ready to Invest in a New Mortgage Origination Platform?

By Andrew Weiss
Blackfin Group



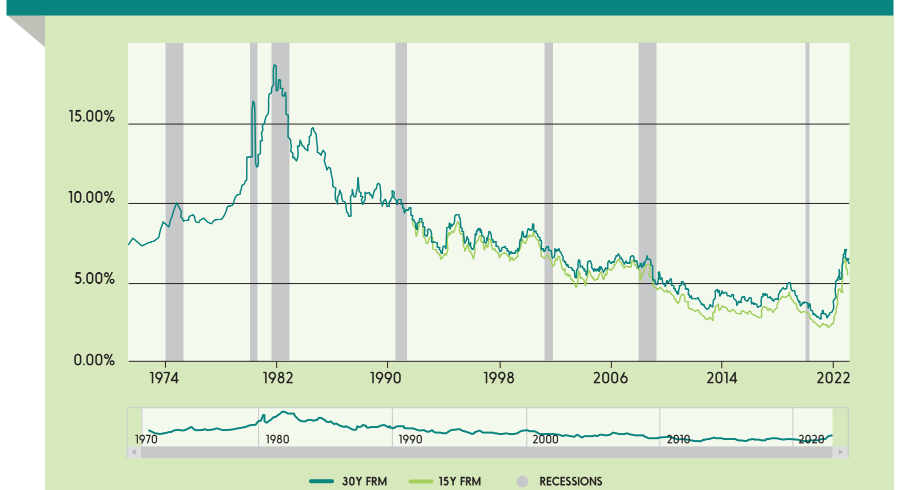
It is no secret that the mortgage origination business has hit a tough patch. Total originations this year are expected to top $2 trillion, just 50% of the 2020 high. In addition, refis are far below the historic highs of 2020, with 2023 refis projected to be only a quarter of their previous volume. Industry layoffs and major companies pulling back from the market have been splashed all over the news. So, with that backdrop, is now the time for lenders to invest in new technology to improve their origination platforms?

The appropriate answer is, "It depends".

To make the most informed decision, let's start by looking across a broader sweep of time. Roughly 40 years ago, 30-year-fixed mortgage rates were at their peak with an unbelievable rate of 18.28%. Between the turn of the millennium and 2019 those same rates have logged between 4.0% and 7.5%, putting our current average rate around 6.25%, well within historical norms (see chart). Furthermore, 2023 origination volumes are projected to be higher than any year from 2008 to 2019, and longer-term forecasts see volumes rising.

Those of us who've been in the mortgage industry a long time have been through classic "boom and bust" cycles. When businesses is plentiful, we're all too busy to make major changes, and when times are lean, we're afraid to spend the money. And while the demands of credit union members require an increasingly better online experience and the demands for better tools by your team have increased, it's led to increased technology spending in recent years. All the while, the fundamental process of originating mortgages hasn't changed that much since the advent of automated underwriting in the mid 1990s.

HISTORIC MORTGAGE RATES



DIFFERENT FORCES AT WORK

Despite having been here before, there are some fundamentally different forces at work in today's credit union mortgage market. The burgeoning population of today's homebuyers have grown up with technology and long been enabled to do business online, from Amazon retail shopping to self-service airline reservations to online banking. (Think Millennials — Gen Y, and Gen Z.) Clearly, the complexity of the mortgage process can require additional handholding, particularly for first-time buyers, but member sentiment has kick-started the demand for an online mortgage origination experience. The market is moving towards online transactions across the board, including car buying, tax preparation, and lending, and COVID-19 has only hastened that transition.

> *Demands of credit union members require an increasingly better online experience.*

Furthermore, the rapid development of mortgage technology and the availability of personal information like credit, income, and assets have created the potential for a new borrower experience while eClosing has enabled more efficient operational capabilities. It's also clear that the new generation of credit union members, specifically mortgage borrowers, will require a great on-line member mortgage experience if the credit union wants to attract new membership and ensure the mortgage team of sustained success.

> *The burgeoning population of today's homebuyers have grown up with technology and been enabled to do business online.*

IS NOW THE RIGHT TIME?

So, back to the question: Is now the right time to invest in a new origination platform? For most credit unions, investing while volumes are relatively low makes sense from the perspective of enabling the organization to successfully implement and accept the change. Additionally, if a credit union has not significantly updated its platform recently, there are likely a host of new capabilities that will make the process more efficient and member friendly. With that said, a credit union's mortgage platform may not need to be totally replaced. There are opportunities to significantly update the technology and process by strategically injecting major new components.

> *There are opportunities to significantly update the technology and process by strategically injecting major new components.*

Lastly, there is no way to get around the fact that it takes time to implement a new or enhanced platform and absorb those process and skill changes into the organization so you're ready when the next mortgage boom hits. Any major investment comes with risks and material financial outlays, so if the credit union plans to be in the mortgage market for the long haul, then serious consideration should be given to investing in a new origination platform and tech stack.

Quite honestly, the time to prepare is now.

Andrew Weiss is Managing Director and Partner of the Technology Consulting Practice at BlackFin Group. https://www.blackfin-group.com.

Andrew Weiss

Partnering for Growth

Would a Joint Venture Work for Your Credit Union?

By Dale Syta
Bellco Home Loans

The mortgage lending space is an ongoing puzzle for most credit unions. Many credit unions aren't sure how to manage the allocation of resources for technology upgrades, attract and retain top talent, and streamline turn times in a volatile market, all of which can be impediments to success.

Could there be a simple solution that allows credit unions to stay the course and deliver the traditional credit union consumer products and services all while weathering a fluctuating market environment? As 2020 and 2021 exploded, this was exactly the position Bellco Credit Union faced. We realized that we needed to think creatively about evolving our business, and we found an innovative solution.

NEW POSSIBILITIES WITH A JOINT VENTURE MODEL

Our strategic joint venture with Cherry Creek Mortgage seamlessly blends the expertise and resources of a top-class mortgage company with the wants, needs, and goals of a credit union.

Creating Bellco Home Loans and solving the riddle of mortgage banking efficiency was as simple as maximizing the best attributes of each partner. Through our joint venture model, we have been able to:

- Boost member service and satisfaction to new heights with record fulfillment
- Enhance our technology
- Expand product offerings
- Recruit top talent

Another key benefit is that Bellco retains servicing and portfolio capabilities where desired. So, how exactly did these areas improve, and where have we seen the lift? Let's take a deeper look at the numbers.

> *Our strategic joint venture with Cherry Creek Mortgage seamlessly blends the expertise and resources of a top-class mortgage company with the wants, needs, and goals of a credit union.*

FULFILLMENT AND MEMBER SERVICE IMPROVEMENTS

During the peak of the 2020-2021 refinance boom, Bellco experienced 120-day turn times, and member satisfaction was at an all-time low. Within 60 days of launching our joint venture, Bellco Home Loans reduced turn times to under 45 days. But we didn't stop there. Our turn times tumbled to under 30 days within four months of our joint venture launch.

Cherry Creek Mortgage's operations team filled in resource gaps associated with the unprecedented volume and turn times have never exceeded 30 days in the past two years. Ultimately, our members reap the benefits of these improvements, and our customer satisfaction scores have skyrocketed, averaging 94% in 2022 and 2023 year-to-date. In addition, we can provide a clear-to-close within two weeks of submission on 78% of our files.

> *Creating Bellco Home Loans and solving the riddle of mortgage banking efficiency was as simple as maximizing the best attributes of each partner.*

TECHNOLOGY RESOURCE OPTIMIZATION

Staying one step ahead of technology advancements is nearly impossible when credit unions are trying to balance IT spending needs and budgeting challenges. New loan origination systems, CRMs, and new lead generation platforms constantly hit the market.

Through this model, our technology toolbox has expanded far beyond our imagination with a best-in-class loan origination system, mortgage-specific CRM, and sales tools like Homebot, Mortgage Coach, Tabrasa, and more. Cherry Creek Mortgage provides the tools to support our internal team and deepen our external client relationships by increasing member retention through CRM management and top-of-mind marketing.

EXPANDED PRODUCT OFFERINGS

Before this partnership, Bellco focused its core offerings on traditional FNMA product offerings and a select group of portfolio products.

Bellco Home Loans' offerings now include FHA, VA, bond programs, first-time homebuyers, and an additional niche non-QM products. Although the credit union does not service some of these products, our members now have a one-stop provider for all their home loan needs.

> *Cherry Creek Mortgage's operations team filled in resource gaps associated with the unprecedented volume and turn times have never exceeded 30 days in the past two years.*

RECRUITMENT OF TOP TALENT

Recruitment is always challenging, with so many potential places for top-performing loan officers to hang their hats.

Through the creation of Bellco Home Loans, we created a specific avatar for the loan officer we wanted to hire. Knowing we have a blend of 50% referral and 50% self-sourced business has allowed us to target individuals looking to take the next step in their business growth.

By neutralizing some of the market volatility through credit union lead opportunities, we built a stronger self-sourced book of business and increased the caliber of our target loan officers. Our loan officer compensation aligns with the industry and our unique balance between referred and self-generated business makes it an attractive opportunity for talented team members.

Additional recruiting resources have allowed us to tap into a deeper pool of candidates and target specific geographic needs.

THE NATURAL NEXT STEP IN CREDIT UNION MORTGAGE LENDING

The numbers tell the story of our success. This home-grown partnership is an exciting model for what can happen when two leaders in their own right come together to better serve their collective clients.

When credit union membership, loyalty, and marketing meet second-to-none products, service, technology, and talent, the ability to excel at mortgage lending has never been easier.

I firmly believe that most credit unions could benefit from a joint venture solution. I would welcome the opportunity to share our approach if you want to learn more about implementing this model in your organization.

Dale Syta is Managing Director of Bellco Home Loans, a collaboration between Denver-based Bellco Credit Union and Cherry Creek Mortgage, an independent mortgage lender that's been helping families attain home ownership for more than 30 years.

Dale Syta

Uncovering Operational Efficiencies

Unlocking Growth Potential is as Easy as 1, 2, 3

By Arleen Scavone
Newbold Advisors

Why is it so important to improve operational efficiencies? The answer is simple — It's the secret to unlocking growth potential. Efficiency leads to increased output. You can produce more with the same resources, which translates into higher profits and growth.

The bottom line? Operational efficiencies lead to improved quality, reduced waste, and enhanced customer satisfaction. All of these factors also contribute to long-term success.

Takeaway: Be open to experimenting and taking calculated risks. Sometimes the best way to uncover increased efficiencies is to try something new and see if it works. Don't be afraid to test new ideas and approaches and then pivot if something doesn't work out as well as you had hoped.

STEP 1: ASSESS YOUR CURRENT OPERATIONAL EFFICIENCY

Investing in a successful operational efficiency assessment can be a game-changer. When you uncover and address inefficient processes and implement changes, you can streamline your operations, reduce your costs and enhance member satisfaction. This can ultimately lead to increased growth and long-term success.

Here's the best place to start:

Check your data. Make sure you have a reliable data collection system in place, and that the data is up-to-date and complete. In addition, make sure that your data can be retrieved to create accurate and timely management reporting.

Engage your team. Assemble a team with deep knowledge of the business operations, lean (Six Sigma) disciplines, data analytics, and change management. Strongly consider engaging outside consultants if necessary.

Gather your tools. Determine which tools and technologies you need, including process mapping software, data analytics software and project management tools.

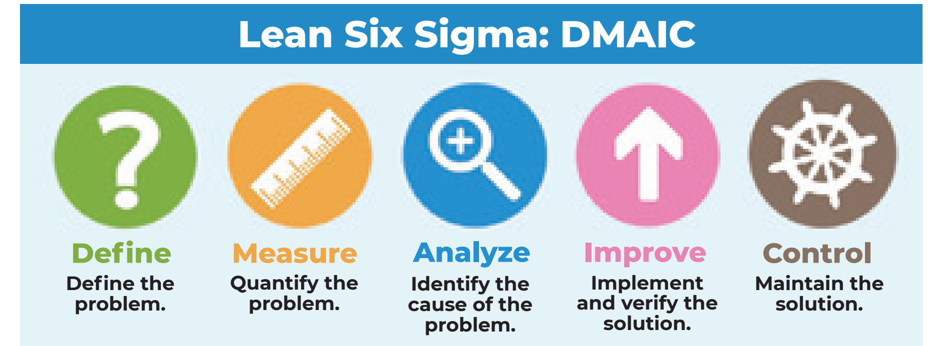
Create a timeline. Allocate sufficient time for the assessment process ensuring that your team members can focus without distractions. Account for time for both the assessment team and the end-users performing the work.

Get everyone onboard. Make sure all team members are committed to the assessment process and are willing to put in the necessary effort to achieve success. This includes senior leadership, department heads and, most importantly, front-line staff.

STEP 2: READY TO START ELIMINATING WASTE?

Process waste represents 8 types of obstacles that get in the way of providing value to the member and increase internal expense. "Waste" (or "Non Value-Adding") is any step or action in a process that is not required to complete a process successfully. When waste is removed, only the steps that are required (called "value-adding") remain in the process.

Remove Waste and Reduce DOWNTIME!



goleansixsigma.com 2016

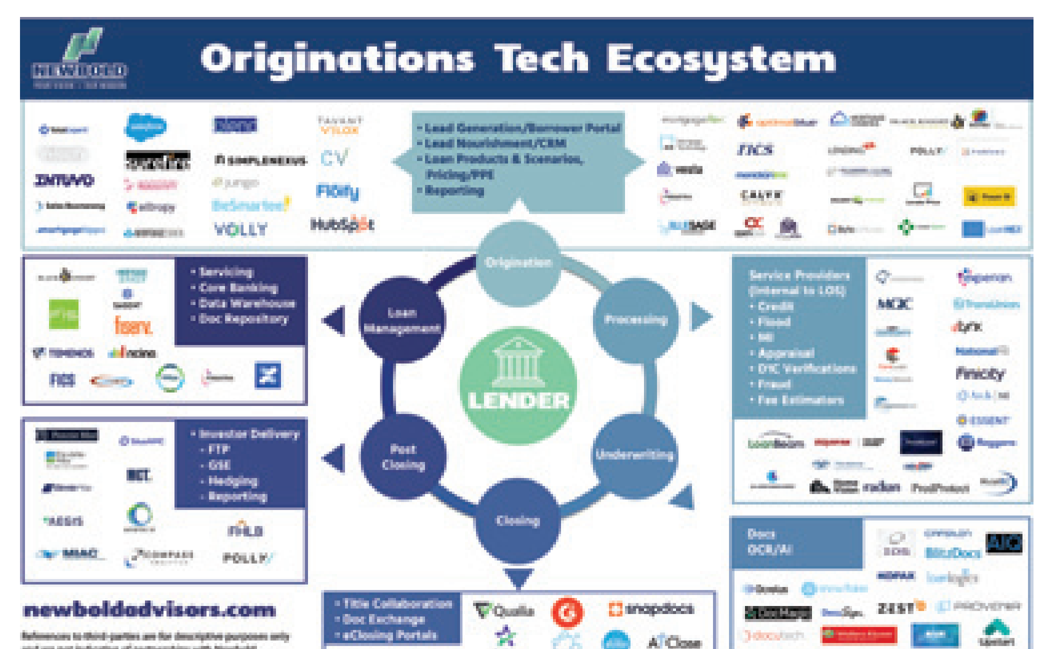
Takeaway: Once you've collected your data, identified trends (positive and negative), patterns and areas for improvement, and established measurements, it's time to act! To drive immediate improvements, it may be as simple as changing processes or providing additional training to your team. If you have an appetite for larger gains, that may lead you to a transformational journey and investment in new technology.

STEP 3: KEEP YOUR EYE ON THE BIG PICTURE

Examine your technology ecosystem

When you invest in modern technology that enables digitization and real-time data analysis, you can provide faster and more reliable services to members. This will reduce errors and lower overall costs. Consider the following:

- **Verification & Validation Services** provide one-touch, digital verification of assets, income, and employment that minimizes risk and enables lenders to close loans more quickly.
- **OCR (Optical Character Recognition)** and **Data Extraction** technologies save time, improve efficiency, enable better decision-making and reduce costs.
- **Robotic Process Automation (RPA)** streamlines processes, reduces costs, improves efficiency, and is scalable for changing business needs.
- **Artificial Intelligence (AI)** automates repetitive tasks, quickly analyzes data to identify inefficiencies and mitigate risk and improves customer service.



- **APIs that integrate with third-party systems** automate data transfers in a customizable way to save time and reduce human error.

Takeaway: Consider factors such as cost, compatibility with existing systems and potential risks before making any decisions. Remember that tech vendors provide only 20% of resources for your implementations; the other 80% is on you. If you need resources to help with your evaluation, you can partner with external consultants.

ACT NOW TO REMAIN COMPETITIVE

Once you solve inefficiencies and get on track, your job is not over. Make sure you have a process in place for adapting to changing industry standards and technological advancements to uncover new efficiencies. By staying informed, evaluating new technologies carefully, involving your team, and being willing to experiment, you can unlock your business's full growth potential.

Credit unions face intense competition from traditional banks, online banks and fintech startups. By committing to increased operational efficiency, you enable a more agile, responsive and innovative environment. With that comes the freedom to invest in new products and services, modernize your technology infrastructure and attract new members. Operational efficiency is the key to unlocking growth potential and securing the future of credit unions.

Arleen Scavone

Arleen Scavone, Principal with Newbold Advisors, leads Newbold's mortgage and fintech consultancy practice, applying a successful track record of building and managing operations, sales and service in both corporate and entrepreneurial roles.

Leveraging Valuation Expertise

Appraisal Management Companies Help Credit Unions Avoid Appraisal Bias

By Liam Carothers
TrUnion

In today's mortgage environment, the valuation process has received much criticism. From nationally broadcast stories of appraisal bias to calls by government agencies for intervention within the profession, we have seen a push for changes within the appraisal industry. These changes include new valuation tools, an amendment of standards, and emphasis on seeking out and preventing appraisal bias. Though these changes have been long overdue, they come with some ambiguity, forcing mortgage lenders to stay current on advancements within the profession. Credit unions need reliable appraisal partners to help them navigate and leverage changes within the appraisal industry that help them better serve their members.

To understand the benefits of using a reliable appraisal partner, you must first understand who those partners are. Some credit unions self-manage their appraisal panel using pass-through services with no appraiser verification, quality control, or compliance management. Self-management can seem less costly, but it increases staffing, training, management software, and quality risk costing more in the long term. On the other hand, many credit unions use the knowledge and expertise of an appraisal management company (AMC).

WHAT IS OLD IS NEW AGAIN

AMCs have existed since the 1960s, but they were less prevalent than they are today. In 2010, the Federal Reserve Board published an amendment to the Dodd-Frank Wall Street Reform and Consumer Protection Act; this new requirement established appraisal independence for consumer credit transactions.[1] As a result, AMCs began to act as independent parties working between borrowers and lenders, establishing a more significant stake in the mortgage process. Since then, AMCs have grown to provide their clientele with many tools and services to streamline the appraisal process. The expertise provided by an AMC is invaluable, and leveraging that expertise is critical to providing the best possible service to credit union members.

> *"Being equipped with the knowledge and tools to complete valuation reports is vital to credit union success."*

The appraisal profession can be blurry, and navigating updates or changes can be time-consuming and costly for mortgage lenders. Having an experienced and reliable appraisal partner will keep you educated and provide you with the knowledge necessary to capitalize on those changes. One example involves the appalling stories of appraisal bias within the valuation field. As a result of these stories going national, Fannie Mae began a program known as Valuation Modernization. This program intends to move the profession into the 21st century by "delivering effective, efficient, and impartial home valuations across America."[2]

The main component of this program is the release of an alternative valuation method known as Value Acceptance + Property Data. The Value Acceptance Program will impact loans traditionally receiving "appraisal waivers"; allowing an independent party to inspect a home and collect data relevant to the appraisal process. This part of the program is notable because the data collector does not have to be a licensed appraiser. While using an AMC, lenders can complete these reports without having to recruit, train, and ensure compliance with property data collectors. In the future, we will see an increase in these valuations, and being equipped with the knowledge and tools to complete these reports is vital to the success of growing credit unions.

Another way that AMC expertise can help strengthen credit unions is by providing them with thousands of vetted and trained appraisers from which to choose. When a credit union is self-managed, they tend to use a small panel of trusted appraisers to complete their reports. Using a handful of paneled appraisers can become problematic when that credit union becomes busier and those appraisers reach capacity. An AMC will onboard and use those appraisers from the credit union's panel while supplementing any overflow to appraisers from their panel. This can keep prices from increasing without expanding turn times, allowing credit unions to focus on growth and mortgage sales targets. In addition, AMCs provide a level of service that a self-managed panel cannot match. When using an AMC, lenders upload their orders through a LOS, and the AMC handles the communication, scheduling, compliance, and quality control.

> *"AMCs provide a service level that a self-managed credit union panel cannot match."*

COMPLIANCE, COMPETENCY AND EDUCATION

Along with handling onboarding, compliance, and competency, an AMC has the duty of providing education to its appraiser workforce. This education can include quarterly webinars, blog posts, or informational media content. Though this material is helpful to appraisers, lenders can also use it to benefit credit unions. By staying apprised of the latest news in the appraisal field, credit unions can guide their members through the appraisal process.

The structure of the appraisal profession can be confusing, from federal agencies and regulators to state boards and panels. However, with a firm grasp of the trade's inner workings, many credit unions will stay competitive within the mortgage field. Therefore, it is paramount to credit union lending industry growth to stay up to date on the modernization and movement of the appraisal industry. In the end, appraisal profession modernization will be inevitable.

> *"By staying apprised of the latest appraisal news, credit unions can guide members through the appraisal process."*

Like other industries, we must grow and advance to meet the needs of our consumers. With the help of a well-educated AMC or appraisal partner, credit unions can navigate and leverage appraisal modernization to provide the best possible tools for their members.

[1] Quinlivan, Steve. "Dodd-Frank Interim Rule on Real Estate Appraisal Requirements." *Corporate and Securities Law*, 22 Oct. 2010, www.dodd-frank.com/2010/10/dodd-frank-interim-rule-on-real-estate-appraisal-requirements/.

[2] "Delivering Effective, Efficient, and Impartial Home Valuations across America." *Valuation Modernization | Fannie Mae*, singlefamily.fanniemae.com/valuation-modernization. Accessed 11 May 2023.

Liam Carothers is Business Development Manager for TrUnion Appraisal Services. He graduated in 2019 from the University of Arkansas with a Bachelor's Degree in History and is a licensed Appraiser Trainee.

Liam Carothers

Communication Strategies

Talk to Employees Like you Talk to Your Kids... Really

By Veronica Nguyen
BeSmartee, Inc

Becoming a parent is one of the most rewarding, yet challenging journeys in life, and anyone who claims otherwise has yet to experience its full spectrum of emotions. Each phase had its own challenges, including those involving communications.

Strange as the comparison may at first seem, communication needs at work also grow and evolve just like they do at home, bringing both satisfaction and challenges. This is especially true for those of us in leadership roles. Like other human relationship issues, this is a complex equation at all levels.

According to a study done by the professional coaching organization Bravely, 53% of employees handle "toxic" situations by ignoring them, thus avoiding difficult conversations. Such situations happen with our kids all time, but can we take lessons learned at home and successfully apply them to the workplace?

There are steps you can do at home and at work to improve communications, thus building stronger relationships. By showing empathy, practicing active listening and keeping an open mind, you can create an environment where everyone feels heard and understood. It may not always be easy, but the end result is well worth the effort.

HERE ARE SOME GUIDELINES TO FOLLOW THAT CAN HELP EASE THE PROCESS.

1. Don't Ignore Difficult Conversations

In a difficult conversation, it's important to reassure the other person that you're there for them, no matter what. Whether it's with your children or an employee, leading with love and empathy is essential.

- **Conversations with Kids**
  When speaking with your kids, it's important to remind them that you love them unconditionally, even if the conversation is challenging or uncomfortable. By doing so, you can create a safe space for both of you and in return they will feel supported, loved, heard, and encouraged to share their thoughts and feelings openly without judgements.
- **Conversations with Employees**
  Similarly, when speaking with employees about mistakes or other issues, let them know that you are there to support their growth and work together to find a solution. By taking a collaborative approach and focusing on their growth and development, you can turn a difficult conversation into a positive learning experience.
- **The Outcome**
  When you approach any conversation with a supportive mindset, it creates an environment that enables the other person to open up and share more about what they are doing. Through empathy and understanding, you can establish trust and build a stronger relationship with them. This can lead to more productive and meaningful conversations, and ultimately, better outcomes and better work productivity.

2. Actively Listen and Seek to Understand

- **Listening to Kids**
  When having a difficult conversation with kids, it's important to listen without immediately presenting an agenda. Instead, focus on understanding what they are going through and what they need from you. By being attentive and empathetic, you can create a safe space for them to express themselves and work through their challenges. Remember, your goal is to support them, not to push your own agenda.
- **Listening to Employees**
  Same thing here. Rather than taking over the conversation, it's crucial to stop and actively listen to the other person. Ask questions to clarify and ensure that you understand the information they're sharing with you. It's important to remain calm and focused during this stage, which includes maintaining eye contact and keeping your facial expressions attentive and engaged with the person speaking to you.
- **The Outcome**
  You create a space for open communication and show the other person that you value and respect their perspective.

3. Ask What They Need from You

- **Asking Kids What They Need**
  When someone comes to you with a difficult conversation, it's easy to just focus on the information provided rather than offering them help at the exact moment. Instead, ask what they need from you right now. Find ways to be there for them. This will make them feel supported and loved by you.
- **Asking Employees What They Need**
  Once again, be focused and present during the conversation. If it's an issue that needs immediate attention, ask questions to help resolve the issue. If you're unable to help right in that moment, figure out who can help. You don't want your employee to feel stuck in this position feeling unsupported by you.
- **The Outcome**
  The person you're talking to will be honest and open with you and tell you what they need from you.

4. Earn the Next Conversation

- **Earning the Next Conversation with Kids**
  After you have a difficult conversation with your kids, they will feel you were truly there for them because you didn't judge, criticize or compare them with someone else. As a mother myself, I've had a difficult time with why I have to earn the next conversation because I am their mother and they should always come to me. But we all know that's not how life works. During our own childhoods we probably omitted information from our parents because we didn't feel comfortable sharing it.

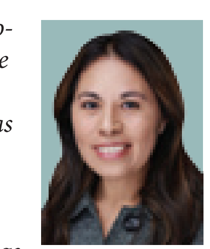
  Just think about it, if someone doesn't make us feel good after a conversation do we want to go to them next time a problem arises? Probably not.
- **Earning the Next Conversation with Employees**
  Difficult conversations are never fun, but they bring opportunities to build better relationships. When you refrain from making judgments and criticisms you're on your way to earn the next conversation. If you're in a managerial position you want those people to be able to openly talk to you.
- **The Outcome**
  Next time a difficult conversation comes up, your team should be coming to you with ease because you created a safe place to discuss difficult issues. And that's a gift to those on both sides of the conversation.

How else can you improve your workplace communications? Here are a few more tips to help set the stage.

1. **Have an accountability system** so no one is ever confused about what needs to be done. Make sure to include deadlines.
2. **Always be professional.** This means being aware of your behavior when communicating. Regulate your tone of voice and your body language, so it's at least neutral if not positive.
3. **Use technology tools to communicate.** Messages sometimes take more than three repetitions to make them stick. Technology can become an effective part of your ongoing communication strategy.
4. **Have regular meetings** with your team.

I admit that nothing is easy about having difficult conversations, but with practice and an open approach, we can always improve how we work and communicate with one another. Even kids.

Veronica Nguyen is Co-Founder and Executive Vice President of BeSmartee Inc. She was a 2020 HousingWire Woman of Influence Award winner and earned a 2021 Mortgage Star Award from Mortgage Women Magazine.



Veronica Nguyen

Not Another Great Recession

How Loan Underwriting Changes Will Prevent a Repeat of 2008

By Rick Hughes
NFP Insurance Co.

Today's economy poses challenges for homeowners planning for the future. They're feeling the effects of inflation and the storm of rising interest rates, decreasing home prices and creating job market worries that add to an outlook far from optimistic. This uncertain economy also creates challenges for credit union lenders to grow in this environment and serve the best interests of their members.

Some economists say a recession looms soon; others say we already are in a recession and have been for some time. Some even fear we could be headed towards a catastrophic economic downturn similar to that of 2008.

As industry experts then and now, we recognize the apprehension about what could come next. However, there is ample evidence that indicates we are not on the same path to an economic meltdown repeat triggered by subprime mortgages. Comparing the housing market of 2008 to now, the market in 2023 is significantly better regulated.

HOUSING MARKET

2008: Fraud Abundant	2023: Regulated
Market was saturated with investors, which drove up housing prices.	Housing prices being driven up by low inventory instead of inflated values.
Unregulated mortgage brokers were a large part of the market.	Mortgage brokers, now regulated, form a lesser part of the market.
Appraisers were chosen by mortgage brokers and the two worked together to inflate property values to qualify for loans.	The use of an appraiser has become a more regulated process to eliminate abilities of parties working together to inflate values.
Excessive seller concessions were given to move properties.	Seller concessions are controlled through tighter underwriting guidelines.
Almost 25% of homeowners were in a negative equity position.	Negative equity is almost nonexistent.
Flippers made up a big part of the market.	Mortgage debt is at an all-time low in the US, and accounts for less than 43% of current home values.

A CHANGE IN UNDERWRITING STANDARDS

Additionally, the guidelines governing loan writing have changed. Comparing the loan writing guidelines of 2008 to today, the biggest difference is level of risk mitigation taken by lenders to ensure loans are underwritten in a responsible matter. The difference in levers and controls on an institutional and governmental level indicates the current conditions for loan writing, while uncertain, are vastly different from 15 years ago.

LOAN WRITING GUIDELINES

2008: Extremely Liberal Underwriting Guidelines	2023: Prudent Underwriting Guidelines
Stated income and assets were used.	Income and assets are verified.
Employment was not verified.	Employment is verified.
Lower credit scores allowed.	Credit score floors are much higher.
High debt ratio limits allowed.	Debt ratios are now controlled with much lower maximums.
Adjustable-rate mortgages had very short adjustment terms.	Adjustable-rate mortgages had very short adjustment terms.
Interest-only loans were allowed.	No interest-only loans are allowed.
Negative amortization was allowed.	No negative amortization loans are made.
Investment properties were allowed with virtually no change in underwriting guidelines.	More regulations are used for underwriting on investment properties.
Debts were being paid down to qualify the debt ratio and terms were extended to allow borrowers to qualify.	Debts are not being paid down and terms are not being extended to enable qualification.
Stated property values were being inflated.	Valuations are obtained on each loan.

These changes in practices and procedures have resulted in lenders having more conservative underwriting guidelines, which safeguards current and potential homeowners from another mortgage crisis and makes all the difference across the board.

GROWING YOUR BOOK OF BUSINESS AMID TODAY'S ECONOMIC UNCERTAINTY

However, lenders are still left with a dilemma: how do they grow their book of business in today's economic uncertainty and serve their members' best interests? Tightening the current guidelines even more will only slow expansion and raise barriers for borrowers. As shown in 2008, more lenient credit parameters raise the risk of defaults in a volatile economy.

Fortunately for credit unions, there are levers they can develop to create strategies and solutions to build their loan portfolios.

Increasing membership is vital for growth and strengthens the relationships between credit unions and the communities they serve. Community outreach and participation in charitable events can go a long way in marketing credit unions and fulfilling their mission statements. Building a robust membership base also can attract and retain the deposits needed to increase loan programs.

Educating a credit union's staff about the company's goals and objectives can build a more concerted effort to collaborate on and identify challenges and solutions. Additionally, ensuring that all staff are thoroughly familiar with the products offered reinforces the purpose of providing the highest level of financial services while improving the customer experience.

Most importantly, a balanced portfolio of loan types can help dilute concentration issues and provide stability for credit unions. Leadership should undertake an evaluation of loan programs to determine whether focus should be distributed among several loan types. One way to do so is through an examination of members' demographics to identify customer needs.

FOCUSING LOAN PROGRAMS TO MEET MEMBER NEEDS

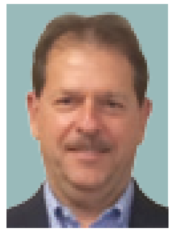
Are loan programs offered that focus on the homeowners who have recently purchased or refinanced their home? According to recent data from Angi, the resource for renovation and home repair, 91% of homeowners say their home needs either minor or major renovations. This creates a largely untapped source of income for credit unions to promote home equity and home improvement products.

One solution credit unions can consider is an equity protection program, that allows credit unions to safely expand combined loan-to-value's up to 100% for home equity and home improvement loans while fully insuring the loans against default for any reason.

Lenders using this type of program can grow revenue organically while eliminating losses and protecting their balance sheet. Credit union members can default without undergoing foreclosure, saving on administrative and real estate-owned property costs and possibly allowing lenders to lower their loss reserves.

Though today's economic situation looks bleak for some credit unions and their members, combining available evidence with the implementation of a sound growth plan shows there is a path forward for those striving toward homeownership or their next home, and for credit unions that make this all possible.

Rick Hughes is Senior Vice President of NFP Insurance Brokerage and Consulting. He has directed all aspects of loan insurance, underwriting, and operations during his three decades in the lending industry.


Rick Hughes

Pardon My Disruption

Defining Your Own Change for Mortgage Servicing

By Craig Bechtle
MortgageFlex

One of the primary goals we set for our trips to the spring mortgage industry conferences was to gauge the industry's perception of disruption, especially as it pertains to the mortgage servicing industry. We've been saying for some time that this sector of the industry is primed for disruption, given increased regulatory oversight, increased importance to financial institutions given the drop in origination volume, and the age and discrepancy of the industry's servicing software.

Some have pushed back on that, so we went to a number of events to find out what the general consensus was.

WHAT WAS ON THE MENU THIS SPRING

We didn't hear exactly what we expected to hear in the hallways and corridors of the spring business conferences. What we did hear executives discussing were:

- collaboration and partnerships
- ethics and responsibility
- diversity and inclusion
- industry forecasting

There was interesting content around all of these important issues, and we took part in some lively discussions. All of this is important, and we're pleased that the industry is carefully considering these important topics.

Unfortunately, the conversation that could have had the most impact on the future of our industry, especially the servicing side, didn't make it onto the agenda.

WHAT WE PROBABLY SHOULD HAVE BEEN TALKING ABOUT

No one wanted to talk about industry disruption. Of all the things that should have been high on the list of topics this year, innovation and disruption just didn't get the attention they should have.

Market disruption is a term that has been thrown around in the business world for decades, but what does it really mean? And who's in charge of disrupting an industry? It's not something we typically see in a job description.

And yet plenty of people are happy to tell you who can and cannot cause a disruption in a line of business. I'm pretty sure they're not talking about what Professor Clayton Christensen was when he first used the term "disruption" in a business sense some 20 years ago.

From the beginning, Professor Christensen gave disruption a specific definition to describe specific phenomena. In a conversation with Harvard Business School's Jake Schroeder, the professor said a disruptive innovation is one that "transforms a complicated, expensive product into one that is easier to use or is more affordable than the one most readily available."

Given that definition, it seems like there is plenty of room for disruption in the mortgage industry.

WHERE DISRUPTION OCCURS AND WHO DRIVES IT

When market disruption occurs, the companies that have been operating within the industry are forced to either adapt or risk being left behind. This provides an important clue as to where disruptive innovation actually occurs.

From a business-to-consumer standpoint, new entrants that cause the disruption are often able to offer lower prices, better products, or a combination of both, which makes them attractive to consumers. It creates market disruption and drives other companies to follow suit.

We saw something like this when companies like Uber and Lyft moved into the taxi industry. New technology gave consumers more control and it changed everything.

It's different on the business-to-business side. To disrupt an industry like mortgage servicing, you have to win the participation of the companies who will be using the products or services you offer. Without adoption, there is no disruption. It's what makes real disruption so much more difficult in the B2B world.

CHANGES AT THE SPEED OF DISRUPTION

But it also means that when it does happen, it happens faster. Mortgage servicers won't use something that doesn't work. But if it truly allows them to create the kind of servicing business they want in a fully compliant manner, they'll come on board quickly.

This means that only mortgage servicers can disrupt the mortgage servicing industry. If they can find the software to get that job done.

If you're in the mortgage servicing business, you don't need to be convinced of this point. You know your business has been under increasing regulatory oversight and will likely continue to be. You know your costs are increasing, as a result, and your existing servicing technology is probably not allowing you to take the actions required to change that.

Vendors certainly aren't doing anything to change that, even in this down market. We're hearing stories from lenders, referring to their loan origination side, that some technology vendors are now charging them as much as $180 per loan because they aren't reaching their contract minimums. How could they be in this market?

> *"To disrupt an industry like mortgage servicing, you have to win the participation of the companies who will be using the products or services you offer."*

This doesn't help the industry innovate. It drives companies out of business, which is one kind of disruption but certainly not what we're looking for.

DRIVING YOUR OWN DISRUPTION

Mortgage servicers — and originators as well — need to drive their own innovation, to disrupt their own businesses in order to streamline their operations, increase their efficiencies, lower costs and remain competitive and compliant.

To do that, they need better software. But the software itself isn't the disruptor, it's the companies that make excellent use of it.

HOW TO RECOGNIZE GREAT SERVICING SOFTWARE

In a perfect world, how would a company recognize a potentially disruptive technology that they could use to provide real innovation for their internal or external customers?

In order to achieve this, the platform would need to have several key features and functionalities that allow it to meet the needs of both the servicer and their borrower in ways the current players in the industry cannot.

First and foremost, the platform would need to be user-friendly and intuitive. This means that it should be easy for users to navigate and find what they are looking for without having to spend a lot of time searching. The user interface should be visually appealing and provide a seamless experience across different devices and platforms. In our case, we took what we learned from four decades of LOS development experience and built it all into our new servicing platform.

The platform also should be highly scalable, able to handle large volumes of data and transactions without slowing down or crashing. This is particularly important in our industry, where failing to meet borrower expectations can drive them to the regulator in frustration. In our business, this kind of reliability is built in from day one.

KEEP IT CUSTOMIZABLE

Another key feature of a disruptive software platform is the ability to leverage new technologies and innovations. This could include the use of artificial intelligence and machine learning to provide personalized recommendations or predictive analytics that allow users to make better decisions. It also means a robust API-based infrastructure allows servicers to work with anyone they want.

In addition, the platform should be customizable, allowing users to tailor it to their specific needs and preferences. This could include the ability to personalize the user interface, set up notifications and alerts, or integrate with other software tools and platforms. This is perhaps our strongest selling point. We never end an implementation until the client has what they said they wanted when we started.

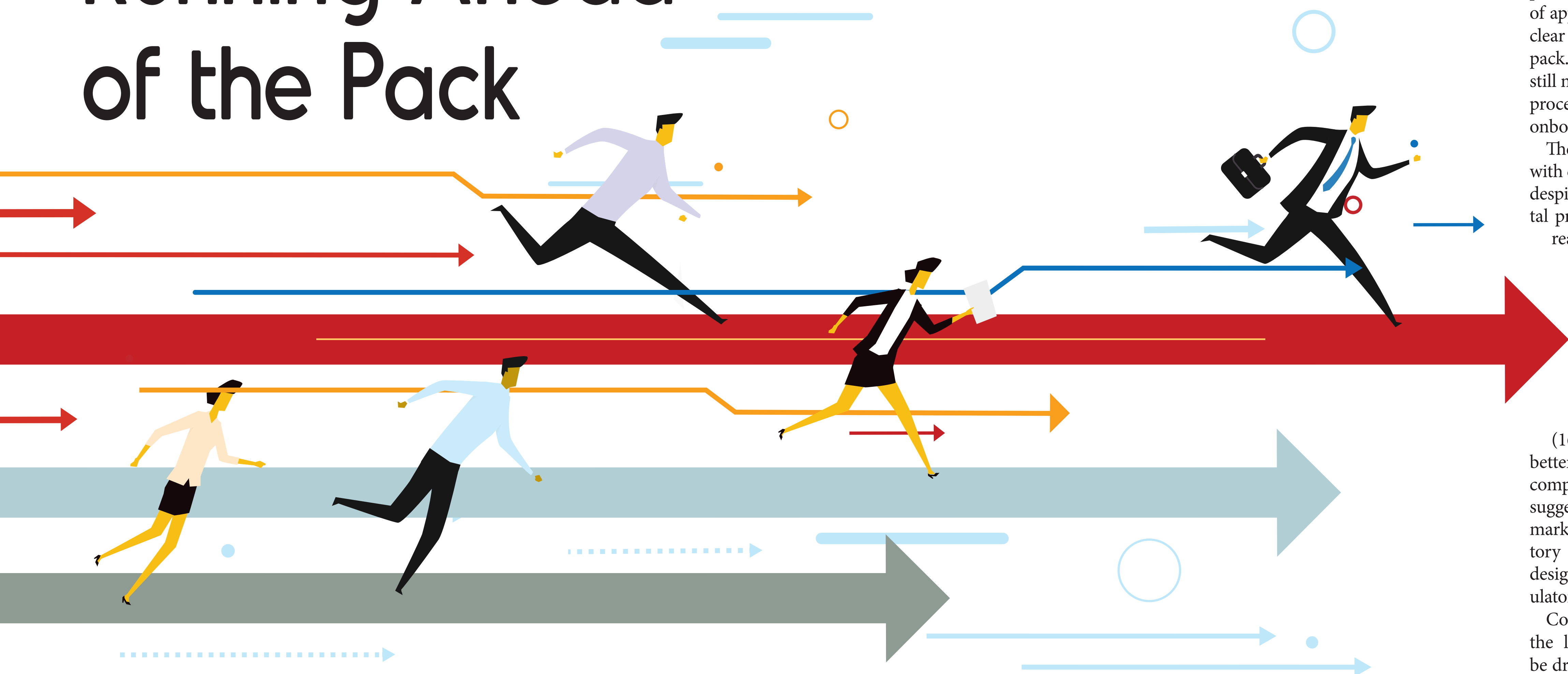
When you put software like this into the hands of mortgage servicers, wonderful things happen. When they can finally take control of their process, instead of being driven into workflows by older technologies, they are free to create wonderful things.

More than that, they are free to disrupt their industry, which is exactly what mortgage servicers need to do now.


Craig Bechtle

Craig Bechtle is Chief Operations Officer for MortgageFlex, the only technology provider in the mortgage business to offer both a loan origination and mortgage servicing platform. He can be reached at cbechtle@mortgageflex.com.

Running Ahead of the Pack



Fintech Partnerships Help FIs Operate More Successfully, Economically and Efficiently

By Michael Haedrich
Finastra

Community financial institutions, or FIs, play a critical role in the American economy, serving specific markets and regional communities, and priding themselves on close working relationships with communities. Despite an in-depth knowledge of clients' ongoing credit and lending needs, not all have kept pace technologically with larger banks and continue to manage many business processes manually.

Finastra recently partnered with East & Partners to survey 393 heads of U.S. financial institutions to assess their current progress and future plans. The survey found that FIs have already invested in technology to help automate some of their processes. More than half (59%) have automated document management, and a quarter (24%) have automated customer relationship management (CRM). However, only 13% of FIs have automated client onboarding, and even fewer (6%) are using technology to automate their loan servicing process.

INVESTING IN OPEN SYSTEMS

There is a clear opportunity for FIs to pick up the pace in their digitization programs by investing in open systems that enable smooth integration with third-party fintechs offering solutions for regulatory compliance. The data spread shows that most FIs have automated only 29% of commercial and consumer lending digital workflows, with the lesser-digitized FIs only achieving around 22% in automating processes. However, the digital leaders in the survey's top quartile have automated more than 60% of processes, demonstrating a wide range of approaches in the sector, with some clear front-runners out ahead of the pack. The data also shows that there is still more headroom for FIs to embrace processes such as loan origination and onboarding.

> *FIs recognize the value of integrating core systems with fintechs despite the relatively low levels of digital process implementation.*

The benefits of integrating fintechs with core systems are recognized by FIs despite the relatively low levels of digital process implementation. The main reasons for adopting apps from fintechs in general include the reduction in operational costs (cited by 27%), having access to broader tech experience than they offer in-house (18%) and having a cost-effective/simpler way of deploying new technologies (16.5%). Other motivations include better adherence to current or future compliance, cited by 15% surveyed, suggesting that there could be a ready market for fintechs to provide regulatory technology, or regtech, solutions designed to automatically manage regulatory compliance issues.

Community FIs' unique position in the lending/credit market will likely be driven by the need to continue providing a high-quality customer experience. When asked about key factors for choosing specific fintech partners, surveyed institutions reported that reasons for adoption included the impact on client retention and/or acquisition (73%) and which fintech's solutions would have the least disruption on operations and customers (65%). A full 40% of community FIs said they would select a fintech partner that demonstrated a forward technology path for their products or services, 37% would select a partner that could provide ease of onboarding, and just over 25% said they would look for previous solutions implementations with similar-sized FIs.

MAKING THOSE INVESTMENT DECISIONS

In most FIs, fintech investment decisions are driven mainly by the CFO's office (63%) ahead of other important influencers such as IT (43%), back-office operations (27%), or lending operations (8%). This highlights a clear way forward for fintechs to tailor their work to potential clients.

> *Community FIs' unique position in the lending/credit market will be driven by the need to continue providing a high-quality client experience.*

The bottom line? FIs need to work with fintechs, which have brought about significant changes in the financial services industry. Fintechs have introduced new business models and technologies that are more efficient, transparent, and customer-centric. These technologies enable FIs to streamline their processes, reduce costs, and offer innovative solutions to their customers.

By partnering with fintechs, FIs can access the latest innovations and technologies, and leverage their expertise in specific areas such as data analytics, artificial intelligence, and blockchain management. This collaboration can lead to a more efficient and effective financial services industry, where community FIs can have access to a wider range of services tailored to their specific needs.

Michael Haedrich, Senior Product Manager at Finastra, has been in the technology field for more than 30 years. Since joining Finastra four years ago he has been instrumental in developing the electronic signature strategy for their lending products.

Michael Haedrich

Building Meaningful Connections Through Homeownership

By Alycia Schick
AmeriCU Credit Union

Imagine the joy of unlocking the door to a place you can truly call your own, where memories are made, and dreams find a place to thrive. Homeownership is not just about bricks and mortar; it is about embracing a place where you can build a life of stability, comfort, and cherished memories. Homeownership goes beyond simply having a place to live, it fosters a sense of belonging. When an individual owns a home, they become part of a neighborhood and community.

AmeriCU Credit Union recognizes the important role it plays in helping individuals along their homeownership journey. That's why AmeriCU has an experienced, dedicated team of mortgage specialists on staff to offer personalized solutions and support every step of the way.

PEOPLE *STILL* HELPING PEOPLE

Credit unions were formed on the principle of "people helping people." Each year, the credit union continues to grow and evolve, but this philosophy remains unchanged. It forms the essence of their identity, is engrained in their everyday actions, guides their decisions, and remains at the heart of their vision and mission. At AmeriCU this means taking a personal approach to lending; truly connecting with members to understand their unique needs and improve their financial lives. It means ensuring that vital resources are available to all.

Since its establishment in 1950 at Griffiss Air Force Base, in Rome, N.Y., the military has played a vital role in shaping the identity of AmeriCU. With a proud heritage of serving members of the armed forces and their families, the AmeriCU team remains dedicated to connecting with military members. AmeriCU works throughout the year to provide financial counseling and wellness opportunities to all of their members, including incoming soldiers at Fort Drum.

With its foundation established on a military base, AmeriCU recognizes the importance of helping those who have served in the armed forces and is proud to support them in their transition to civilian life. By providing personalized guidance and support, the credit union's mortgage executives ensure a smoother transition for military members, fostering stability and security as they embark on the next chapter of their lives. Purchasing a home not only helps service members establish roots but also helps them connect to their community.

> *AmeriCU's commitment to building connections and delivering impactful financial education benefits all its members.*

ESTABLISHING A HOME-BUYING WORKSHOP

In May 2023, AmeriCU hosted a home-buying and selling workshop, where AmeriCU's Mortgage Executive and a partnering real estate agent provided resources and information on the process of purchasing and selling a home. Forty military service members actively engaged in a three-hour educational seminar.

This workshop not only fostered knowledge sharing and skill development but also supported American service members in their pursuit of homeownership. By providing valuable assistance during their transition from military service to civilian life, the training session equipped participants with new insights, enhanced abilities, and a deeper understanding of the home-buying and selling process. As a result, attendees left with a heightened awareness of the various options available when buying or selling a home, feeling inspired and prepared for their housing journey.

> *AmeriCU recognizes the importance of helping those who have served in the armed forces and is proud to support them in their transition to civilian life.*

Overall, the home-buying and selling process workshop not only benefits individuals in their housing journey but also has the potential to strengthen communities, promote responsible homeownership, and inspire philanthropic efforts within the community. The heart of AmeriCU is building connections with its members and community to help them achieve their financial goals. The credit union remains committed to delivering meaningful connections that provide its members with the right financial tools to live life, dream big, and achieve financial success. Due to the success of this workshop the mortgage team will offer these workshops once a month.

> *With the virtual financial center, members can do nearly anything virtually that they can do inside one of the credit union's financial centers.*

A CONTINUED COMMITMENT TO HOMEOWNERSHIP

AmeriCU's commitment to building connections and delivering impactful financial education benefits all its members, including service members. AmeriCU is there to help establish a solid financial foundation. The credit union's financial wellness and education programs provide participants with powerful tools designed to build strong and effective financial habits. AmeriCU also offers a free online platform that provides self-paced financial lessons. These programs equip members with the critical knowledge and skills needed to make positive financial decisions. At any time, the AmeriCU's Financial Counselors are available to provide free one-on-one meetings to help ensure financial health.

AmeriCU recognizes that purchasing a home is a momentous occasion filled with excitement. However, it can also bring about stress and uncertainty. Gaining knowledge about the home buying process helps individuals, including service members, to make well-informed choices and confidently navigate these potentially challenging times. By consulting with a mortgage representative at AmeriCU, those embarking on the home buying journey can gain a comprehensive understanding of their mortgage options and identify what would be the best fit for them.

SPECIAL PROGRAMS FOR THE MILITARY COMMUNITY

AmeriCU also offers special programs tailored to the military community, the credit union's Virtual Financial Center and services are designed to serve their members from anywhere. With the virtual financial center, members can do nearly anything virtually that they can do inside one of the credit union's financial centers. This enables military personnel and their families, who often undergo frequent relocations, to conveniently apply for a mortgage and receive individualized care and support from anywhere.

By building strong connections, AmeriCU seeks to inspire its members and community to dream big and create a path toward financial success. AmeriCU is proud to serve and celebrate military members. Every day, America's military members selflessly put their lives on the line to keep us safe and free. AmeriCU provides wellness opportunities and financial counseling for all members including military service members as a way to thank them for their service and sacrifice.

Alycia Schick, a Public Relations and Communications Specialist for AmeriCU Credit Union, utilizes her diverse background in marketing and community engagement to cultivate community connections through her writing.

Alycia Schick

Comprehensive, Community-wide Services Contribute to Member One's Success

By Daniel Haller
Member One Federal Credit Union

Member growth is the top priority for Member One Federal Credit Union, headquartered in Roanoke, Virginia. We define our service charter broadly to include meeting the needs both of our members and the communities we serve. We believe our twin initiatives have helped us reach significant levels of service success.

Member One is a full-service, member-owned financial institution serving communities since 1940. Originally chartered to serve Norfolk & Western Railroad employees, we've become one of the region's largest credit unions. With a membership of more than 143,000 and assets totaling $1.6 billion, we are proud to assist our members in achieving their financial goals. In 2022, Member One originated $75 million in mortgage real estate loans, helping 316 families realize their dream of home ownership or refinancing. Of these, 144 were first-time home buyers. In addition, we moved from 14th place in the real estate lending market at the beginning of 2022 to 4th place by the end of the year.

Throughout our 83-year history, we have kept our communities' and members' needs at the forefront of all we do. We encourage serving our local communities by providing our employees eight hours of paid volunteer time each year, as well as matching up to $500 in donations made by each employee annually to the 501(c)(3) nonprofits of their choice. In 2022, the Member One made significant community investments, including donating:

- $200,830 to non-profits through our Community Impact program
- $100,000 to Total Action for Progress (TAP)
- $50,000 to the Bradley Free Clinic
- $20,000 on GivingTuesday to four non-profits through our plusONE cardholder purchases
- $4,625 in matching employee donations
- $4,000 in Denim Days employee contributions to four non-profits throughout our footprint

Member One identifies and establishes strategic priorities to help guide our overall initiatives. One of our current priorities is to be the real estate leader in our market. We recognize that a mortgage loan is one of the largest investments our members will make in their lives. Building upon the stellar experience already being provided to our many satisfied real estate members, our goal is to ensure that more people in our communities can enjoy the very best in purchasing or refinancing a home — built around our commitment to competitive rates, trustworthy service, and timely delivery.

Over the years, Member One has risen to the needs of our community in the mortgage products we offer. With increasing prices and competition, our borrowers needed to finance closing costs into their loans without having to use a USDA loan. We created a program enabling borrowers to finance those costs with loans up to 105% or the purchase price of their home. We also launched an internal program to finance manufactured doublewide homes, meeting a need for local financing in many of the communities we serve.

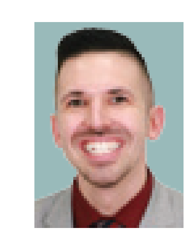
We know that part of a thriving community includes a well-supported healthcare system. To meet this need, we created programs to support members who are local first responders, medical professionals and specific select employer groups (SEGs). We offer our First Responder Program to all the following roles whether paid or volunteer: fire fighters, EMTs, paramedics, law enforcement officers, and nurses. The First Responder Program offers all our great loan options with the addition of a $1,000 closing cost credit. It is our way of showing appreciation to those who serve, protect, and support our community and members.

Our Medical Professionals Program offers 100% financing to select medical professions, including: Medical Doctor (MD), Doctor of Ophthalmology (MD), Doctor of Dental Science (DDS), Dental Medicine Doctor (DMD), Doctor of Osteopathy (DO), and Doctor of Optometry (OD). The program requires the borrower's property to be a primary residence within 25 miles of one of our retail centers. We designed this program to assist those who have recently completed medical school in purchasing a new home and joining and growing in our community.

We have also worked with several of our larger local SEGs to tailor programs to their employees' needs. One of those items is a $1,000 closing cost credit to the specific SEGs expressing this need. Through this partnership, we can help our members reach their financial goals and assist them in becoming homeowners or refinancing their existing family homes.

At Member One, we recognize that to be a thriving, sustainable organization long term, our credit union must seek new and evolving ways to grow. Growth may come in many forms, and our goal is to constantly innovate our products and services to ensure we are offering the very best to our members. Member One looks forward to growing with our community for years to come by focusing on the needs of the members and communities we serve.

Daniel Haller began his Member One career in 2016 and currently is Real Estate Lending Manager, where he has been instrumental in creating efficiencies in driving production and reducing closing times.



Daniel Haller

Leveraging Member Data

How Credit Unions Can Increase Loyalty and Drive the Deal Flow

By James White
Total Expert

For credit unions, leveraging data-driven strategies is critical to growth and success in today's competitive financial services landscape. With fewer opportunities to interact directly with members, every remaining interaction becomes more important. Those interactions must be meaningful for members and improve the credibility of the credit union. This means that the institution must understand members' financial situation, purchasing preferences, and overall well-being as much as possible. Members have grown to expect this type of interaction because other industries have led the way.

But achieving this requires a data strategy and an integrated platform enabling a sales culture to deliver personalized interactions that enhance the member experience, build loyalty, and increase the lead funnel. This article discusses how credit unions can leverage member data to improve mortgage deal flow, develop stronger member relationships, and ultimately increase the bottom line.

CREDIT UNIONS' RESPONSIBILITY

Credit unions still struggle with the fact that neither the average consumers nor members fully understand the value they bring as an institution and as an industry. Credit unions guide members through their financial journey, including expertise, service, and support to maintain their financial health. Regarding mortgages, credit unions generally offer more flexible and tailored products and processes than banks and other financial institutions. Credit unions originate and fund their mortgage loans, allowing them to tailor the loan terms to each member's unique situation.

> *With fewer opportunities to interact directly with members, every remaining interaction becomes more important.*

In addition, the National Credit Union Association reports that credit unions require slightly lower credit scores on average than banks and other lenders. The rates also are often lower than other offerings in the market. These items support the mission to help members navigate their financial journeys. This is because credit unions always prioritize their members first, and profit can be translated into investments or member giveback, so they can offer those members more affordable mortgage loans.

Consumers simply need to understand those benefits, but the industry has struggled with an awareness problem for decades. By using member data to target marketing efforts and tailor offerings, credit unions can build stronger relationships with members while improving the quality of their interactions and service. This offers a real opportunity for the credit union industry to create more credibility with younger demographics and build that "trusted advisor" label that the industry has always enjoyed with the more established buyers.

USING MEMBER DATA TO IMPROVE MORTGAGE DEAL FLOW

One way to accomplish this is through automated messaging and campaigns, leveraging insights to help loan officers focus on the right members at the right time. Implementing this strategy will make members more likely to open and respond to emails and calls. The key to this strategy is gathering behavioral data, such as home listings, credit pulls, credit improvement, home equity, and overall engagement. Combining that information with comprehensive member profile data lets credit unions identify the most effective offers and messages to reach members when they are most likely to decide.

Another way to use member data is to collect relationship survey information on what members seek in their financial products and services, such as the next best cross-sale to include mortgages and home equity lines of credit (HELOCs). Relationship surveys were once prevalent but faded as institutions moved toward transaction-based surveys. These transaction surveys drive cultures and relationships to be hyper-focused on transactions. The industry must get back to understanding the members and their overall view of the brand. This is a crucial data source to supplement the overall member profile. This data type can assist credit unions in ensuring that suitable product offerings exist for the current market and that the most effective messaging exists. Again, this ultimately translates to sending the right message to the right person at the right time.

> *Credit unions still struggle with the fact that neither the average consumers nor members fully understand the value they bring as an institution and as an industry.*

INSIGHT ALERTS FOR IMPROVED MORTGAGE DEAL FLOW

Insight alerts are a powerful strategy to improve mortgage deal flow. They offer credit unions the ability to send targeted product offers based on the behavior of potential borrowers. This can help reduce attrition rates and recapture lost business from borrowers who've applied for loans outside of the credit union. With an insights strategy in place, a member's credit score, loan history, and buying and borrowing habits can be used to target prospects most likely to be solid borrowers. Increasing loan originations and retention rates can significantly impact the bottom line.

In addition, such alerts help boost engagement by providing members with timely and relevant messages that address their financial journey. This helps build trust and strengthens connections to the credit union. An insights strategy can also help members make more informed decisions when making significant purchases.

DEVELOP STRATEGIES TO DRIVE INSIGHTS

To summarize, leveraging member data is critical to credit union growth and success. Credit unions can differentiate themselves from other financial institutions in the market by using member data to improve mortgage deal flow, build stronger relationships with members, and ultimately increase the bottom line. Even though data security and privacy are crucial, they shouldn't stop credit unions from developing strategies to drive insights. With a comprehensive data strategy and an integrated platform enabling a sales culture to deliver personalized experiences, credit unions can continue to provide their members with the expertise, service, and support they need to maintain their financial health.

James White, Total Expert's general manager of banking, has more than 25 years of experience helping modern depositories grow market share and drive profitability. Having worked with some of the largest banks and credit unions in the world, James believes in the power of an empathetic bank or credit union to create customers for life.


James White

Time for a Mid-Year Check-in

Keeping Your Mortgage Program Competitive During a Still-Volatile Economy

By Jeff Vossen
TruHome Solutions

It's hard to believe we're halfway through 2023, and so far, it's been a real trial for even the most successful mortgage programs. Your credit union can't sit back and wait for loan requests to roll in — you need to actively market your services to stay top-of-mind among your members.

But let's pause for a moment. Remember that downtimes are only failures if you don't learn from them and react appropriately. What can you learn from the first half of 2023 to inform strategy for the rest of the year? When taking a closer look, you will find there's no reason to call 2023 a wash just yet.

> *Remember that downtimes are only failures if you don't learn from them and react appropriately.*

In times of struggle, there are often hidden opportunities for those willing to put in smart, strategic work.

So how can you use this time to your credit union's advantage?

SEEING THE UPSIDE OF A DOWN MARKET

Despite an overall decline in volume, it's important to remember that people are always buying homes. Regardless of the market, people experience and celebrate life events like getting married, having children, relocating for a job or promotion, and inheritances. These life events are often the catalysts for home buying, even if the real estate market isn't at its best. Credit unions are uniquely positioned to assist their members through these life changes and should use challenging times to deepen member relationships. After all, nobody wants to make these life-changing decisions alone. And it's a great time to prepare your mortgage program for better times. When the mortgage market is strong, and everyone is busy, it never seems like the right time to address strategic and operational issues. Here are some ideas to use this challenging time to your advantage.

> *In times of struggle, there are often hidden opportunities for those willing to put in smart, strategic work.*

1. Invest in technology and data partnerships to prepare for the shift to a refinance market.

The most important thing to remember during trying times is that the market will come back around. It always does. So rather than paring your mortgage originations program back to bare bones, use the current slowdown as an opportunity to build a personalized, always-on marketing strategy based on data analytics. This will allow you to capitalize on a market resurgence before it happens.

> *Working with a CUSO is an alternative solution to halting your mortgage program.*

The big mortgage lenders won't miss an opportunity to target your members at the first sign of a shift. By gathering and understanding data about your members today, you can get in front of them and maintain their loyalty when it matters. Put your credit union top-of-mind for those applying for a mortgage in the coming months rather than expending resources marketing to those who will likely sit tight through the downturn.

You can focus your efforts by identifying the 10%-20% of your members who are most likely to do one of the following in the next 12 months:

- Buy their first home (look for marriages, graduations, or new jobs)
- Move to a bigger home (look for childbirth, second marriages or promotions)
- Downsize (look for children going to college, retirement, or moving to lower cost of living areas)

While there are analytics firms that you can partner with directly, a better choice might be to use a mortgage CUSO that already has these capabilities. That way, you get access to data insights you wouldn't have otherwise and experts who will help you take action on that data.

> *Use the current slowdown as an opportunity to build a personalized, always-on marketing strategy based on data analytics.*

2. Shift to a variable cost model

A slow market like this highlights the importance of a variable cost model. Homebuying is seasonal, with volumes dependent on overall market conditions. Refinancing is cyclical, with cycles dependent on the level of interest rates. A variable cost model is the best way to address these challenges rather than building your mortgage program for market extremes, which often results in a struggle when the market shifts. This way, you can better allocate resources and expertise to strategies that will grow your overall program, such as expanding your product set, enhancing marketing efforts, or hiring high-producing loan officers. A variable cost structure allows you to stay top of mind for customers who may not be ready to buy or refinance now but will be in the future when the market rebounds. It is a great way to control your cost structure today and be ready to serve your members, regardless of market conditions.

3. Make smart, strategic decisions in a down market

We understand that the 2023 market may require some difficult adjustments. But it doesn't have to mean the death of your mortgage program. We encourage looking for alternatives that will help your mortgage department stay solvent for the rest of 2023 and will set it up for resiliency and success when the demand comes roaring back.

This is the perfect environment to engage with a CUSO partner. By making this strategic decision, you can accelerate intelligent marketing and secondary sales strategies while gaining operational efficiencies for a more effective program in the long run.

There's no denying it's a turbulent time in mortgage lending. Working with a CUSO is an alternative solution to halting your mortgage program — one that will benefit your credit union and your members in good times and in bad.

Use all these ideas, or at least the ones that best support your operations, to support your mortgage program and you will be ready when the next wave of demand comes rolling in.

Jeff Vossen

Jeff Vossen, SVP, Mortgage Originations & Operations at TruHome, manages the direction of all the company's mortgage origination and operational functions, including originations, processing, underwriting, closing and mortgage solutions.

Creating Your Own Opportunities

The Face of Mortgage Lending Success Changes Its Expression

By Bob Sadowski
myCUmortgage

As a credit union mortgage lender, do you know what success looks like? At a high level, maybe it's simply the number of loans closed over a specific time period. Maybe it's turning a seemingly impossible loan into a reality. Or maybe it's making a member smile and be more comfortable throughout the complete mortgage journey.

Let's face it, success in our unique space can take many different forms. Add to that some challenging market factors, and the face of success changes its expression. In fact, with today's competitive purchase market, the issue isn't defining success but rather achieving it. How do credit union mortgage lenders break through and overcome the hurdles of tough market conditions and successfully get members into homes?

There isn't a magic formula or technical algorithm that guarantees complete and unequivocal mortgage lending success. However, there are many elements that can be exercised to garner success for your credit union and your members, particularly in today's market.

At myCUmortgage, we firmly believe that knowledge is power, especially when it comes to mortgages. This is precisely why we focus on professional development and credit union partner education. One recent session showcased how credit union mortgage lenders can have breakthrough success in any market conditions through relationship building, communications, and empathy. Mortgage leading experts Chris Magary, CU Select Mortgage Origination Manager, and Angel Scheidweiler, Inside Loan Originator at Wright-Patt Credit Union, shared an hour's worth of insights and tips. Here are the highlights.

CONNECTING WITH REALTORS AND INDUSTRY EXPERTS

In virtually every industry you can imagine, networking and building business relationships is a key factor to success. Credit union mortgage lending is no different and, in all actuality, thrives on relationship building. As a lender and loan originator, you will benefit from working relationships with Realtors, local builders and other home industry players. There are several ways you can start, foster and grow these relationships, particularly with Realtors:

- Connect via the extensive range of social media platforms available. Often Realtors will post listings that have yet to be loaded into the MLS. You can post replies to these messages and share your contact information to attract the attention of the Realtor as well as borrowers who have yet to commit to or select a lender.
- Use the opportunity of post-closing to reach out and connect with the Realtors involved in the transaction. Even if you have a loan that stalled and doesn't close, use the opportunity to connect with the Realtors.
- Similarly, explore your TBD (To Be Determined) pipeline. These are members who have been prequalified or preapproved but have yet to select a property. Ask them who their Realtor is or, if they don't have one, provide them resources to find one who is in your network.
- Provide your contact information and/or link to your personal loan officer page in all your communications, including social posts and email signature lines.
- Once relationships are established, make regular follow-ups. Keep in touch by using your calendar to create a communications plan and set reminders — and most importantly, stick to the process.

All these actions demonstrate to Realtors and other industry contacts that you're on the same team. It also shows that you are making yourself available to them when they most need you.

OPEN LINES OF COMMUNICATIONS

In building relationships with industry experts, several communications elements have already been highlighted above. Now, it's time to extend those lines of consistent and reliable communications to your borrowers and members. Here are a few examples and tips on communicating effectively with your members:

- Set expectations upfront and early. Let your members know about the types of information and documents needed. Provide a timeline of the process, detailing and explaining each step.
- Communicate to members in their language, recognizing that every individual learns and interprets information differently. They also have preferences on the channels you use (e.g., in person, email, telephone, video calls).
- Encourage your members to ask questions. As we will look at in the next section, most borrowers are not fluent in mortgagese or the home loan process. They'll have questions — be very receptive to them.

> *Most borrowers are not fluent in mortgagese or the home loan process. Be receptive to their questions.*

BUILD TRUST

Building industry relationships and incorporating solid communications will be ineffective if you don't establish trust. Being empathetic to all your audiences is important, particularly so for the member. Here's why and what steps you can take to build that trust:

- As noted earlier, knowledge is power, and in the home loan process, you are the quarterback! While you live mortgages day in and day out, it's extremely likely some members have only been through the process a handful of times or maybe never. It's your task to put yourself in their shoes and go through the process in a way and at a pace where the member is comfortable.
- Empathy is a must for success in building trusting member relationships. The homebuying process is quite likely one of the most stressful times in their lives, so it's crucial that you stay positive. Additionally, make sure communications run both ways; ask your members questions that aren't part of the mortgage application so you can learn more about exactly what they're looking for in a new home and cater your actions to their specific needs. Remember: You can learn more by listening than talking.
- Stay educated. To help a member, you need to know about all the programs and products that are available to them. You also need to be aware of industry trends and what the competition has to offer. Plus, building solid relationships with your own mortgage team, including industry partners and vendors, will give you insights on the entire loan process, from application to servicing through the life of the loan. You'll also be able to better explain the journey to your members.

While today's market is challenging, your success is what you make of it. Opportunities aren't always going to roll in and present themselves — you need to create your own. Staying active and vigilant will lead to breakthrough success, the materialization of opportunities and, ultimately, establishing you as an industry leader and resident "dream maker" for your members seeking homeownership.

Bob Sadowski is a Marketing Specialist for myCUmortgage, a position he has held for eight years. Prior to myCUmortgage, Bob was part of the Marketing Communications teams at ACCO Brands, LexisNexis and the Dayton Area Board of Realtors.


Bob Sadowski

Can Your Credit Union Deliver the Right Digital Services?

How to Know When It's Time for a Subservicer

By David Allison
Dovenmuehle Mortgage, Inc.

Mortgage loans typically represent a significant portion of any credit union's overall balance sheet. Deciding how best to service these loans is critical to delivering excellent member service, protecting the credit quality of the portfolio and ensuring full regulatory compliance at all times.

One of the common misconceptions regarding using a mortgage subservicer is that the decision is based largely on portfolio size. While this can play a role in the decision to outsource mortgage servicing to a subservicer, it is not the only factor credit unions should use in making this critical determination. Building a business case to outsource servicing hinges on several factors unique to your business and portfolio, including your growth plan, portfolio composition, and the capacity and reliability of your in-house staff and technology.

TAKING STOCK OF YOUR BUSINESS CHALLENGES

You likely have a strategic plan to grow either through portfolio loans held on your balance sheet or by selling loans to the agencies and retaining the related mortgage servicing rights (MSRs). Thus, you need to dive into your current portfolio composition to understand the nuances of how those loans need to be serviced.

With conventional 30-year fixed-rate loans, servicing may be fairly standard month after month, year after year. But with other loan types, there may be additional compliance and oversight activities that are required. For example, with adjustable-rate mortgage loans (ARMs), you'll need to notify borrowers in advance that the interest rate will adjust and ensure the adjusted rate is calculated correctly. Home equity lines of credit (HELOCs) require you to track disbursements and monitor what funds are still available to the member. Similar tracking and member communication requirements exist for interest-only, balloon and construction loans. For construction loans, you'd track project milestones, contractor payments, and final inspections.

Even with plain-vanilla conventional loans, there are escrow requirements that need to be tracked and reported. Depending on your geographical footprint, that means reporting with a few counties, an entire state or possibly several states. And if your portfolio includes loans that require a lot of product and regulatory expertise, like ARMs and HELOCs, you'll need to consider how your growth plans mesh with hiring and training more staff to service these complex assets in-house.

Even with plain-vanilla conventional loans, there are escrow requirements that need to be tracked and reported.

A SUBSERVICER COULD SAVE YOU 30%

For credit unions with small portfolios or those retaining servicing for the first time, the key drivers for using a subservicer are likely to be a lack of internal mortgage servicing expertise and the limited digital mortgage servicing capabilities provided by most credit union core banking systems. However, credit unions with established portfolios can realize cost reductions in several key areas:

- **Staffing** – savings typically include direct servicing employees, as well as support staff in collections, payment processing, internal audit and other corporate functions.
- **Data processing** – cost savings will depend on the structure of your core service provider contracts and other technology product subscriptions.
- **Print, mail and postage** – these savings are additional areas to consider for the production and mailing of monthly billing statements, late notices, collection letters, ARM adjustment notifications, escrow analysis statements, year-end statements, etc.
- **Telecom expenses** – while these may be hard to quantify, they become direct savings with your subservicer providing inbound and outbound call center services for your members.

You'll need to consider if you can adequately grow your current portfolio in line with your goals with your existing staff and technology. In other words, where do you want to be in terms of product range, investors and portfolio size, and what staffing and technology levels will it take to get you there? Will you need to invest in additional personnel and resources to service your portfolio in-house, or should you bring in some outside support to help you meet your revenue and business goals?

Where do you want to be in terms of product range, investors and portfolio size, and what staffing and technology levels will it take to get you there?

According to the Mortgage Bankers Association (MBA), mortgage loan servicing costs from 2008 through 2021 increased three-fold and have not dropped below $200 per loan since the passage of the *Dodd-Frank Act* in 2010. In 2021, total servicing costs reached $240 per loan.

All things considered, credit unions can reduce direct expenses by roughly 30% through the economies of scale and efficiencies that a qualified and experienced subservicer can deliver – so that may be worth exploring. Enhancing digital servicing capabilities and guaranteed regulatory requirements are other advantages that come with a professional subservicing partnership.

THE BOTTOM LINE? PROTECT YOUR BUSINESS

When it comes down to it, loan servicing is not just about dollars and cents. It's also about risk. You may feel things are well in hand right now, but what happens when your portfolio grows by 2X, 3X, or 4X? Will your staff and technology be able to keep up? Can your compliance and legal experts proactively manage and navigate complex regulations to keep your business safe? In 2021, the average turnover rate in servicing departments as measured by the MBA was 29%, a survey high. If your numbers are anywhere close to that, you may be paying more to hire and train new employees every year with continuous exposure to turnover.

Then, there's the member experience to consider. What happens when growth and turnover begin to negatively impact the high-touch level of service your members have come to expect? Can your organization deliver a digital experience that includes self-service options and real-time member communications through your website or an app? Do you have the resources to support issue resolution and help members during the servicing phase of their homeownership journey? While handing off important member relationships to a third party feels like an anathema to the credit union ethos, expertise should trump all in the context of mortgage servicing. If your credit union is not prepared to extend expected service levels through the servicing function, partnering with an experienced mortgage servicer can actually improve member service in this particular regard.

Finally, loan servicing is a high-touch, complex business. Knowing when it's time to outsource comes down to understanding your in-house expertise, the technology you have in place, and your risk and reputational exposure.

If you're pulling people from different departments to fill in the servicing function or not using state-of-the-art technology to help staff manage compliance issues, you could be setting yourself up for problems down the road.

Don't let the *perception* of saving money be the reason your revenue stays flat, your turnover skyrockets or you have litigation on your hands.

For many lenders, it may not be a question of if but when it is time to outsource loan servicing.

David Allison is Senior Vice President at Dovenmuehle Mortgage Inc., a mortgage subservicer for commercial banks, credit unions, independent mortgage lenders, MSR investors, and state housing finance agencies nationwide. Learn more at https://dovenmuehle.com.

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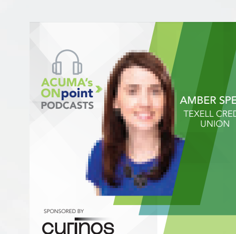
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Why Quality is Key to Success in 2023 and Beyond

With Volumes Down, Turn Your Attention to QC Operations

By Amanda Phillips
ACES Quality Management

The recent slowdown in mortgage originations has given credit unions and loan servicers an opportunity to reevaluate their processes and investments. While many credit unions focused on member-facing technology during the high-volume mortgage years, back-office operations and regulatory compliance took a back seat.

Now that volumes are down, it's an ideal time for credit unions to turn their attention to their compliance and quality control operations to ensure loan salability and/or long-term performance at a time when every loan matters. While it may seem counter-intuitive to invest in what has typically been viewed as a cost center, credit unions can realize a significant return on investment by improving QC auditing and reporting capabilities via technology to increase productivity, reduce expenses and bolster revenue in other lines of business.

REVENUE RETENTION

In a soft market, loan quality becomes even more critical, as it can impact a credit union's ability to maintain and attract investors for their secondary market loans. A robust quality control (QC) review process helps maintain loan integrity and enables institutions to weather the downturn by reducing buybacks and ensuring a steady revenue stream. In the event that loan quality deteriorates, investors may reject loans with critical defects, forcing credit unions to repurchase them. In the current market conditions, credit unions must prioritize loan quality and enhance efficiency across all lending product lines.

> *The recent slowdown in mortgage originations has given credit unions and loan servicers an opportunity to reevaluate their processes and investments.*

For credit unions that keep loans in their portfolio, servicing is a proven revenue stream to weather the soft origination market. Some credit unions that are experienced loan servicers are further diversifying their revenue sources by acquiring mortgage servicing rights. However, for those not experienced in loan servicing, the current environment poses challenges in acquiring the necessary expertise and infrastructure. Becoming a loan servicer requires significant investments in compliance procedures, software programs, sub-servicers, and thorough due diligence.

Credit unions should explore other revenue streams, such as loan servicing, to adapt to the soft origination market and maintain fiscal health. One key priority in a servicing department includes technology investment. Additionally, a robust QC process is crucial for protecting loan integrity and servicing income, especially during a downturn. By managing risk through enhanced visibility and efficient compliance processes, credit unions can leverage QC and auditing technology to streamline loan reviews and reduce defects. Engaging in solid partnerships with servicing platform vendors also helps credit unions find efficiencies and lower costs.

> *This is an opportune time for credit unions to invest in lending quality control technology.*

EFFICIENCY ENHANCEMENT

This is an opportune time for credit unions to invest in lending quality control technology. While many credit unions prioritized front-office, borrower-facing technology in the past, the current market conditions call for a shift towards technology solutions that optimize operational processes, including QC and auditing. Institutions with existing technology providers should assess their current partnerships and seek to maximize performance. Automating repetitive tasks and leveraging technology can help credit unions work smarter, reduce risks, and improve overall efficiency.

To maximize efficiencies, credit unions must transition from manual processes to improve quality control auditing throughput and reporting. Many credit unions have outgrown spreadsheet-driven review processes and require audit review platforms for truly efficient and timely reporting. Compliance management systems require visibility into auditing and quality control across all business lines, allowing credit unions to identify risks and failures and develop mitigation plans.

While credit unions have been slow to adopt technology in the QC and auditing space, the current market conditions necessitate a strategic approach to quality control and compliance without sacrificing compliance. By leveraging technology alongside human expertise, credit unions can reduce risks, comply with regulatory requirements, and provide exceptional member experience.

ENTERPRISE ENABLEMENT

With higher-than-normal volumes in other consumer loan lines, credit unions can turn to technology platforms to automate QC reviews across the enterprise. Such platforms enable team members to share findings, monitor critical data and metrics, collaborate securely, review audit activity, remediate defects, and manage the correction process effectively.

Investing in technology also gives credit unions a leg-up in adapting to emerging regulatory requirements. A robust audit review platform simplifies staying updated with regulatory changes from agencies like the National Credit Union Administration (NCUA), Consumer Financial Protection Bureau (CFPB), federal agencies (e.g., FHA, VA, USDA, RHS) and the Government Sponsored Enterprises (GSEs). Credit unions can ensure the implementation of QC review questions and exceptions that enable compliance testing of new requirements, mitigating risks and reducing errors.

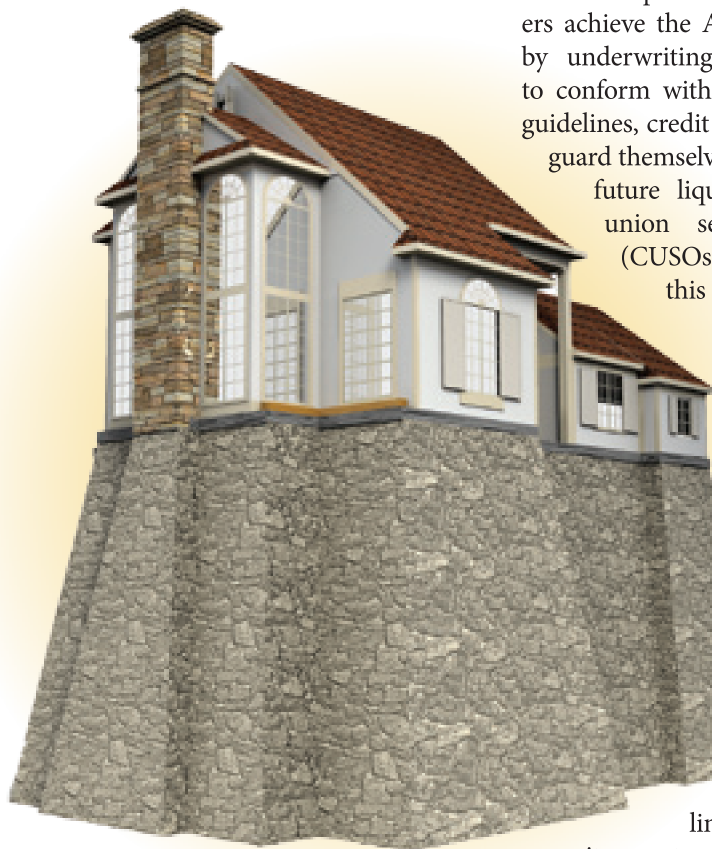
> *Investing in technology also gives credit unions a leg-up in adapting to emerging regulatory requirements.*

With mortgage originations expected to remain slow throughout 2023, now is the time for credit union originators and loan servicers to closely examine their compliance and QC processes and make strategic investments in technology that can reduce costs and improve efficiency in all lending product lines, not just mortgage origination and servicing. Investing in enterprise-wide QC automation ensures credit unions can continue to deliver outstanding member service while maintaining the fiscal health of their lending operations for long-term success.

Amanda Phillips, executive vice president of compliance at ACES Quality Management, is responsible for expanding the breadth and depth of ACES' compliance and regulatory solutions. Reach her at aphillips@acesquality.com.


Amanda Phillips

Building Your Program on a Strong Foundation



Why You Should Underwrite Construction Loans to GSE Standards

by Shannon Faries
Land Gorilla

With today's challenging mortgage environment, many credit unions are leaning into construction loans which provide the opportunity to generate net interest income. However, organizations venturing into the world of construction-to-permanent lending would be wise to remember the ancient proverb: "A house built on a strong foundation withstands the test of time."

To navigate this terrain successfully — whether launching a construction-to-permanent loan program or expanding your current offerings — consider underwriting construction loans to Fannie Mae and Freddie Mac (GSE) guidelines. In fact, whether or not you choose to hold construction loans in your portfolio, such a strategy is key to ensuring loan asset liquidity.

EMBRACING A SOUND LIQUIDITY STRATEGY

Homebuyers are turning to new construction largely due to the lack of existing home inventory. Originating construction-to-permanent loans can help credit unions attract more members, generate more earning assets, and gain a competitive advantage in the marketplace by helping homebuyers achieve the American dream. But by underwriting construction loans to conform with Fannie and Freddie guidelines, credit unions also can safeguard themselves against unforeseen future liquidity events. Credit union service organizations (CUSOs) also benefit from this approach by pooling construction-to-permanent loans underwritten to GSE requirements.

Even credit unions that are seller servicers who may or may not intend to sell to GSEs should consider structuring loans to align with GSE guidelines. Should a liquidity event arise, adhering to these standards ensures loans maintain their maximum value attainable in a sale to the secondary mortgage market. Sales of conforming loans can occur in a relatively short period of time when compared to portfolio loans, since a portfolio may have unfamiliar underwriting standards. One reasonable credit union strategy would be originating both fixed-rate and adjustable-rate construction-to-permanent loans. They can sell the fixed-rate loans to a GSE while retaining servicing rights and place adjustable rate loans in their portfolio. The adjustable rate loans are a strong earning asset and have reduced interest rate risk exposure.

UNDERSTANDING BEST PRACTICES

Underwriting construction loans to GSE guidelines might seem daunting at first, given the complex nature of construction financing. However, it's important to note that the GSEs do not purchase the loan until after completion. Therefore, the credit union has a lot of flexibility in terms of how the loan is managed while under construction.

That being said, there are specific GSE guidelines outlining the acceptable structures of a construction-to-permanent loan. Option 1 is a construction conversion option and Option 2 is a construction loan with an amortizing option at completion. Fannie Mae's guidelines are outlined in Section B5-3 of the Fannie Mae seller's guide. However, credit unions new to underwriting Fannie Mae construction loans should be aware that Fannie Mae leaves a great deal up to the lender. For example, there's no requirement that borrowers need to use a licensed general contractor. Because they only purchase the loan after construction, which occurs after obtaining the certificate of occupancy, final title endorsement, and final appraisers inspection, Fannie Mae leaves this decision to the lender.

> *"One reasonable credit union strategy would be originating both fixed-rate and adjustable-rate construction-to-permanent loans."*

The selling guide also doesn't provide a clear definition of the cost of construction. Although it vaguely refers to borrowers financing the cost of construction, it doesn't specify what this includes. There's very little clarity, and for credit unions that may be new to construction lending in general, there's going to be a learning curve. The selling guide allows the lender to define the cost of construction. Industry best practice is to define the cost of construction as the acquisition cost, i.e., land costs or land value, hard costs of construction, and soft costs of construction (permits, architecture, closing costs, reserves, profit, overhead, and supervision). The lender cannot include indirect costs such as the builder's lease payments or the builder's general liability insurance, for example.

Over the years, numerous credit unions have turned to Land Gorilla for advice on these issues. In response, we developed an Acquisition Cost Worksheet that can help lenders and their loan officers define and document the actual cost of construction. The worksheet aligns with industry best practices found in the FHA, VA, and USDA lender handbooks and covers all of the costs associated with the acquisition and construction of a new home. It's frequently used as a tool by the loan originator to track all associated costs and to develop an accurate estimate of the borrower's cost to close and the lender's construction loan holdback that must be known at the time that the loan is closed.

The key to originating profitable construction-to-permanent loans is to ensure that you are meeting the member's expectations in a safe and sound process.

GETTING A LIFT FROM TECHNOLOGY

To fully maximize the opportunity to scale construction-to-permanent loan programs, credit unions need the right tools. Because some credit unions only originate a few construction loans a month, many of them use spreadsheets as their system of record. Scaling a construction loan program, however, requires a more robust solution, especially if you are originating loans in multiple counties and states. You'll need to consider lender liability issues as well as the importance of maintaining proper documentation, which means a reliable system of record — one that isn't prone to crashing or data loss, like a spreadsheet — is essential. A system of record is also admissible in court in the unlikely event that it should be needed.

A system of record is one that incorporates verification processes and is capable of storing and tracking essential documents. With today's modern technology, credit unions can do so much more, including streamlining the often complex and time-consuming processes of managing lien waiver control, draw and change order requests, progress inspection reports, title insurance endorsements, and fund disbursements. Keep in mind that smooth and efficient draws and disbursements are crucial to keeping contractors and subcontractors consistently paid, and ensuring the timely completion of your members' homes and preventing failure to complete the project. This is a lesson that countless lenders have unfortunately learned the hard way.

MAXIMIZING YOUR ADVANTAGES WHILE MINIMIZING RISKS

By leveraging technology, credit unions can optimize their construction loan programs, achieve scalability, and provide an exceptional experience for their members. But if you're in the market for such a system, it's a good idea to find a partner that keeps track of construction regulations and best practices and has extensive expertise in managing construction loans for numerous lenders and credit unions, which minimizes the risk of obtaining incorrect information.

A reputable third-party provider can also assist in securing vendors, too. For instance, Land Gorilla maintains a large network of inspectors across all 50 states. Need a progress inspection and request it on Monday morning? There's a good chance an inspector can be onsite that same afternoon. Contractors need a quick inspection turn time so that requested draws can be processed quickly.

At the end of the day, underwriting construction loans to conform with Fannie Mae and Freddie Mac guidelines is simply smart business, since it provides credit unions with more options for dealing with liquidity events. And, as the proverb goes, it can help establish a solid foundation for their construction lending practices that will withstand the test of time.

Shannon Faries, Land Gorilla's Director of Strategic Relationships, oversees consulting and new product development for lenders looking to enter the construction lending space and provides best practices for loan program development and risk management.

Shannon Faries

ACUMA extends a warm welcome to its newest members, who join a community dedicated to helping credit unions put more members in homes through competitive mortgage-lending programs.

These new members are entitled to all the benefits of ACUMA's educational and networking events, including resources shared through our website (www.acuma.org) Join ACUMA in wishing success to these new members:

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ACUMA welcomes our newest members

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Competition Is Growing and Margins Are Tight

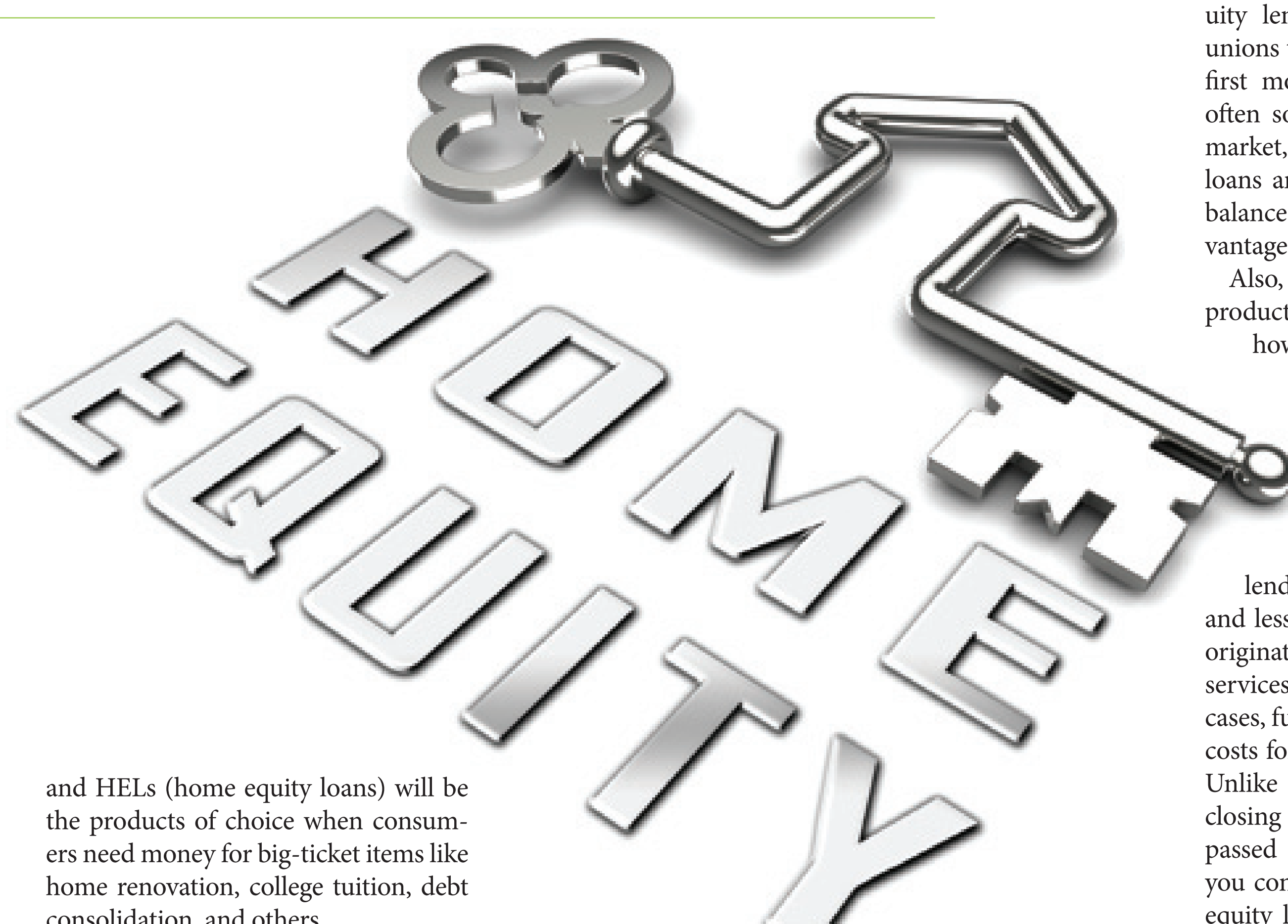
Credit Unions Are Well Positioned to Benefit from Home Equity Lending

By Matthew Mackey
Wolters Kluwer

When it comes to residential lending, home equity loans have been one of the few bright spots over the past year. Home equity lenders, including many credit unions, originated more than 2.7 million home equity lines of credit (HELOCs) and loans in 2022, according to TransUnion, and that number is expected to grow by nearly 25% and top 3.7 million units this year.

Several powerful trends fuel the shift to home equity lending. The first, of course, is the Federal Reserve's campaign to combat inflation. Since mid-2022, the central bank has raised interest rates 10 times, including May's 25-basis-point hike. This, in turn, has pushed first mortgage interest rates from a record low of 2.65% to as high as 7% in recent months and choked off cash-out refinances that had been the transaction of choice for much of the last decade.

The second driver is home price appreciation. Over the past two and a half years, Home Price Index (HPI) gains have created trillions of dollars in tappable home equity for U.S. homeowners. Even though HPI growth has slowed recently, TransUnion is forecasting that by year end tappable home equity will still total $18.1 trillion.



The "locked-in" effect is also a factor. More than 85% of all outstanding first mortgages currently have coupons of 6% or less, including millions with rates as low as 2% to 3%. As you'd expect, homeowners are reluctant to refinance their historically low first mortgage interest rates. But they still want the ability to access their equity which is why, for the foreseeable future, HELOCs and HELs (home equity loans) will be the products of choice when consumers need money for big-ticket items like home renovation, college tuition, debt consolidation, and others.

Home equity interest rates in the high single digits or even low double digits are still very attractive when compared to rates for non-mortgage debt, like credit cards. "Currently homeowners have over $600 billion in non-mortgage debt, and this is anticipated to increase in 2023 as inflation takes its toll on consumer wallets," TransUnion noted in a recent report. "Homeowners can considerably reduce their monthly expenses by tapping their home equity to pay off existing debt."

THE CREDIT UNION ADVANTAGE

During the refi boom, many credit unions lost ground to mortgage banks. Credit unions often found themselves facing off against large national lenders with mega advertising budgets — it's hard to compete against a splashy Super Bowl ad. Now that the market has shifted to home equity, credit unions are leveraging one of their key advantages — their relationship with members — and aggressively marketing their ability to meet members' financial needs via home equity lending.

> *"To be successful at home equity, credit unions need to focus on origination costs and use as much automation as possible to protect their margins."*

The dynamics of home equity lending also give credit unions the upper hand. Unlike first mortgage loans that are often sold into the secondary market, HELOCs are portfolio loans and are usually held on balance sheets, which disadvantages mortgage banks.

Also, HELOCs are a core product for credit unions who know how to handle drawing and servicing HELOCs.

LOWER COST BUT ALSO LOWER MARGINS

For the most part, home equity lending tends to be less complicated and less expensive than first mortgage origination. But there are settlement services costs, including, in some cases, full appraisals and title, and labor costs for underwriting and processing. Unlike first mortgages, many of these closing costs historically haven't been passed along to the borrower. When you consider the smaller size of home equity lines and loans, the borrower's ability to control the draws and need to absorb costs, home equity margins tend to be lower.

So, to be successful at home equity, credit unions need to focus on origination costs and use as much automation as possible to protect their margins.

From a risk standpoint, credit unions need to be concerned about credit, how they value equity, and their position on the title. In the event a second lien goes bad, there is very little chance of recovery. Having said that, home equity products tend to perform very well compared to other types of consumer credit.

Another factor is that compliance is less rigid within home equity lending. For example, there aren't standard forms for HELOCs like there are for first mortgages. It's basically up to each lender what forms they use and how they ensure that internal rules are being followed.

COMPETITION IS INCREASING

While credit unions have a home-field advantage when it comes to home equity, large national lenders and new fintech entrants are also focusing on this sector and stepping up their marketing to emphasize speed and the customer experience. In some cases, they are offering HELOC approvals in minutes and closings in a matter of days. To compete going forward, credit unions will need to offer fast decisions, convenient closings, digital document presentation and eSigning.

> *"To compete, credit unions will need to offer fast decisions, convenient closings, digital document presentation and eSigning."*

Cost and efficiency are also considerations. Does it make sense, for example, to originate first mortgages on one platform and with one set of document providers, but use older core banking systems, or even a paper process, for HELOCs? Wouldn't opting for a single, residential lending platform and single set of document providers offer greater efficiency and better visibility across different types of assets? There are even new solutions that allow lenders to create digital HELOC assets, similar to first mortgage eNotes.

SELECTING THE RIGHT PARTNER

As credit unions rethink their approach to home equity, many are also re-evaluating their current roster of technology, document and compliance partners. Some are looking at enhancing just a single function, like document generation, while others are taking a more holistic approach and looking for providers that can deliver a range of solutions that can be delivered under existing agreements.

Like our company, Wolters Kluwer, many firms have a long history of supporting the credit union community with solutions ranging from document generation to eSignature and eClosings, lien analysis and digital HELOC originator and eVault storage.

At the end of the day, good partner firms understand that membership service and support are essential to the mission of the credit union community. They also know that many credit unions can't afford the investment in technology and resources that larger mortgage companies have made, and have designed systems to be flexible, customizable and affordable.

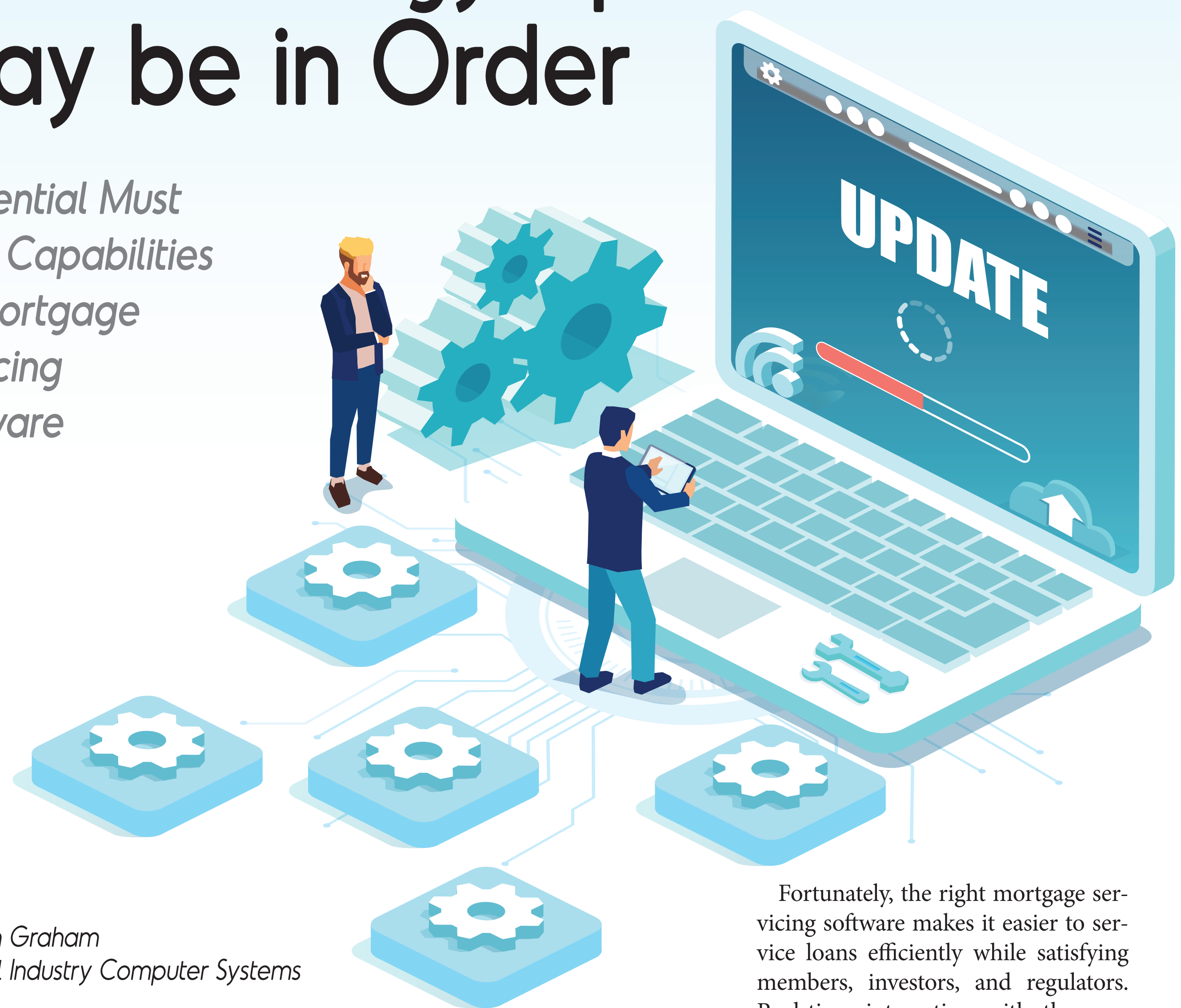
Credit unions would be well served to leverage their unique advantages — an existing and loyal customer base, and a captive prospecting pool — with the efficiencies of technology to capitalize on the significant opportunity that exists with home equity lending.

Matthew Mackey began with IDS in 1996, and contributed greatly to its expansion, sustainability and recent acquisition by Wolters Kluwer, where he currently serves as Sales Channel & Afiliates Associate Director.


Matthew Mackey

A Technology Update May be in Order

5 Essential Must Have Capabilities for Mortgage Servicing Software



By Susan Graham
Financial Industry Computer Systems (FICS)

Credit union mortgage servicers have their hands full. In addition to completing daily servicing operations, they must deliver exceptional customer service, meet investor requirements, and keep up with changing regulations. Servicers must pay attention to borrower protections as they exit COVID-related forbearance. The Consumer Financial Protection Bureau is watching servicers closely to be sure they communicate proactively and treat borrowers fairly when their forbearance period ends. Now that the COVID-19 National Emergency has ended, servicers need to review and update their policies, procedures, communications, and systems.

Fortunately, the right mortgage servicing software makes it easier to service loans efficiently while satisfying members, investors, and regulators. Real-time integration with the core system elevates your customer service and promotes optimal accuracy. Regular software updates (to accommodate investor reporting and other regulatory changes) facilitate compliance.

ESSENTIAL SOFTWARE CAPABILITIES CRITICAL TO SUCCESS

To achieve breakthrough success, credit unions should choose mortgage servicing software that includes these five essential capabilities:

1. Automated investor reporting functionality including the GSEs.

Mortgage servicers must comply with investor reporting requirements and accurately communicate the status of the loans in their portfolio. The Government Sponsored Enterprise (GSE) investors (Fannie Mae and Freddie Mac) have specific reporting requirements. Keeping investors informed during the mortgage servicing process can be time consuming and has traditionally introduced friction into the process, increasing costs and compliance risk in a part of the business with narrow profit margins. Keeping up with changing compliance requirements adds to the complexity.

> *The right mortgage servicing software makes it easier to service loans efficiently while satisfying members, investors, and regulators.*

To efficiently service loans sold on the secondary market, credit unions need robust mortgage servicing software that automates the investor reporting process and is quickly updated in response to changing requirements. Some credit union servicers opt to service mortgage loans using the limited tools built into their core processing system. They may do this to save money and process the loans as internal loans like auto and personal loans. However, using the core system to service mortgage loans can be problematic given their greater regulatory requirements.

While core systems support many products, mortgage loan functionality is often limited, especially when it comes to effective investor reporting and compliance. Core system limitations may require the credit union's servicing staff to perform investor reporting and escrow administration tasks manually. Management may see manual processing as a viable option because mortgage loan volume is typically lower than consumer loans. However, this slows down the process, negating the benefit that the core system automation was supposed to provide and increasing the risk that errors and non-compliance will occur.

Instead of performing investor reporting tasks manually, servicing staff should spend their valuable time providing personalized service to credit union members. Credit unions should invest in software specifically designed for mortgage servicing. Leading-edge mortgage servicing software automates investor reporting, facilitating adherence to regulatory and investor requirements by (a) supporting all industry-standard reporting methods, (b) producing necessary reports for reconciliation, remittance, and delinquency, and (c) performing advance and recovery of Principal and Interest (P&I) and Taxes and Insurance (T&I).

2. Automated, robust, escrow administration.

Most core systems have limited or no escrow administration functionality. Servicing software automates escrow administration, ensuring accurate and timely payments and reporting. At a minimum, mortgage servicing software should include these functionalities:

- Escrow analysis statements (initial, annual, and final versions)
- Interest on escrow processing
- Escrow tracking reports
- Escrow premium updates individually and in mass
- Escrow disbursements individually and in mass
- Tax service interface

3. Borrower-facing web applications.

Web apps have many benefits to servicers and members:

Convenient, time-saving self-service options. Web apps allow members to view loan information and make payments online, 24/7. By providing loan information via web app, servicers will spend less time on the phone fielding basic borrower requests.

> *By providing loan information via web app, servicers will spend less time on the phone fielding basic borrower requests.*

Better communication with borrowers. Credit union servicers need the right mortgage servicing software and effective self-service web applications to quickly deliver information to borrowers and satisfy the CFPB. Mortgage servicing software should be able to:

- Easily and automatically generate emails to specific borrowers, notifying them that a statement/notice is waiting for their review via a web application. Sharing information via web application allows servicers to track and confirm that borrowers received the information. Ideally, providing borrowers with immediate access to any new statements and notices reduces call volume and provides a better member experience.
- Generate and push out personalized messages that borrowers see when they log into the web app portal. For example: "Your forbearance period will end on August 15, 2023. Please contact us to discuss your repayment options."

Paperless servicing. Servicers save money on printing and mailing when members choose not to receive paper statements. According to the JD Power 2022 U.S. Mortgage Servicer Satisfaction Study, only 52% of mortgage servicing customers get a paper statement. Survey respondents who have gone paperless rated two brand attributes—"can rely on lender to keep promises" and "lender provides honest communication"—more highly than those who do not receive paperless statements. To increase paperless statement adoption, servicers need to build member trust, in part by communicating transparently.

Paperless servicing reduces the environmental impact and attracts younger, environmentally conscious borrowers, who want to be able to opt out of paper statements and only receive documents electronically. According to The Deloitte Global 2022 Gen Z and Millennial Survey, protecting the environment is a top priority for Gen Zs and Millennials.

Most Gen Z and Millennials (90%) are making at least some effort to reduce their own impact on the environment.

4. Application programming interfaces (APIs).

APIs are software-to-software interfaces that enable applications to easily communicate back and forth without the need for direct user intervention. An API may be designed to query data or update a database, initiate a process, or add functionality to a software application. According to Fannie Mae, mortgage lenders recognize APIs as "a critical technology that provides immense potential to automate process, improve opportunities and accuracy, as well as reducing costs and workloads."

> *To increase paperless statement adoption, servicers need to build member trust, in part by communicating transparently.*

APIs offer convenience and time savings via workflow automation. Mortgage servicers can use APIs to automate reports and programs, thus saving time and resources, eliminating after-hours and weekend work, and reducing mistakes caused by human error.

5. Real-time access (RTA).

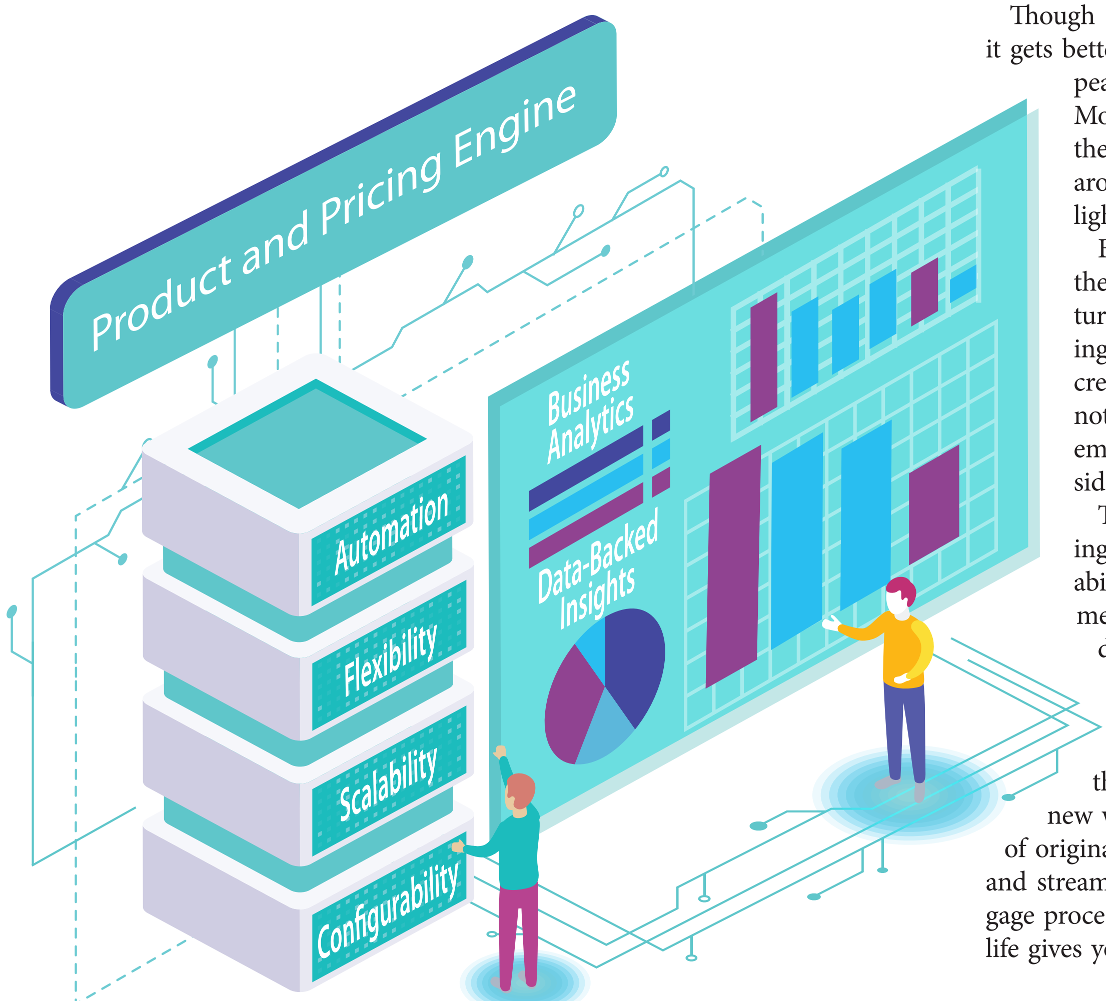
A mortgage servicing system should provide credit union tellers, call center agents, and borrowers with the ability to view mortgage data in real time within the core data processing system or home banking website. RTA allows tellers or call center agents to view loan information, post payments in real time and generate receipts with current data. By providing on-demand access to mortgage information, RTA increases staff efficiency and helps them deliver better member support.

Choosing mortgage servicing software with these five essential capabilities opens the door to the secondary market by allowing credit unions to retain servicing and easily meet investor reporting requirements. By automating mortgage servicing operations, credit union servicers can boost efficiency and accuracy (saving time and money), service more loans per employee, and provide superior customer service to members. Using web applications to handle routine questions frees servicers to spend more time assisting members who need more specialized support. Your mortgage software vendor can help your credit union achieve breakthrough success, in part by keeping members and investors happy.


Susan Graham

Susan Graham is the president and COO of Financial Industry Computer Systems, Inc. (FICS), a mortgage software company specializing in cost-effective, inhouse mortgage loan origination, residential mortgage servicing and commercial mortgage servicing software for credit unions. You can reach her at SusanGraham@FICS.com.

Now is the Right Time to Double Down on your Mortgage Tech Investment



Adam Carmel
Polly

You don't need me to tell you that the mortgage industry is facing extraordinary challenges right now, the likes of which we haven't seen for decades. With interest rates reaching dizzying heights, credit unions are arranging fewer new mortgages and the previously lucrative home refinance market has dried up.

Though it might get worse before it gets better, mortgage rates are set to peak in 2023. According to the Mortgage Bankers Association, they will likely end the year at around 5.4% — so there is some light at the end of the tunnel.

But regardless, this still leaves the industry facing a year of turbulence. So, beyond battening down the hatches, how can credit unions ensure they do not just survive this crisis, but emerge stronger on the other side?

The answer lies in harnessing technology to drive profitability and deliver a top-tier member experience. Current downtime is an opportunity for forward-thinking credit unions to pinpoint bottlenecks within their tech stack — finding new ways to drive down the cost of origination, accelerate cycle times, and streamline each part of the mortgage process. As the adage goes: when life gives you lemons, make lemonade.

THE CORNERSTONE OF A FUTURE-PROOF MORTGAGE TECH STACK

A sophisticated Product and Pricing Engine (PPE) is the core of any modern mortgage tech stack. The most advanced PPEs on the market deliver near-infinite automation, flexibility, scalability, and configurability, in addition to competitive business analytics and data-backed insights to support strategic decision-making.

While some credit unions still leverage legacy solutions that rely heavily on spreadsheets and cumbersome tree- or folder-type hierarchies, the unfortunate reality is that these antiquated barriers significantly limit the ability to configure portfolio products, eligibility, and unique pricing. Rather, credit unions should look for a solution that enables them to effortlessly configure rules, automate rate sheets, easily create new portfolio products, dynamically manage granular margin strategies, and quickly distribute pricing across all channels.

When choosing a solution, remember that implementation does not have to be difficult. Most credit unions simply do not have the internal bandwidth to manage this themselves — and that's fine! Look for a provider that is willing to shoulder most of this onus.

THE TANGIBLE BENEFITS

To some credit unions, investing in tech during lean periods might seem counterintuitive. After all, there is usually a little less cash in the bank. But the truth is that future success depends on having the right mortgage technology in place.

When the industry reaches the light at the end of the tunnel, credit unions who invest internally now will be better able to take on soaring demand and retain talented teams.

> *Current downtime is an opportunity for forward-thinking credit unions to pinpoint bottlenecks within their tech stack — finding new ways to drive down the cost of origination, accelerate cycle times, and streamline each part of the mortgage process.*

HERE'S HOW:

■ DRIVE COST SAVINGS

Put simply, investing in a modern PPE enables credit unions to increase profitability on almost every loan for years to come, with long-term ROI dwarfing initial investment costs.

Linked to this, implementing a sophisticated PPE can enable credit unions to banish the specter of pair-off fees once and for all. Some credit unions simply chalk these fees up as a cost of doing business, but the truth is that with a better-managed loan pipeline, they can be all but eliminated.

A note of caution: credit unions' ability to drive cost savings with new mortgage tech depends on their chosen solution's level of customization and flexibility, as well as the technology provider's commitment to constant and consistent innovation. It is crucial to evaluate these factors when ready to make a switch.

> *A credit union's ability to drive cost savings with new mortgage tech depends on their chosen solution's level of customization and flexibility, as well as the technology provider's commitment to constant and consistent innovation.*

The status quo has changed and for the first time, credit unions have access to modern, cloud-native technologies that allow them to truly move with the market and scale business in an easier, far more configurable way.

■ ENHANCE EASE OF USE

It is universally acknowledged that better tech helps employees to accomplish more. Automation is at the core of this, eliminating mundane administrative tasks and enabling employees to focus on high-value work, like establishing and strengthening member relationships.

Manually moving data between loan origination systems, pricing engines, and point-of-sale systems is still far too common among credit unions — and can easily be automated with the right tech stack in place. Similarly, credit unions can benefit significantly from automating lock desk processes including locks, extensions, re-locks, re-prices, price exceptions, and more.

As well as benefiting existing employees, the right investment in automation also facilitates credit unions' ability to grow, while reducing the need to hire in excess. Scalable software enables them to meet the demands of an industry prone to unpredictable ebbs and flows, without the worry of continually onboarding and offloading staff.

■ DELIVER GREATER DATA TRANSPARENCY

An inherent advantage of modern mortgage technology is its ability to store, process, and analyze near-limitless quantities of data. This enables credit unions to uncover hidden insights around members' habits and preferences, which can inform strategic decision-making.

Modern mortgage tech can also enable credit unions to take audits in their stride, eliminating the need to spend days upon days preparing data for auditors. Instead, the most advanced PPEs are embedded with native audit capabilities and extensive version control, so credit unions have all the data they need at their fingertips and at an instant.

■ THE BOTTOM LINE

Now is the time for credit unions to drive profitability and create better member experiences by investing in the right mortgage tech stack. Credit unions that use current 'downtime' as an opportunity to re-evaluate internal processes will be in a better position when current turbulence subsides.

Those who do not, may find themselves on the back foot when the market picks up toward the end of 2023 and beyond. And as we all know, starting from behind is not where you want to be in the increasingly competitive mortgage industry.

Adam Carmel is Founder and CEO of Polly, the mortgage lending industry's first vertically integrated, data-driven capital markets software solution that offers unlimited flexibility, configurability, and scalability. Adam can be reached directly at adam@polly.io.


Adam Carmel

Play It Safe and By the Rules

Manage Your Mortgage Subservicing Risk with a Highly-Regulated Partner

By Lori J Pinto, CMB
Cenlar

Credit unions rely on third-party vendors to increase operational efficiencies and leverage outside expertise. These benefits, however, must be weighed against the legal, reputational, and financial risks that can arise if service providers neglect their due diligence responsibilities.

The best way to control mortgage subservicing risk is to choose a highly-regulated subservicer, because they are subject to continual external examination and internal control procedures.

Here are the regulatory requirements to which bank subservicers are subject:

EXTERNAL OVERSIGHT

The Office of the Comptroller of Currency (OCC) conducts regular safety and soundness, compliance, and IT audit reviews of all OCC-regulated banks. These year-round audits include thorough examinations of financial condition, adherence to compliance regulations and security, and soundness of IT operations.

Uniform Single Attestation Program (USAP)/FDIC Improvement Act (FDICIA) and Regulation AB: Each year, as part of an annual financial review engagement with an outside independent accountant, a Uniform Single Attestation Program is performed. The testing and report follow the parameters specified by the Uniform Single Attestation Program for Mortgage Bankers, the Federal Deposit Insurance Corporation Improvement Act (FDICIA) and Regulation AB.

FFIEC Service Provider: Service providers for financial institutions, such as bank subservicers, are examined on a regular basis. The results of the exam are distributed to the FDIC, OCC and NCUA.

Rating Agencies: Bank subservicers are periodically examined by rating agencies such as Standard & Poor's and Fitch. The resulting reports are made available to various regulatory authorities.

REGULATORY CAPITAL REQUIREMENTS

All banks, including bank subservicers are subject to minimum regulatory capital requirements, thereby providing a financial cushion to protect against excess leverage and default risk. The rules require maintaining adequate capital levels across several regulatory capital categories, including common equity Tier 1 (CET1), Tier 1, total risk-based capital (Total RBC) and leverage. CET1, Tier 1 and Total RBC are evaluated in relation to risk-weighted assets (RWA).

> *The best way to control mortgage subservicing risk is to choose a highly-regulated subservicer.*

INTERNAL CONTROLS

At Cenlar, for example, roles and responsibilities generally are assigned across three lines of defense in alignment with industry standards. In addition, we possess highly respected and influential compliance functions charged with implementing regulatory requirements. This encompasses regulatory change management, periodic assessments and testing, and BSA/AML compliance. Risk and control self-assessment reviews are conducted on at least an annual basis, and include process mapping, risk identification and measurement, and control identification and assessment.

And when it comes to mortgage subservicing, the importance of a provider's regulatory change management is one of the most critical components to look at when selecting a subservicer. We have a dedicated team of compliance and legal professionals who manage regulatory changes every step of the way. They ensure new laws, regulations and agency guideline changes are implemented in a timely, accurate and sustainable manner.

> *Service providers for financial institutions, such as bank subservicers, are examined on a regular basis.*

We recommend a formal process that entails working with regulatory lawyers to understand the requirements and provide interpretation of the change to an institution's compliance team.

An effective compliance team works with operations and business control managers to understand the impact to business processes and procedures, training, communications, vendors and systems.

In addition, risk management should be considered the responsibility of every employee. Mandatory and ongoing compliance training courses should be required for all employees.

External vendors also should be subject to the same risk management, security, and other policies that are required internally.

FDIC PROTECTION FOR CUSTODIAL FUNDS

GSE servicing guidelines, as well as pooling and servicing agreements for private asset and security accounts, require mortgage-related funds to be held in custody at an FDIC depository institution. This requirement protects mortgage principal and interest payable to the servicer and tax and insurance payments received from the borrower.

> *The importance of a provider's regulatory change management is one of the most critical components to look at when selecting a subservicer.*

HEIGHTENED STANDARDS

In addition to these protections, our organization is in the process of implementing heightened standards, which is a risk governance framework to manage and control risk-taking activities, as defined by the OCC. The board dictates and oversees the risk government framework. Not all bank subservicers must comply with these standards, determined by the size and reach of a financial organization.

In today's volatile economic environment and with the ever-changing regulatory requirements, partnering with a highly-regulated subservicer can be an advantage to a credit union looking to outsource their mortgage servicing.

Lori J. Pinto, CMB, Senior Vice President of Business Development at Cenlar, has more than 30 years of experience in the mortgage banking industry and is responsible for sales and business development at Cenlar. Lori is an active member of the Mortgage Bankers Association (MBA) and served as Chairman of the Certified Mortgage Banker Society.


Lori J. Pinto

Hot Sales in the Summertime

Heat Up Seasonal Mortgage Lending Activity at Your Credit Union

By Dave Savage
TrustEngine

The sunny days, lush gardens and school breaks of summer usher in a fresh wave of house hunters each year. This seasonal boost in homebuyer demand creates a valuable opportunity for credit unions (CUs) to attract new members and support existing ones with the special benefits of financing a home through your member-owned organization.

One significant advantage of financing with CUs is that they typically offer competitive mortgage rates — a huge selling point in today's high-rate housing market. But even though these highly sought-after cost savings can provide homebuyers with relief, many members do not finance with their CU, likely because they are unaware of the benefits.

To effectively grow member engagement in your CU's home financing services, both this summer and in the long term, try incorporating these simple measures into your mortgage lending strategy.

HIGHLIGHT MORTGAGE SERVICES IN YOUR MARKETING EFFORTS

First, your CU should prominently market its mortgage services alongside other core financial offerings. This can be done by including an overview of mortgage services during the introductory dialogue with new members, even if they are not yet ready to explore home financing.

Adding mortgage marketing signage to the teller area and graphics to ATMs are simple measures that can drive interest. Marketing outreach inviting members to inquire about rates, loan product offerings, and homebuyer affordability programs can also be inserted into print mail and digital outreach. Repeated exposure to such informative and engaging "breadcrumbs" helps position the CU as a one-stop shop for all its members' financial management needs.

MAKE REFERRAL RELATIONSHIPS MORE THAN JUST A SUMMER FLING

By establishing strong relationships with members and real estate referral partners, CUs can boost their first mortgage originations and experience overall membership growth. While each CU operates differently, it's generally true that CU originators dedicate less time to fieldwork than their counterparts at independent mortgage banks and brokerages. Surprisingly, some CU mortgage advisors may not engage in business development activities at all. So, how can CUs facilitate real estate referral partnerships and support mortgage advisors, particularly those lacking experience in outside sales?

The key to a successful referral program is ensuring mutual benefits for both parties, but many CUs overestimate the challenges associated with this goal. With modern business intelligence tools, CU mortgage advisors can deliver substantial value by monitoring referral partners' databases on their behalf. With a mortgage-focused borrower intelligence system, CU mortgage advisors can even receive instant notifications when a contact within a referral partner's database is ready for a loan. Opportunity alerts serve as a signal for initiating co-branded marketing outreach, creating an ideal scenario where Realtor relationships contribute to increased loan volume and foster net new member growth.

> *Your CU should prominently market its mortgage services alongside other core financial offerings..*

ENHANCE THE MEMBER HOMEBUYING EXPERIENCE

CUs can provide a rare and highly valued service that builds loyalty and brand equity by leading with mortgage education and expert advice tailored to members' unique financial and homeownership objectives. To earn a reputation as a trusted mortgage advisor, CUs must ensure that members are supported by an empathetic, consultative lending professional. For this reason, CU mortgage teams must be knowledgeable enough to help members evaluate multiple loan scenarios and find a solution that best meets their unique financial circumstances and goals.

> *Adding mortgage marketing signage to the teller area and graphics to ATMs are simple measures that can drive interest.*

CUs must invest in ongoing mortgage advisor training and technology that enriches the advisory process by educating members about their mortgage options and helping them visualize the costs and benefits of a mortgage loan over time. For instance, if a member requests a specific loan product, mortgage advisors should learn more about what members are trying to accomplish financially before forging ahead. Most consumers also need to be introduced to the unique programs a CU can offer to meet their specific financing needs, such as down payment assistance, mortgage insurance, home equity products, debt consolidation, mortgages based on employment type, personal loans and more.

Member education is critical to making prospective homebuyers aware of the best options available to them now and what options may be available to them in the future. Offering personalized guidance prepares members for capitalizing on future opportunities, and it also positions CUs to help them reach new financial milestones down the line.

ACT FAST WHEN THE TIME IS RIGHT

CUs seek to provide members with affordable pathways to sustainable home ownership. Advanced borrower intelligence systems, which until a few years ago had only been used by big banks, are now accessible to CUs to ensure that no borrower is left behind. While such a solution may sound too good to be true, recent technological advancements have made borrower intelligence one of the most cost-effective tools for proactively identifying and understanding every member's financial needs.

> *It's generally true that CU originators dedicate less time to fieldwork than their counterparts at independent mortgage banks and brokerages..*

Borrower intelligence platforms analyze member data against external data sources to alert lenders when members may be looking for a mortgage loan and prescribe what financing opportunity is likely the best fit. These systems are crucial for strengthening member relationships, driving mortgage engagement and helping CUs grow homeownership within the communities they serve.

CUs that leverage borrower intelligence to monitor their database will be the first to know when a member's financial situation changes or their actions signal interest in buying a home. Importantly, borrower intelligence can alert CUs to promising opportunities that likely would have been overlooked — even opportunities that consumers may not be aware of, such as lower rates, equity accumulation and credit qualifications. This proactive insight can act as a launch pad for conversations about affordable homeownership, renovations, investment properties, debt optimization and more.

> *CUs must ensure that members are supported by an empathetic, consultative lending professional.*

CUs have a unique opportunity to support their members' financial and homeownership goals this summer by adopting a holistic approach to mortgage lending. By marketing their mortgage services alongside core financial offerings, providing personalized guidance, and offering relevant outreach, CUs can establish themselves as full-service partners in their members' wealth-building journeys.

Dave Savage is Chief Innovation Officer for TrustEngine, a borrower intelligence platform that goes beyond standard protocols. He is an innovator and change agent known in the mortgage industry for reinventing how loan officers quote rates and turn mortgage advice into a competitive advantage.

Dave Savage

Reaching Single Women Homebuyers

A Guide to Growing Origination Volume

By Christina Bartning
National MI

In today's competitive mortgage market, credit unions need to explore every opportunity to reach out to potential homebuyers. Yet there is one segment that many credit unions and other financial institutions may be overlooking: single women, especially millennial single women. According to the National Association of Realtors (NAR), single women have emerged as a powerful force in today's housing market, comprising 19% of homebuyers, compared to only 9% of single men.

These women are dispelling the notion that they should wait until marriage to buy a home. They are eager to embark on homeownership and start building financial independence. But to tap into this growing segment and boost origination volume, credit unions need to adopt targeted marketing strategies. Fortunately, there are many effective approaches to engaging and supporting women buyers, including ways to make homeownership easier and more affordable.

UNDERSTANDING THE OBSTACLES

Recently, National MI partnered with generational researcher and speaker Kristin Messerli on The 2023 NextGen Women's Homebuyer Report, which revealed a number of interesting insights on women homebuyers. For example, despite women's enthusiasm for homeownership, many lenders are not aware that women often express concerns about high costs of living, financial stability and financial knowledge.

According to the report, women also report higher levels of financial stress than men, often because they have multiple household responsibilities such as childcare, or because they experience wage gap and racial disparities. The report also found women are disproportionately impacted by job instability and COVID-19 outcomes. Additionally—and surprisingly—only 47% of women feel they have the right financial advice and support they need, according to the report.

"While we intellectually may know that women make up a significant portion of the market, the data shows businesses are missing the mark in connecting with them," according to Messerli. "Women report feeling less trusting of housing and finance professionals, more uncertain of where to start the process, and less satisfied with their overall experience after the home purchase."

To empower single female clients and enhance their confidence in making financial decisions, credit unions should lead with education, empathy and empowerment. That includes starting every meeting with a woman customer by reviewing their goals and concerns, as well as guiding them to relevant financial education resources such as webinars and video tutorials that help build their knowledge and confidence in personal finance matters.

"As a credit union, you can step in and become a trusted advisor by offering appropriate advice and support throughout the homebuying journey," Messerli said. "By providing personalized financial guidance and educating single women on mortgage lending processes and expenses in the first year of homeownership, you can empower them to make informed decisions and overcome their financial concerns."

> *Credit unions should dispel the long-prevailing myth that homebuyers need to have at least a 20% down payment.*

FIND WAYS TO BUILD TRUST

The NextGen report also showed that 40% of women said that they didn't know where to start the process of buying a home. Indeed, many steps in the mortgage process are unfamiliar to most first-time buyers, but particularly women homebuyers. To address this and instill confidence, credit unions should make use of resources that provide clear explanations of the steps associated with purchasing a home.

For instance, National MI offers webinars, educational tutorials for borrowers, and other materials that can help credit unions explain the mortgage process. Remember that millennial and Gen Z women are particularly loyal and vocal about the people and brands they trust, so providing exceptional customer experiences should also be a priority.

> *Single women have emerged as a powerful force in today's housing market, comprising 19% of homebuyers, compared to only 9% of single men.*

"As a single millennial female and homeowner, I can attest to the positive impact homeownership has on health, community and financial wellness," Messerli said. "It is essential to elevate the voice of young, female homebuyers and empower professionals with a better understanding of their challenges, preferences and strategies to thrive in a competitive market."

OVERCOMING AFFORDABILITY ISSUES

While single women homebuyers show immense potential, the largest barrier they face remains housing affordability, according to the NextGen Report. Three-quarters of women cite housing affordability as an obstacle to homeownership.

To effectively engage this demographic, credit unions should address affordability by providing tailored mortgage options—including making lower down payments—and comprehensive financial guidance to help single women overcome financial barriers.

Credit unions should also be working to dispel the long-prevailing myth that homebuyers need to have at least a 20% down payment. That myth still exists among many consumers, and even some financial professionals. The reality is that it's possible to achieve homeownership more affordably and sooner than many people may realize.

The time it takes for a homebuyer to save the additional funds for a much larger down payment could delay the purchase of a home. However, thanks to low-down payment options made possible by private mortgage insurance, individuals can purchase a home with as little as 3% down. By reducing the time required to save additional funds, private mortgage insurance can help many women borrowers expedite their homeownership journey.

Private MI also acts as a safeguard for lenders, protecting them in case a borrower defaults on their mortgage payments. This added layer of protection reduces the risk for lenders and opens doors for buyers to make lower down payments. Additionally, private MI can empower women buyers to begin building equity in their homes sooner. As home values appreciate and mortgage payments are made, homeownership becomes an asset that can grow in value over time.

THE OPPORTUNITY IS WAITING

Credit unions have a significant opportunity to tap into the growing segment of single women homebuyers by adopting targeted marketing strategies. By providing financial education, building trust through transparency and support, and understanding the unique needs and challenges of single women, credit unions can effectively grow origination volume and establish themselves as trusted partners in the homebuying journey.

> *To tap into this growing segment and boost origination volume, credit unions need to adopt targeted marketing strategies.*

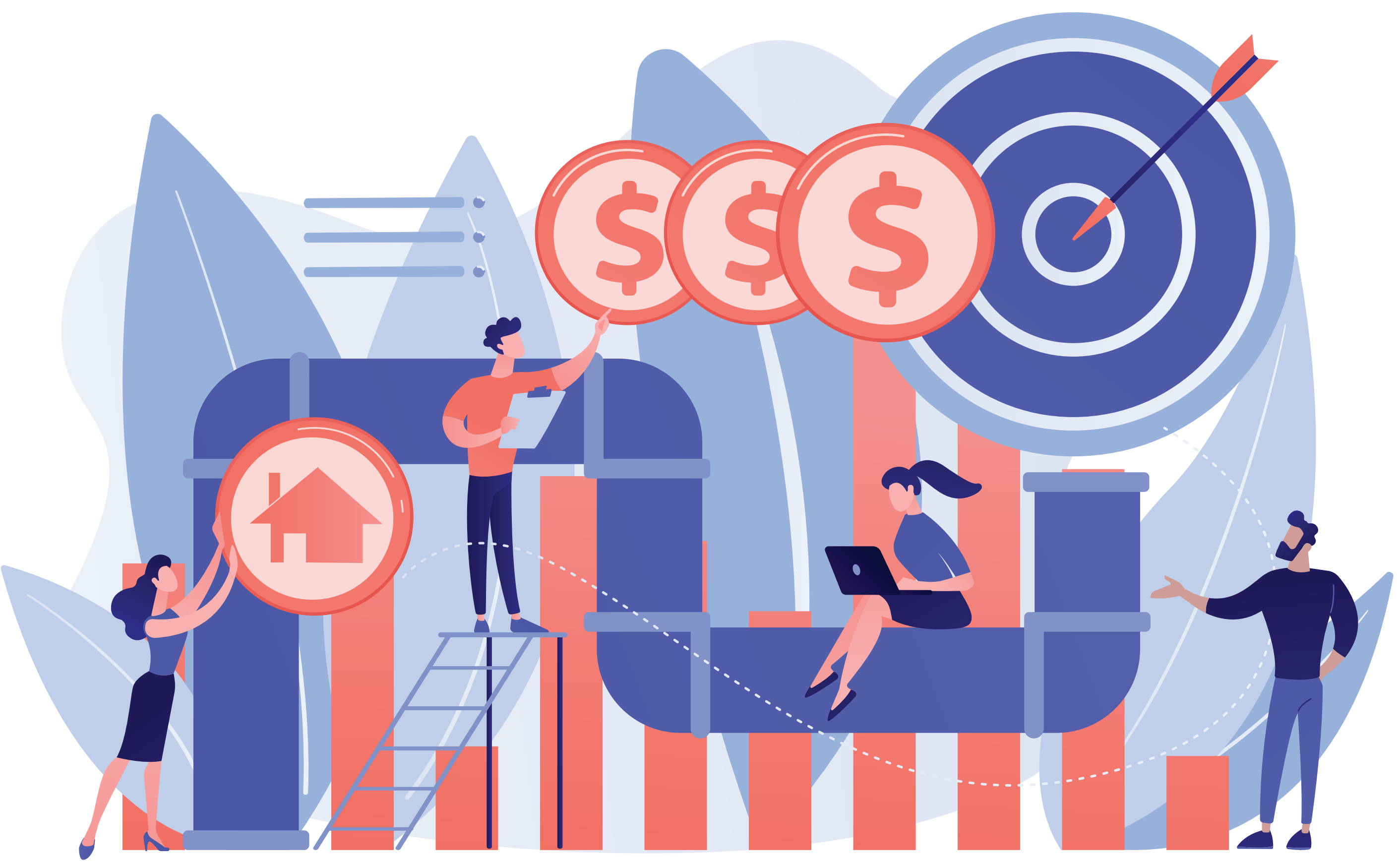
With the right approach, credit unions can empower single women to achieve their dreams of homeownership while simultaneously building a base of long-term, loyal members. And there's no better time to start than now.

Christina Bartning, senior vice president of marketing, communications and digital strategy for National MI, a private mortgage insurer, has more than 20 years' experience in marketing for private mortgage insurance companies.

Christina Bartning

White Paper

Hedging Your Bets in the Mortgage Loan Pipeline



By Phil Rasori
Mortgage Capital Training, Inc.

Hedging an open mortgage pipeline is a risk management strategy used by mortgage originators to protect margins and safeguard against market fluctuations/volatility. Hedging is particularly important for mortgage pipelines because of the sensitivity to changing market pricing that could occur prior to loan closing. An originator can typically hedge their pipeline at a lesser cost and greater efficiency than investors can on their behalf by way of a best-efforts commitment. Since hedging in the mortgage space is almost entirely done with forward contracts to mitigate pricing risk, this will be the focus of this article.

Hedging one's mortgage pipeline typically produces the greatest return over long-term macroeconomic cycles, which is why it is considered an essential step in the growth of a mortgage lender. Managing a hedge position with the right tools and support can be much less complicated than it initially appears and provides a process that is greatly simplified from that of a manual, upfront, best-efforts lock process. With the right support and training resources, the hedging process can effectively be broken down into a manageable daily discipline.

> *"Hedging an open mortgage pipeline is a risk management strategy used by mortgage originators to protect margins and safeguard against market fluctuations/volatility."*

WHAT IS MORTGAGE PIPELINE HEDGING?

Hedging

An activity that protects an asset from market fluctuations by taking an offsetting position in a similar asset. Hedging used to ensure the price change on the loans that have not yet closed is offset by the change in value of the hedging instrument. Hedging a mortgage pipeline helps manage the pricing risk associated with the pipeline and ultimately optimize loan sale profitability.

When utilizing a hedging strategy, as interest rate lock requests come in, the loan is not yet committed to an investor, but flagged as hedged in the originator's LOS and appropriate coverage would be adjusted to the offsetting global TBA MBS hedge position. Hedging can be thought of as a form of insurance. If the rate is less favorable at the time of the loan sale, the hedge position is secured to offset the difference.

The industry-standard hedge vehicle for vanilla agency eligible fixed-rate production is TBA or "to-be-announced" mortgage-backed securities (MBS), which we will cover in the next section. Let's explore some other essential hedging concepts.

Basis Risk

Basis risk is the risk that the performance of a hedge instrument may not perfectly match the performance of the asset it is intended to protect. In the context of hedging mortgage loans, basis risk occurs when changes in loan pricing do not correlate with the changes in hedge instrument (e.g., TBA MBS) pricing. Because the mortgage loans in the pipeline are being hedged with "mortgage"-backed securities, the basis risk is relatively low.

Best Effort & Mandatory Loan Sale Commitments

"Best efforts" refers to an interest rate lock commitment that occurs when the seller agrees to make their "best effort" to sell a specific mortgage loan or pool of mortgage loans to a specific investor but does not guarantee that the loans will actually be delivered. This option is selected when the borrower has locked his or her interest rate, but the seller takes down a forward commitment with the investor to protect themselves against potential unfavorable market movement. Naturally, it is impossible for the seller to know if the loan will ultimately close (pull through) or even qualify when a long-term best-efforts lock is taken at the time of lock.

When an originator locks a loan "best efforts" with an investor, that investor takes on the associated interest rate risk and hedges that lock. It certainly makes sense that the investor will pass along those hedge costs to the originator/seller at a premium by baking those anticipated costs into the "best efforts" pricing.

When a seller commits on a "mandatory" basis, they are obligated to sell a mortgage loan or specified pool of mortgage loans to the investor. Mandatory commitments are generally not taken out until the loan is fully funded/closed (at or after funding). So, the seller should have no problem ensuring that loan is delivered as promised in exchange for the more attractive mandatory pricing.

For "mandatory" commitments, the investor does not take on the associated market risk while the loan is being processed and is thus able to offer stronger pricing. Savvy originators can hedge their pipeline more efficiently and at a much lower cost than their investors can on their behalf, allowing them to reap the benefit of the spread between best efforts and mandatory pricing.

> *"Hedging one's mortgage pipeline typically produces the greatest return over long-term macroeconomic cycles."*

Broker-Dealer

A financial intermediary that buys and sells mortgage-backed securities. In the secondary mortgage market, broker-dealers play a crucial role in connecting buyers and sellers of mortgage-backed securities. They purchase mortgage loans from primary market participants, such as banks and mortgage lenders, and package them into securities that can be sold to investors. By doing so, they provide additional liquidity to the market and help ensure that mortgage funds are readily available to borrowers.

Coupon Slotting

The process of selecting the appropriate TBA MBS coupon to use to hedge a loan, interest rate lock commitment (see below), or group of loans with various interest rates (e.g., Note rates between 5.75% and 6.25% would currently slot into and be hedged with a 5.5% MBS coupon).

Fallout Risk

Fallout risk occurs when loans in the pipeline ultimately do not close. This can result in a loss for the lender if they have already committed resources, such as processing and underwriting costs, to the loan. Fallout isn't an issue (generally) when hedging because loans are assigned "pull through" percentages at various stages of the origination process and hedging is pull-through adjusted to accommodate for fallout risk. The closer in the process a loan gets to funding, the higher percentage of that loan "pulling through". (Pull-through represents the probability of a loan closing. e.g., locked loans have a 75% pull through rate, loans out of underwriting have an 85% pull through rate, loans at closing have a 97% pull through rate).

> With the right support and training resources, the hedging process can effectively be broken down into a manageable daily discipline.

Interest Rate Lock Commitment

An interest rate lock commitment is an agreement between a borrower and a lender that guarantees a specified interest note rate for a certain length of time. This protects the borrower from potential increases in interest rates during the lock period, allowing them to secure a set rate for their loan.

Interest Rate Risk

Interest rate risk for a mortgage lender refers to the potential exposure a lender may experience if there are fluctuations in the underlying price associated with the note rate. To mitigate that risk, the lender takes down an upfront commitment. When interest rates rise, the value of a lender's existing locked mortgage pipeline in the secondary market decreases, exposing the lender to a potential loss. Conversely, if interest rates fall, the value of a lender's existing locked mortgage pipeline in the secondary market increases.

BENEFITS OF HEDGING

- **Higher Pull Through Rates with the End Investor Equals Improved Pricing**

  Pull through is closely monitored by investors because of the hedge costs associated with the interest rate lock commitments that are extended. When selling loans on a best-efforts basis, low investor pull through results in worse pricing, making it even harder for an originator to compete, and in some cases can even compromise originator/investor relationships. Originators are placed in a tough spot when they have lock requests from the loan officers/borrowers in early stages because they really have no choice but to get those loans locked early in the process with an investor.

  Conversely, when an originator hedges, they aren't committing those loans with an investor until the loans fund. By the time the loan is closed, the originator knows everything about that borrower, loan profile, and what investors would buy the loan, making investor pull through 100%. While the loans are in process, only the volume expected to pull through would be hedged. Hedging is especially critical for consumer direct business models because often these models demand early locks but may have online borrowers that are shopping their loans, which often means more uncertainty and lower pull through. Being able to lock loans with investors at funding removes the stress of having to face compromised pricing from their investors for lower pull through performance.

> Fallout risk occurs when loans in the pipeline ultimately do not close.

- **Take Advantage of Changing Investor Appetites**

  Investor purchase motivations are going to naturally change day over day and month over month based on market conditions and their own business objectives. As those appetites change, associated pay ups are generally going to be passed through the mandatory channel exclusively. Best effort sellers are not able to benefit from the immediate purchase needs a desk may have in filling their high balance de minimis or another specified pool need. Additionally, in uncertain markets it is much safer for the investor to pass those pay ups to a live market with a short window to purchase rather than extending via a longer-term commitment.

- **Become a Lower-Risk Counterparty**

  Philosophically, a mandatory seller is generally perceived to be a lower-risk counterparty than a best-efforts seller for a few reasons. First, they likely have a net worth at or above \$2 million (Note: GSE minimum is \$2.5 million), which makes them better positioned to handle repurchases or any other company issues if they were to arise. The mandatory seller typically is also going to be large enough to have divisions of labor, so it isn't likely that their president is also head of sales, locking loans, and overseeing compliance. Divisions of labor lead to better quality control and ultimately better-quality loans. In a small best-efforts company, having such clearly defined divisions may not always be feasible.

- **Take Advantage of More Price Competition**

  Pricing is also sharper on the mandatory side due to the sheer competition out there. The mandatory buyer knows that they are likely competing with 10-15 other buyers in addition to the agencies and any co-issue options. The mandatory seller has a lot of options, and investors know that. More competition drives up the bids. The mandatory seller also has the benefit of being able to commit through all channels available from their aggregator/agency partners. Occasionally, when a loan that has been hedged is ready to be sold, a best-efforts price could be favorable. When that happens, it is likely because the market has moved and the investor desk hasn't yet reacted with a reprice. The originator can take advantage of this by taking down the highest commitment price available even if it is a best-efforts price. Their investor will welcome commitments however they come; this won't risk the relationship with the investor partner.

> Pricing is also sharper on the mandatory side due to the sheer competition out there.

- **No Need for "Retargeting"**

  There's nothing worse than locking a loan with an investor in a rising rate environment and finding out a week into the file that the loan is not eligible to be sold to that investor and must be relocked with a new investor for worse pricing. When you are hedging, that risk does not apply. If, during the underwriting process, it is discovered that a hedged loan isn't eligible for a specific investor, then the underwriter would simply check a box or make a note somewhere in the loan origination system so that when the secondary team is going to sell that loan at funding, that specific investor isn't considered in the best execution analysis. By the time the loan funds the originator should know everything about that borrower and loan file. Goodbye retargeting! The originator doesn't have to take a hit, including pricing that has moved because an investor would have been selected up front in the first place. The day-one expected revenue on the loan is protected and preserved by the hedge.

- **Ease of Managing a Large Pipeline**

  At some point, an originator has little choice but to initiate mortgage pipeline hedging because even if the overall pricing isn't better, it becomes a logistical nightmare to manage every single lock individually on each of the various investor websites. While each loan is assigned a pull through percentage the entire working pipeline can be summed up into an expected pull-through percentage at any given point in the day. MCT client data is pulled live throughout the day so there is full visibility into the current hedge position. If 85% of the pipeline is expected to close, then 85% of that volume is hedged — which we would consider "optimal". The pipeline size is going to change throughout the day as loans are locked and enter the pipeline, loans in the pipeline advance in stages, loans are canceled, withdrawn, or denied.

  However, all these changes are managed internally and globally rather than piecemeal with a litany of different best-efforts investors.

Phil Rasori, Chief Operating Officer of Mortgage Capital Training, Inc., is a recognized thought-leader in capital markets within the mortgage banking community.

Phil Rasori

Get in Step with the "Digital Natives"

In Modernizing the Digital Member Experience, Don't Overlook Mortgages

Brandon Dracca
nCino, Inc.

Most credit unions understand the strategic importance of offering a 21st-Century member experience, and they've already implemented technology that lets members open accounts, fund deposit accounts, and pay bills from mobile devices. In fact, members at many credit unions may never even need to set foot in a branch.

But when it comes to taking out a mortgage, many credit unions' mortgage origination process remains antiquated in comparison.

UNDERSTANDING THE EXPECTATION OF TODAY'S MORTGAGE BUYER

Modernizing the mortgage process should be about improving members' entire journey to homeownership, starting the moment your members think about buying a house. You'll want to be the resource that provides them with guidance, digital home-search tools and loan calculators as they get underway.

So who are today's buyers and what are they looking for? Millennial and GenZ homebuyers (born between 1981 and 2012) accounted for 32% of home sales last year. These "digital natives" expect a mortgage experience that is on par with how they buy cars, plan vacations, or make dinner reservations on their phones. Those members will likely be stymied if:

- A phone can't be used to fill out an application.
- An application can't be left and picked up later, allowing borrowers to complete the process in stages.
- Mortgage loan officers are only available in certain branches and/or at certain times; yet it's a requirement for the borrower to come into a physical office for the application of origination process.

Understanding members' needs and preferences will help you win their business now and make you top-of-mind when they refinance or buy another house. And, depending on your membership model, landing them could lead to referral business when their friends and family need mortgages. They'll also be more likely to move or use other financial assets (like checking and savings accounts) and open accounts for their children, ensuring decades of add-on business.

MEETING DIGITAL-FIRST EXPECTATIONS FROM START TO FINISH

With the average age of a first-time homebuyer being 36, your mortgage process needs to catch and hold the attention of these young (and busy) members.

First, make it obvious to them that you offer mortgages and that your application process is convenient, fast and mobile-friendly. Invest a few hundred dollars in TV screens that advertise your mortgage expertise and products in the lobby and have an iPad nearby so people can apply on the spot (i.e., a kiosk experience). You can promote your mortgage business through social media channels or email campaigns and prominently feature your mortgage application front and center on your website.

Mobile-friendly member engagement is vital since 95% of adults aged 18 to 49 own a smartphone and will likely want to use it to apply for a mortgage.

> *"Many credit unions' mortgage origination process remains antiquated in comparison to other services they offer."*

Another important factor is continuity. They may start a loan application over breakfast, get interrupted, and need to pick it up after they get off work, or work on it in five-minute intervals as time allows. If they have to start from scratch each time (as is the case with web-based 1003s still used by many credit unions), applicants are more likely to lose interest.

Think about continuity when it comes to uploading documents too. Nobody has a fax machine anymore, so make sure they can upload documents from their smartphones using an app with built-in security. Again, this should be a process that can be started and resumed seamlessly. While borrowers may be able to immediately upload a photo of their ID and their pay stub, sending proof of homeowners insurance or their tax returns may be more involved and something they'll need to complete later.

When it comes to contacting these borrowers for additional information, don't call their phone and expect them to pick up. Thirty-something buyers prefer communicating through apps or by text, platforms that provide them with plenty of flexibility to check messages and respond when it's convenient — even if the loan officer doesn't reply until the next morning.

> *"Modernizing the mortgage process should be about improving members' entire journey to homeownership."*

Also, rethink the closing process and how well it fits into a busy NextGen lifestyle. Who wants to burn a day or even a half-day commuting to a closing appointment, waiting for all the other parties to arrive, and signing a thick stack of paperwork? Offer a hybrid closing, so members can review loan documents ahead of time on their mobile device and eSign documents that don't require notarization at their leisure. That way they can arrive for a closing ceremony that takes 10 or 15 minutes at most. Imagine, too, how many more of these shorter closings can be completed in one day by your mortgage staff.

MORTGAGES ARE AN IMPORTANT COMPONENT OF A HOLISTIC DIGITAL STRATEGY

The credit union experience is about providing a superior service. Part of that is modernizing the origination and mortgage closing process, as well as digitally supporting all the member interactions in between.

But modernizing does not mean impersonal. With the right technology and some minor workplace adjustments, you can create better member self-service experiences AND give loan officers time back in their day that they can use to have more and better personal interactions with members.

For example, a moderate-size credit union might have five or fewer NMLS-licensed employees working as full-time originators. Often these are shared resources who work out of a single branch, or they're shared between a handful of branches with a few office hours a week at each. That same credit union might have 30 or 40 NMLS-registered employees who normally don't take loan applications because they don't have a seat in the loan origination system (LOS) software or aren't trained to use the LOS. How easy would it be to multiply your capacity by immediately enabling all NMLS-licensed staff to take a basic 1003 loan application?

Because mortgages are an important revenue growth stream for your credit union, your mortgage process needs to be on par with the other digital services you offer — not an afterthought. Members will notice a clunky and old-timey "feel" to your workflow … and between missed phone calls or being asked to fax back documents may drift to competitors more in tune with their digital-first mindset. That is the last thing you will want to happen.

Brandon Dracca, Director of Sales for nCino's mortgage division, brings nearly two decades of experience within the mortgage industry. He worked as a residential loan officer before transitioning to the vendor technology space, where he assists credit unions and banks in evaluating technology solutions and implementing successful digital transformation strategies.

Brandon Dracca

Staying Ahead of the Curve

5 Must-know Digital Banking Trends for Credit Unions

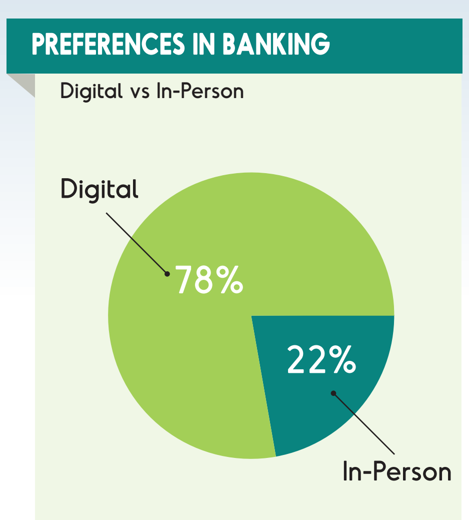
By Jeff Marchetti
Homebot

Today's members don't just want a great financial experience with your credit union, they want it all online, quick and easy, to match their tech-savvy lives. In fact, it's estimated that more than 75% of member interactions with credit unions now happen online. And the adoption of online banking among millennials and Gen Z is surging at an ever faster pace.

But keeping up with this digital banking wave can be difficult. That's why I'm sharing five key digital banking trends to help your credit union stay ahead of the curve when it comes to digital banking.

TREND #1: THE RISE OF DIGITAL BANKING AND ITS IMPACT ON MEMBER EXPERIENCE

Recent studies show that 78% of adults in the U.S. would rather do their banking online. That leaves just 22% of Americans who'd prefer to get off their couch, drive to the financial institution, and do their business in person.



What does all of this mean for your credit union?

It means that keeping your members happy isn't just about treating them like royalty when they walk into your branch. It's about making sure they can do everything they need to, from the comfort of their own homes.

TREND #2: USING TECHNOLOGY TO ENGAGE YOUR MEMBER DATABASE

A study by Callahan & Associates found that only 4.6% of members from a sample of 93 institutions with assets between $1 billion and $5 billion had their first mortgage with a credit union. This means that your member database is brimming with untapped potential just waiting to be discovered. These individuals are already connected to your credit union, making them easily accessible and more likely to engage in a conversation when it comes to their borrowing needs.

But just how big is this opportunity?

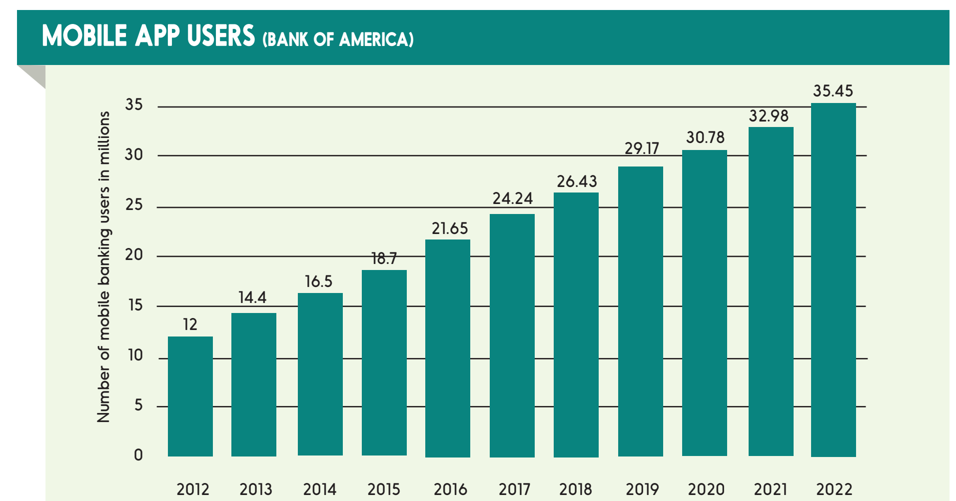
Let's imagine a scenario where your credit union increases the percentage of members obtaining their first mortgage with your institution by just a few percentage points. The impact of this seemingly small improvement has the potential to be substantial. Not only will engaging your existing members result in increased revenue for your credit union, but it also strengthens member loyalty and engagement.

But how are credit unions engaging their database outside of traditional methods like direct mail and email blasts, which typically have a low response rate?

This is where technology like email automation and home equity tracking apps can help. Find ways that your credit union can connect with members every month by sharing personalized financial insights about their homes. Nearly 50% of members engage with these valuable insights every month.

TREND #3: THE RISE OF MOBILE BANKING IN LENDING

Mobile banking has completely changed how we handle money, and that includes mortgages. For instance, Bank of America's mobile app users ballooned from 12 million in 2012 to more than 35.45 million in 2022. That's a whopping 191% increase!



Mobile banking offers many perks when it comes to lending, especially for your members — everything from convenience and reach, to security and personal touch. Plus, there's a whole world of tools and apps in the mobile sphere that makes borrowing even easier:

- Home Equity Tracking Apps like Homebot.ai
- Home Search Tools
- Financial Health Monitoring Tools
- Mortgage Calculators and Comparison Apps
- Document Management Apps
- Credit Score Tracking Apps

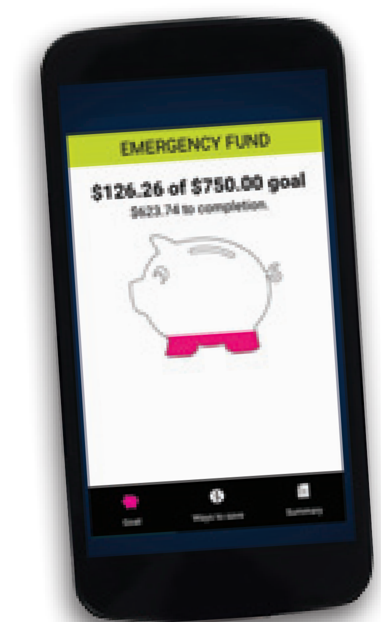
These tools will help your members make smart decisions, keep an eye on their financial health, simplify the home-buying process, and keep themselves organized.

TREND #4: NURTURING RELATIONSHIPS WITH NON-TRANSACTIONAL ENGAGEMENT

Credit unions are looking to level up their relationships with members, stand out from the crowd, and make the financial experience more effective and simple. One way they're doing this is by focusing on non-transactional interactions in digital banking.

A non-transactional interaction is about going beyond the basics like transferring money or paying bills. It's about making a deeper, more meaningful connection with members across the board. Thanks to tech advances, innovative credit unions are now offering personalized services that add value. Some credit unions are using gamification to encourage good habits among their members. They offer rewards, badges, or points to customers who hit certain milestones, like saving a specific amount or reducing their debt. This makes financial transactions fun and keeps customers around for the long run.

For example, one credit union offers a fun way to save money by setting specific savings goals and adding money to a virtual piggy bank in their app.



Outside of gamification, there are other ways to use technology to help nurture non-transactional relationships. Examples include:

- Credit monitoring apps
- Virtual financial advisors and chatbots
- Financial education and resources like webinars and tech tools
- Community building through social media and other digital platforms

TREND #5: MILLENNIALS AND GEN Z ARE SHAPING THE FUTURE OF DIGITAL BANKING

Millennials and Gen Z are becoming a key demographic for credit unions to focus on in the digital banking scene. This is because Millennials and Gen Z are what we call "digital natives". They've grown up with tech and are expert users. In fact, a whopping 79.3% of millennials expressed that they prefer banking digitally.

I'm not saying to forget about other generations like Baby Boomers, but it's clear that the future of financial services is in the digital realm, and it's the younger folks who are driving its future. Here's why your credit union should be dialing in on millennials and Gen Z for digital banking:

- **Market size and potential growth:** Millennials and Gen Z make up a significant chunk of the world's population. As they grow up, they become potential customers for financial institutions. Offering digital banking services that fit their needs opens up a huge market with significant room for growth.
- **Adaptation to new technology:** Millennials and Gen Z are like fish in water when it comes to new tech. Studying these demographics helps credit unions stay on top of emerging trends and incorporate the latest solutions in digital banking.
- **Preference for online services:** Millennials and Gen Z are all about convenience, speed, and user-friendly experiences. Credit unions that don't get on board with this could lose out to digital-first competitors.
- **Environmental consciousness:** Millennials and Gen Z consists of 'green thinkers' who care about the environment. They're likely to prefer digital banking services that cut down on the need for physical branches, paper transactions, and other things that harm the environment.
- **Brand loyalty and advocacy:** Millennials and Gen Z tend to stick to brands they know and trust. If banks and credit unions can provide great digital banking experiences, they can build loyalty with these customers.

By tuning into the needs and preferences of these younger generations, credit unions can tap into a massive market, drive innovation, and build lasting relationships with customers.

If you want your credit union to keep up in this increasingly competitive, tech-heavy crazy financial world, then you've got to keep an eye on the latest trends, be open to new ideas, and always be ready to adapt to what your members, especially the tech-savvy millennials and Gen Z, are looking for.

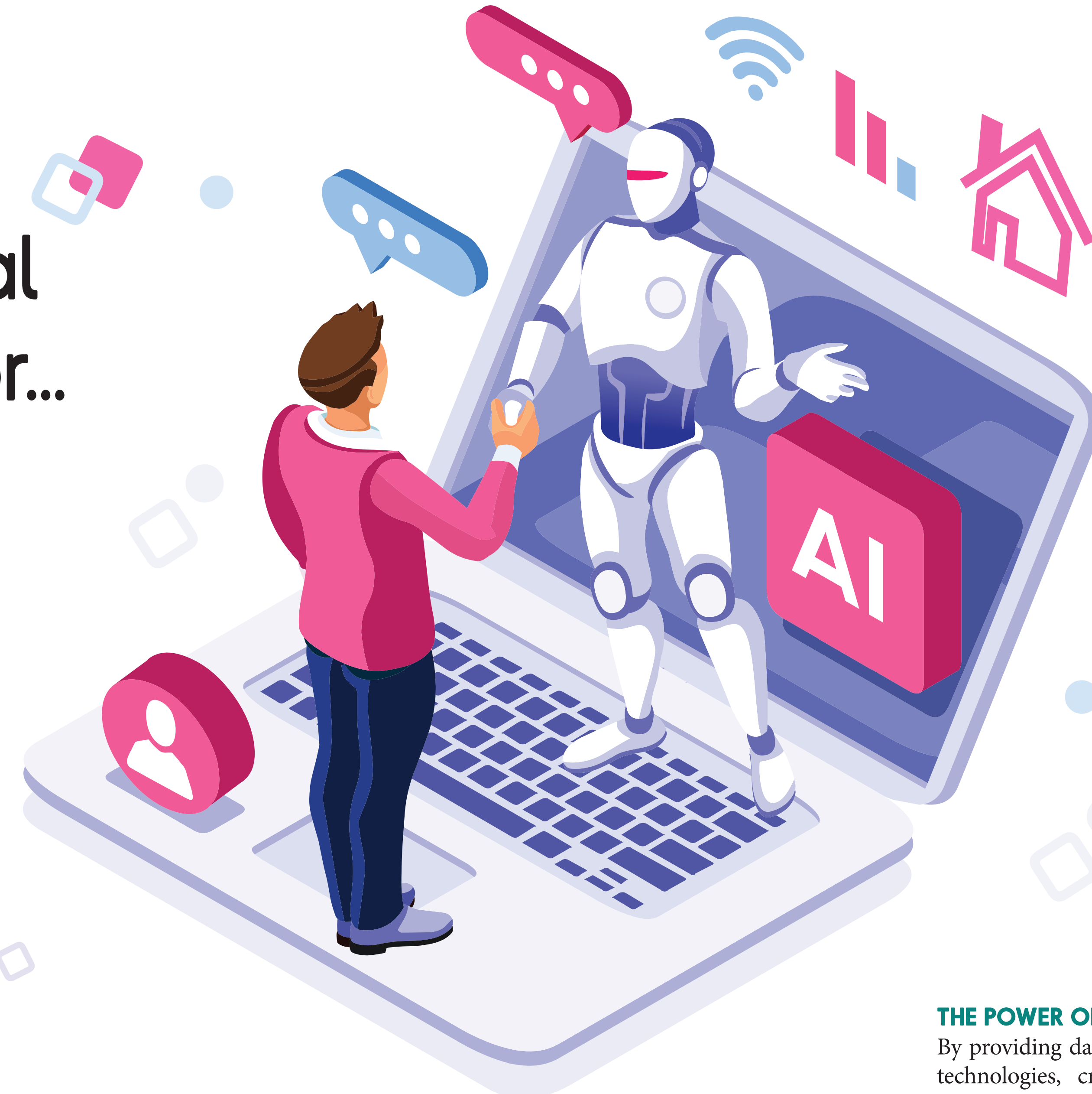
Jeff Marchetti, VP of Sales at Homebot,is a seasoned mortgage technology expert who has played a pivotal role in driving digital transformation in the mortgage industry.

Jeff Marchetti

Enter Artificial Intelligence, or…

AI

Empowering Members by Unlocking Real Estate Technology



By Tony Bruschi
Radian

We all know engagement is essential to member satisfaction and can lead to the success and future growth of mortgage lenders, including credit unions. Mortgage lenders that provide existing members with engaging digital experiences can expand opportunities for introducing them to additional products. Opening value paths for existing customers is critical, especially since new customer acquisition can be very expensive. In fact, according to the *Harvard Business Review,* acquiring a new customer can cost a company anywhere from 5 to 25 times as much as retaining an existing customer.[1]

The good news is, there are new technologies available to support member engagement strategies and improve the homebuying experience for members. The real estate industry is in the early stages of a technology revolution that will change how transactions are conducted from search to close. Advances in predictive analytics, real estate technology, and artificial intelligence (AI) offer credit unions new opportunities to nurture relationships with existing members, understand their behavior, and deliver timely messages. New tools can deliver personalized experiences to help members make highly informed decisions at the right time.

THE POWER OF AI

By providing data-driven, AI-powered technologies, credit unions can offer their members a dramatically better experience. Often these technologies don't require a huge tech team or millions of dollars, either. Some solutions can now even be included within an organization's existing website and other digital platforms with low-effort and, most importantly, low-cost.

> *By providing data-driven, AI-powered technologies, credit unions can offer their members a dramatically better experience.*

Credit unions have always been known for their personalized approach and member-centric focus, and those that leverage AI-powered tools can take their services to the next level. Imagine a member starting a new home search on a credit union's website and then being presented with a highly tailored experience powered by AI. The member can easily navigate through property listings specialized according to their preferences, receive personalized recommendations based on their selections, and access real-time housing market intelligence.

> *According to the Harvard Business Review, acquiring a new customer can cost a company anywhere from 5 to 25 times as much as retaining an existing customer.*

Furthermore, credit unions can extend their support beyond the home-buying process. AI-powered tools can also assist credit unions in providing member services such as home equity lines of credit (HELOCs), refinancing options, and more.

STAYING AT THE FOREFRONT

Incorporating AI technologies allows credit unions to stay at the forefront of innovation in the mortgage lending industry. It helps to position them as forward-thinking institutions that adapt to the changing needs and preferences of their members. By offering advanced tools and services, credit unions can differentiate themselves from competitors and, in addition to retaining members, they may even be able to attract new members who seek a modern and tech-savvy approach to their home-buying journey.

This may not only benefit individual credit unions and their members but could also contribute to the overall growth and development of the credit union industry. By embracing innovation, credit unions may expand their market share, deepen member relationships, and establish themselves as trusted partners throughout the entire homeownership journey and beyond.

That sounds ambitious, and it is. But if the explosion of AI-powered innovations that have emerged in the past couple of years has taught us anything, it's that technology can make big changes happen, fast.

LAUNCHING DIGITAL TOOLKITS

Homegenius Real Estate, for example, has launched digital toolkits to help provide mortgage lenders and other consumer-facing companies with a simple, customizable, and powerful way to offer the latest in next-generation real estate technology to customers. These toolkits are designed to provide consumers with more access to information about the homebuying and selling process. It delivers a range of tools for homebuyers including:

- Customizable market intelligence tools to track local real estate performance over time
- AI-powered home search with access to listings in all 50 states
- Programs to connect members to experienced real estate agents

> *Credit unions that leverage AI-powered tools can take their services to the next level.*

Thanks to new technology like this, credit unions can empower members to achieve their dreams of homeownership with streamlined access to personalized, AI-driven real estate insights and resources. It is an exciting time in the mortgage and real estate space as we face a new frontier of technology solutions. We look forward to seeing more ways AI will help credit union members along their homebuying journeys.

[1] https://hbr.org/2014/10/the-value-of-keeping-the-right-customers

Tony Bruschi, Vice President and Enterprise National Account Manager for Radian, has a deep relationships within the credit union lending community, with more than 30 years of serving customers with mortgage insurance and real estate technology solutions.


Tony Bruschi

What Will Lending's Future Look Like?

There's No Single 'Right' Answer to The Big Questions in Digital Lending

By Craig Austin
FirstClose

Having spent much of the past year interacting with credit union executives in both formal client settings and at major tech-user events, I know there is broad consensus within the industry that digital lending is the future. Where there is less agreement is what that future will look like and how to go about achieving it.

From credit union to credit union, opinions and strategies diverge over what is the right balance between digitization and the customer experience and whether end-to-end transformation is the only way to harness the power of digital lending.

Currently, FirstClose is working with dozens of credit unions, helping them to differentiate and dramatically improve the efficiency of their home equity lending programs. Increasingly, we're seeing our clients fall into one of two "camps."

EVERYTHING THAT CAN BE AUTOMATED SHOULD BE. OR MAYBE NOT.

The first believes that everything that can be automated, should be. Their goal is to provide a seamless end-to-end borrowing experience in which the member is guided through a self-serve process that can be entirely remote. (A subset of this group shares the same ultimate vision, but for various reasons — usually a lack of resources — they are taking an incremental approach, building out their solution one component at a time.)

The second believes their members want a more traditional, "personal" in-branch origination experience, and so they aren't tampering with the front-end of their home equity process. Instead, they are digitizing their back-office and vendor management processes to significantly reduce turn times and take cost out of the process.

Interestingly, both "camps" strongly believe that their strategy offers the superior member experience.

Let's look at some examples.

START AT THE FRONT-END MEMBER PORTAL

For credit unions looking to provide an end-to-end experience, the starting point is usually a front-end member portal, akin to the point-of-sale systems that have been cropping up in the first mortgage sector. These portals — ours and others — let members get an initial sense of how much tappable equity they have in their homes, whether or not they will most likely meet their credit union's underwriting guidelines and what loan options they might qualify for. Armed with this information, the members then determine whether or not they want to take the next step in the origination process: the application.

> "Increasingly, credit unions are falling into one of two 'camps' when it comes to digitization."

The application and virtually all interaction with the credit union can usually be done online using these new platforms. This includes giving consent to collect and verify income, asset and employment information, uploading documents and responding to questions from loan officers or processors. So, depending on the member's personal preference, the entire process can be done, including closings, remotely, assuming the credit union and state regulations permit.

THE NEED FOR SPEED

The home equity landscape is becoming increasingly competitive and one of the major differentiators, in addition to ease of application, tends to be speed. Credit and preliminary valuation decisions that used to take days or even weeks are now being telescoped into minutes.

Recently, a large state-wide credit union adopted an end-to-end digital home equity platform to meet the demands of its more than 150,000 members. The credit union's goal is to transform the whole home equity process from initial inquiry to finish to as fast as one week (depending on whether it is a HELOC or HEL transaction) versus the average of 45 to 60 days.

"Operational efficiency is key to sustainable, long-term member satisfaction," said a top executive at this credit union. "Our members deserve an elegant, streamlined front-end vehicle to apply for a home equity transaction and achieve transparency. It puts us in a better position for those challenges and demands for future success."

In 2021 Sharonview Federal Credit Union implemented a new home equity platform with a POS and settlement services ordering capabilities throughout its 18 branches in North and South Carolina. Since then, the credit union has seen a significant increase in both cross-sell opportunities and borrower satisfaction scores. "The buildout of the Digital Lending Platform has been nothing short of exceptional. We have already forecasted an 80% increase for our home equity pipeline," said David Brand, Sharonview's Chief Lending Officer.

A BEST-OF-BOTH-WORLDS APPROACH

> "Interestingly, both 'camps' strongly believe that their strategy offers the superior member experience."

At the other end of the spectrum, credit unions like Winston-Salem's Truliant, are taking the best-of-both-worlds approach to home equity. Truliant is a full-service credit union with more than 30 branches across North Carolina, Virginia and South Carolina serving more than 300,000 members. The credit union originates home equity products in-person in its branches. It has addressed its members' home equity experience by focusing on the back-end of the process by investing in technology to automate settlement services ordering.

"As our home equity transaction volume continues to surge year-over-year, technology has allowed us to cut costs and standardize our home equity lending process across all channels," said Jackson Braswell, Truliant's Director of Credit Administration. "We pride ourselves on having a 'members first' attitude, and by implementing [new] technology we've been able to drastically improve our members' borrowing experience and ultimately get them their funds in days rather than weeks."

CREDIT UNIONS ARE IN A UNIQUE POSITION

The bottom line is that credit unions are in a unique position to capitalize on the growing home equity market, but they need solutions that will help them make these transactions profitable and at the same time delight their members with a superior customer experience. In some cases, these solutions will be end-to-end, digitally transformative initiatives. In others, they will be more like plug-and-play exercises that can focus on a single component, like an advanced ordering platform.

There are two different approaches to digital home equity lending. One is more of a traditional digital journey requiring a larger budget and a 3-to-6-month timeframe. The other is a more focused approach that can be implemented in a matter of weeks, depending on the vendor selection. But both approaches are changing the future for credit unions and most importantly, benefiting the members they serve.

Craig Austin is Chief Revenue Officer for FirstClose, a leading fintech provider of data and workflow solutions for HELOC and home equity lenders nationwide. He is responsible for leading new and existing customer initiatives.

Craig Austin

Watch Out for Hidden Losses

Preparing Your Credit Union for Increased Mortgage Defaults

By Chuck Kronmiller with Matt Petrick
Baker Tilly

Not every borrower makes timely payments, payments in full, or any payments at all. In these cases, servicing entities are typically required to "advance" the P&I, known as principal and interest advances, and T&I, known as escrow advances. Entities may also incur recoverable corporate advances, which are expenses the servicer paid that are recoverable from the borrower, such as bankruptcy fees, forced placed insurance, and other expenses.

Further, entities may incur nonrecoverable corporate advances, or the fees that the servicer determined in its good faith business assessment will not be recovered. Many of these corporate advances (also known as foreclosure advances) are tied to the preservation and, if necessary, the liquidation of the mortgaged properties.

COMPLEXITIES IN SERVICING ADVANCES

Advances are recovered from borrowers when payments are ultimately made by the borrowers, through liquidation of the property, or by filing claims with the various agencies or companies that insure the loans. During the collection process, servicers incur costs associated with attempts to collect the payments, the foreclosure process and ultimate sale of property in liquidation scenarios. The expenses incurred (advanced) by the servicer are due back to the servicer, which may be repaid by the borrower, investor or through liquidation.

Servicers should have controls around the appropriateness and collectability of advances and compliance with regulatory, investor, and insurer guidelines. In addition to those guidelines, many states and counties have guidelines around what can be assessed to the borrower and minimal entitlements that the borrowers are allowed. For example, many states have criteria for what lien release fees can be charged to the borrowers, some have guidelines on when foreclosure can be pursued, while other states require minimum interest that is due on borrower escrow funds. Similarly, investors and insurers have guidelines on the amount and type of expenses that will be reimbursed. It is important these expenses are appropriately tagged as recoverable or nonrecoverable. Since it's guided by complex jurisdictional guidelines, costs associated with bankruptcy liquidation are also complex. This was later extended to permit a total forbearance period of 18 months.

> *Not every borrower makes timely payments, payments in full, or even any payments at all.*

FORBEARANCE AND RISING INTEREST RATES

With the onset of COVID-19, many governmental bodies adopted the Coronavirus Aid, Relief and Economic Stability (CARES) Act and various other programs to provide temporary relief — primarily through forbearance — to defer the need to liquidate property and to keep borrowers in their homes. Under the CARES Act, lenders and servicers were prohibited from starting a judicial or nonjudicial foreclosure judgment until March 31, 2021, which was later extended to July 31, 2021. Borrowers could request a mortgage forbearance up to 180 days and request a secondary extension of 180 days so long as the borrower experienced a financial hardship due to COVID-19.

With the completion of the CARES Act — combined with the recent increase in interest rates — the industry could see a jump in delinquencies. Moreover, a certain percentage of borrowers never successfully completed the CARES forbearance programs. With an upturn in delinquencies and residual CARES Act forbearances, servicing advances have been identified as a heightened risk for operators holding these advances. To complicate matters, due to rising interest rates, refinancing and modification programs have been constrained affecting the ability to recover principal and interest advances and creating additional liquidity constraints. This has caused many organizations to focus on the advance recovery processes to limit operational losses and minimize liquidity impacts of advancing obligations.

Due to the complexities and manual nature of servicing, it is often challenging to identify the areas influencing ultimate collectability, creating the potential for additional losses. These hidden losses and the long timeframe until collection makes the implementation and management of reserve methodologies even more challenging. Those charged with financial governance also need to evaluate whether losses on advances are related to credit issues or operational losses and the related accounting associated with this issue.

Here is what to look out for:

ISSUES IMPACTING HIDDEN LOSSES ON SERVICING ADVANCES

- Incomplete or inaccurate data driving recovery monitoring and reserving
- Reimbursement of advances through complex claim processes by multiple different agencies
- Robust and complex investor, regulatory and judicial guidelines on what is recoverable overcomplicated by new CARES Act guidelines
- Multiple stakeholders contributing to this process, including investor reporting, loss mitigation, administration and accounting
- A significant number of transactions with multiple manual data checks and monitoring in place

ISSUES IMPACTING THE RECOVERY OF SERVICING ADVANCES

- Payment of expenses that exceed contractually allowable amounts
- Inaccurate coding of advances as recoverable or nonrecoverable, or recoveries up to a certain threshold
- Assessment of advances that are prohibited under state statutes and investor guidelines
- Untimely or incomplete quality control of vendor services
- Losses due to incomplete or inaccurate modification or payoff
- Nonrecovery due to incomplete or untimely claim processes
- The inability to separate servicing fee recoveries from advance balances in the claim proceeds
- The receipt of claim proceeds and the ability to get them applied and reported correctly
- Incomplete or inadequate loss analysis resulting in incomplete reserves and the lack of data to mitigate estimation mistakes

Like other providers, Baker Tilly's Mortgage Center of Excellence offers assistance with servicing, regulatory compliance, quality control and risk management — all in one place. Our mortgage specialists can help servicers traverse the ever-changing mortgage landscape. Remember, forewarned is forearmed. Know the potential pitfalls your credit union may face and work with reliable experts to protect your assets and head off the defaults before they occur.

The discussions throughout the article should not be implied to represent the position, processes, or procedures of professional affiliations, current or former employers, or employer relationships.

Chuck Kronmiller is a director with Baker Tilly's financial services practice. He has extensive experience in providing assurance services to public companies and financial services companies. His expertise includes internal control over financial reporting.

Chuck Kronmiller

Matt Petrick, CPA, is a senior finance and accounting executive specializing in financial services with a focus on mortgage and servicing entities. He has experience with REITs, financial institutions, business development companies and other funds

The Benefits of Mortgage Loan Subservicing

By Rachelle Berger
Midwest Loan Services

As a mortgage lender, you know that servicing mortgage loans involves much more than just collecting payments. As an in-house servicer, your responsibilities include:

- Member service and call center management
- New loan setup, payment processing, escrow management
- Compliance with (ever-changing) federal, state, and investor regulations and requirements
- Quality control, audits, vendor management and reporting
- Accounting, reconciliation and reporting for all private and investor loans
- Collections, loss mitigation, foreclosures, electronic default reporting
- And a host of other obligations

When it comes to managing all those tasks, consider finding a reliable subservicer that could save your credit union lending staff both time and money.

WHAT IS SUBSERVICING?

Mortgage loan subservicing allows you to outsource the servicing of your loans to a specialized third-party company. Firms that manage subservicing can offer you a variety of services, including:

Advanced Technology
Advanced loan servicing platforms, online account management tools, data analytics and reporting, digital self-service borrower options, and compliance management tools are just a few examples of the technology advantages that subservicing can offer to streamline workflow and improve efficiency.

Reduced Regulatory Risk
Subservicers can reduce your exposure to regulatory and compliance risk by ensuring that all servicing activities are in compliance with applicable laws and regulations.

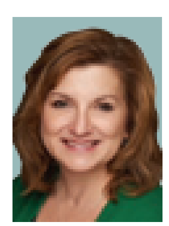
Expertise
Because subservicing providers have extensive experience and expertise in loan servicing, they are well-equipped to handle issues that may arise with loans, such as delinquencies or defaults. This can help to reduce the risk of foreclosure and provide greater peace of mind for you and your members.

Income/Cost Savings
Subservicing is especially beneficial for credit unions that desire servicing income but have limited resources available to manage servicing in-house. In other cases, subservicing allows credit unions to reduce operating expenses, including infrastructure, technology, and personnel costs.

Scalability
Subservicing allows you the flexibility to scale your operations up or down as needed. This can be particularly beneficial during times of business expansion, fluctuating loan volume, or during times of economic uncertainty when you may need to adjust quickly to respond to market changes.

Increased efficiency
Subservicers can handle a larger volume of loans than many lenders can on their own. Credit unions can free up resources to focus on originating loans and expanding membership.

Overall, subservicing is a great way to improve efficiency and reduce risk, while your members enjoy greater convenience, accessibility, and technology. Subservicing can offer peace of mind, allowing you to focus on your core business while knowing that your mortgage portfolio is being managed efficiently and effectively.



Rachelle Berger

Rachelle Berger, Vice President of Business Development for Midwest Loan Services, has more than 30 years of experience in sales, relationship management, lending and loan servicing, including leadership positions with Summit Credit Union and Advia Credit Union.

By Starting from Zero, Credit Unions Expand Members' Mortgage Options

For portfolio lenders, low- and no-down-payment mortgages give credit unions another advantage over other lenders — helping to close more loans and boost membership, homebuyer satisfaction and referral partnerships.

By Tom Murphy
Arch Mortgage Insurance Co.

What's the biggest hurdle keeping renters from becoming homebuyers? Interest rates, inventory and affordability all impact the ability to buy, but more than ever, down payments are the top challenge for many homebuyers.

To help members overcome this obstacle, many credit unions offer unique first-time homebuyer (FTHB) programs. Two leading credit union lenders shared details of how their FTHB initiatives are expanding choices for aspiring homebuyers, attracting new members and generating interest from Realtors.

Mortgage Solutions, St. Charles, Missouri, created portfolio mortgage programs with low-down-payment options in 2018. This year, down payments less than 20% — including 0% or 1% down — account for half of its mortgage loan originations.

"The down payment with the closing costs needed to buy a home is the number-one challenge we're seeing in this environment," says Chris Smith, Director of Mortgage Solutions at Mortgage Solutions LLC. "We've seen a broad increase across the board in all markets with our portfolio products that have private mortgage insurance (private MI) to allow [members] to get into a home with less of a down payment."

According to Smith, "Our members are very excited to hear about the [low-down-payment] programs that we offer. This allows them to reduce their down payment to make purchases for their new home after the loan closes. Because of these programs, we're getting repeat business and increased referrals from our members."

EXPANDING OPTIONS FOR MEMBERS — THE ZERO DOWN OPTION

United Federal Credit Union, based in St. Joseph, Michigan, and serving more than 186,000 members, has also had success in offering zero-down mortgages, a program it began in November 2021.

Andrew Clarkson, United's Vice President of National Mortgage Production, says United has closed more than 300 home loans with 100% financing in the program's first 18 months. According to him, "When the member says 'We're looking for a home, but we have a limited down payment,' it's really nice to have something in your arsenal to say, 'We can do 100% financing for you.' Even with members who have put aside money for a down payment, they come to us saying, 'We would like to hear about the zero-down option. Walk us through it.'"

A UNIQUE CREDIT UNION ADVANTAGE: GAINING REFERRAL PARTNERS AND GROWING MEMBER LOYALTY

At Mortgage Solutions, Smith says low-down payment loans have "increased our Realtor network with specialized local mortgage products that can help increase their sales. We've also seen an increase in the number of positive surveys that we are receiving [from homeowners] after closing. The members have been very happy with the low-down-payment programs along with the education and communication they receive from our team, extending from the application all the way through closing to ensure a quick and smooth process."

Clarkson previously worked for a credit union that didn't offer 100% loans. "A competing credit union had [zero-down loans] advertised on billboards all over town and we were envious they were able to offer it," he says. "With United, [low down payments] are a game changer for us. When you're trying to provide a solution to a member, it's nice to be able to give them options. It's also good from a perspective of generating word-of-mouth in expanding new membership as well. This is a product that gets a lot of loyalty from members. The other side effect is when we go out and talk to Realtors or CPAs, attorneys, anyone who touches our business — a lot of them have never heard of this product before and want to know more."

> *"With private mortgage insurance, there's less paperwork, which typically allows members to close faster."*

CLOSE FASTER

Smith says Mortgage Solutions' low-down-payment program appeals to a wide range of homebuyers, including current renters: "It allows them to purchase their first home quicker and start building equity sooner than continuing to pay rent."

Additionally, Clarkson says offering a low-down-payment program allows for a smoother, more efficient process than alternatives like FHA. For example, private MI guidelines allow for conventional appraisals (vs. FHA), and it's also easier for sellers to meet inspection requirements. With private MI, there's also less paperwork, which typically allows members to close faster.

While United's program is not limited to first-time homebuyers, according to Clarkson many of the members who choose the zero-down options are newly married couples and single professionals located in all of the markets United serves.

HELP RENTERS BECOME HOMEBUYERS WHILE PROTECTING YOUR PORTFOLIO

Unfortunately, the mortgage industry as well as credit unions and members have been impacted by the economic and market uncertainty that continues in 2023. Nationwide, monthly rents in the top 50 metro areas have risen 25% in four years to $1,702 per month (and $1,901 for two-bedroom units), according to the March 2023 Realtor Rent Report. As a result, many current renters are attracted to homeownership and mortgages offering stable payments that enable them to start building equity in a home of their own.

Despite the news on increasing rents, interest rates and a shortage of housing inventory, some progress was made in 2022. According to published reports, 62% of homes purchased with the assistance of private MI in 2022 were bought by first-time homebuyers — many with incomes below $75,000. Private MI continues to be a tool mortgage originators can leverage effectively to reach and serve members with products credit unions may be unable to offer without the financial protection private MI coverage provides.

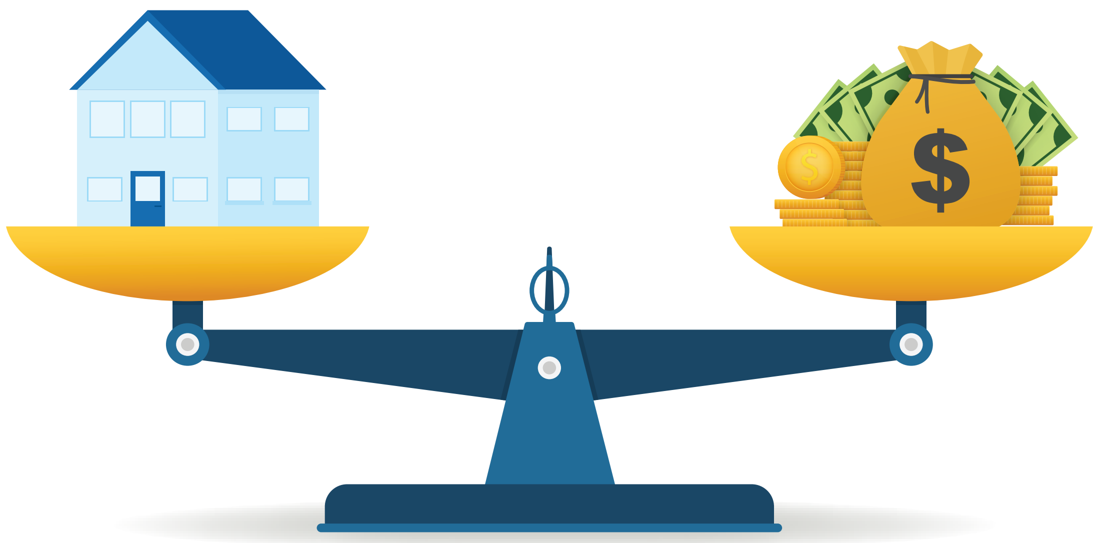
United's Clarkson says his mortgage advisors indicate "it would be a real dealbreaker if we would ever stop offering this [zero-down] program. They like being able to have high-level conversations [on scenarios], especially when we talk to referral partners and educate them on how we can help grow their business, too."

Need more information? Contact your MI provider to discuss creative ways to use MI to expand sustainable homeownership and protect your credit union. Whether traditional flow MI or a customized structure, you can create a portfolio solution to fit your needs. By taking action soon, you may be able to positively impact your results during this very challenging year.


Tom Murphy

Tom Murphy, Senior Vice President of Credit Union Mortgage Insurance Sales at Arch Mortgage Insurance Company (Arch MI), leads the industry's largest and longest serving sales team dedicated to credit unions. He has more than 25 years of mortgage industry experience.

Fannie Mae's Plan for More Equitable Housing Opportunities for All



Fannie Mae's 2022-2024 Equitable Housing Finance Plan is focused on knocking down barriers faced by underserved communities and further driving its mission of facilitating equitable and sustainable access to homeownership and quality affordable rental housing across America in a safe and sound manner. The plan centers on two objectives that address common obstacles faced by many Black and Latino renters and homeowners:

- **Reducing up-front rental and homeownership costs and eliminating outdated barriers** related to insufficient credit to directly drive meaningful and measurable improvements in housing access and stability, and
- **Improving the chances for long-term success for underserved borrowers and renters** by focusing on education and counseling, successfully navigating the mortgage process, and housing stability.

The plan for 2023 includes 25 separate actions that advance these objectives and include:

- Developing and expanding new ways to help first-time homebuyers, such as down payment assistance programs, mortgage underwriting innovations, and special purpose credit programs.
- Supporting five 2022 Innovation Challenge winners who are building local solutions to increase affordable housing supply and assist people with credit and housing access.
- Using Fannie Mae's role in the secondary mortgage market to expand access for underserved borrowers through its mortgage-backed securities activities.
- Expanding financial and housing counseling and consumer education to empower more people to both achieve and maintain housing stability.

The plan is rooted in Fannie Mae's Consumer Housing Journey, an evidence-based, consumer-centric framework for understanding housing barriers at each stage of a consumer's life, particularly Black and Latino consumers. The Consumer Housing Journey has been an essential tool to help Fannie Mae prioritize its equity initiatives and has helped others in the housing and mortgage finance industry build on their own initiatives as well. Learn more about the actions Fannie Mae is taking and download the full Equitable Housing Finance Plan.

REVIEW DATA FOR THE TOP 300

1ST MORTGAGE ORIGINATIONS BY CREDIT UNIONS

Source: Callahan's Peer-to-Peer Data

All origination figures include residential member business loans (MBLs).

	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
Top 300 1st Mortgages Originated CUs	18,434,677,324	395,307,929,093	3,788,070,749	215,474,006,440	1,392,085,522,273
All Originating CUs (2,474 CUs)*	22,785,993,091	557,190,588,657	4,501,196,386	257,179,219,806	2,147,530,171,163
Top 300 Share	80.9	71	84.2	83.8	64.8

*CUs who granted $10,000 or more 1/23 - 3/23

Top 300 First Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
1	VA	Navy	$2,173,099,163	$49,202,221,424	$663,973,312	$34,680,037,842	$166,016,265,200
2	NC	State Employees'	$902,281,668	$22,598,903,114	$903,267	$58,460,601	$50,774,726,130
3	VA	Pentagon	$506,173,963	$13,195,533,282	$376,863,143	$13,513,626,812	$35,319,293,260
4	MA	Digital	$467,877,418	$3,087,445,257	$8,863,306	$1,933,782,707	$11,541,554,137
5	MI	Lake Michigan	$465,452,976	$6,659,199,328	$138,475,406	$8,468,049,701	$12,357,512,939
6	CA	Golden 1	$337,420,739	$6,266,073,731	$13,365,484	$952,115,705	$19,565,196,760
7	ID	Idaho Central	$283,753,162	$3,261,272,341	$131,694,124	$4,170,444,172	$10,042,032,388
8	UT	Mountain America	$270,011,149	$3,578,908,958	$31,477,833	$1,867,110,532	$16,959,875,715
9	WA	BECU	$266,204,770	$6,049,808,351	$89,288,404	$4,646,712,720	$28,926,760,849
10	NY	Bethpage	$255,928,044	$3,762,453,897	$26,238,356	$5,252,813,102	$12,302,669,767
11	CA	SchoolsFirst	$246,003,417	$7,682,173,601	$0	$1,480,416,322	$28,568,853,401
12	CO	Ent	$220,248,947	$3,630,666,935	$68,542,368	$1,988,078,606	$9,898,281,288
13	TX	Randolph-Brooks	$210,931,077	$5,083,593,873	$20,547,222	$604,840,035	$16,857,318,788
14	CA	First Tech	$197,601,493	$5,548,046,113	$28,024,655	$4,147,365,632	$16,995,043,833
15	NY	Broadview	$190,416,080	$2,760,740,987	$27,923,542	$3,814,888,876	$8,283,514,008
16	WI	Summit	$189,189,452	$2,493,822,905	$37,506,523	$3,186,448,506	$6,370,480,015
17	IN	Liberty	$181,338,712	$1,780,335,664	$70,232,978	$1,715,102,958	$3,719,135,646
18	NJ	Affinity	$170,593,346	$2,186,458,636	$0	$114,596,669	$4,640,316,629
19	MD	NASA	$169,486,800	$1,987,018,559	$6,647,241	$71,919,621	$4,832,483,352
20	NH	Service	$163,750,202	$1,067,377,969	$1,191,150	$78,085,892	$5,237,203,910
21	IA	GreenState	$163,113,964	$3,194,478,652	$254,627,439	$291,121,085	$11,124,811,671
22	CO	Elevations	$162,294,615	$1,655,856,608	$74,969,368	$344,678,855	$3,379,602,352
23	NY	United Nations	$160,697,463	$4,260,996,222	$3,335,667	$268,886,918	$8,172,168,975
24	TN	Eastman	$152,030,518	$3,314,889,395	$337,249	$2,789,283	$7,591,863,990
25	OR	OnPoint Community	$138,661,438	$2,450,897,256	$63,651,020	$4,416,950,214	$8,887,728,916

Continued →

Top 300 First Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
26	CA	Kinecta	$138,410,061	$2,797,527,023	$15,108,536	$2,286,677,062	$6,744,430,906
27	TX	Security Service	$137,548,849	$4,181,730,325	$14,435,425	$1,203,487,160	$13,124,647,617
28	CA	Logix	$136,269,997	$4,239,185,989	$4,773,694	$1,731,387,948	$9,721,394,162
29	UT	America First	$125,393,713	$826,667,986	$39,095,815	$3,293,814,965	$18,329,601,269
30	WI	University Of Wisconsin	$119,168,360	$1,418,229,718	$11,759,517	$3,659,273,824	$5,013,312,933
31	MN	Wings Financial	$117,028,361	$3,118,425,260	$8,564,959	$776,550,368	$8,546,362,917
32	TN	Ascend	$116,813,216	$1,078,566,895	$0	$0	$4,062,581,757
33	TX	University	$111,030,150	$1,193,888,537	$65,608,110	$2,207,219,805	$4,061,148,962
34	VA	Virginia	$109,302,192	$898,654,405	$25,387,444	$1,305,523,295	$5,146,938,423
35	WI	Royal	$109,044,174	$799,117,801	$39,413,321	$2,477,277,302	$4,713,161,695
36	KS	CommunityAmerica	$108,732,042	$891,757,496	$49,217,246	$2,734,676,068	$4,753,967,254
37	FL	Suncoast	$106,199,997	$4,245,686,853	$6,315,181	$123,966,737	$16,945,262,400
38	CA	Provident	$100,747,496	$1,474,173,563	$526,000	$1,576,838,171	$3,579,152,714
39	NC	Coastal	$97,510,015	$1,047,267,198	$12,316,464	$1,821,364,367	$4,702,175,467
40	WI	Altra	$95,288,618	$1,028,639,975	$19,022,048	$1,384,592,785	$2,634,886,289
41	CA	Star One	$94,742,915	$4,469,955,798	$0	$3,000,454	$10,323,322,173
42	NC	Local Government	$93,701,616	$2,107,433,201	$0	$0	$4,057,333,888
43	CA	SAFE	$88,279,388	$1,605,991,488	$11,718,634	$716,457,372	$4,468,310,842
44	WI	Landmark	$85,957,732	$1,338,107,946	$18,455,430	$2,759,434,307	$6,214,545,778
45	RI	Navigant	$79,808,956	$1,639,489,941	$2,289,100	$251,562,629	$3,475,812,630
46	CA	Redwood	$78,818,450	$2,381,071,766	$3,997,400	$837,537,074	$7,676,578,660
47	IL	Alliant	$77,053,250	$6,041,445,173	$4,659,785	$710,764,594	$19,018,068,660
48	IL	BCU	$76,031,026	$2,202,494,831	$29,854,697	$2,459,494,543	$5,815,403,507
49	MN	TruStone Financial	$75,845,814	$1,051,151,284	$36,921,098	$1,573,397,184	$4,672,310,375
50	FL	MidFlorida	$74,526,905	$1,458,128,062	$3,504,607	$750,839,368	$7,023,648,255
51	MI	Genisys	$73,639,361	$814,049,171	$6,131,072	$512,344,661	$4,595,163,279
52	CA	Chevron	$72,966,197	$3,064,654,611	$0	$16,595,944	$4,846,879,098
53	CA	Wescom	$72,553,900	$1,897,602,234	$2,229,296	$536,174,342	$6,156,513,883
54	TX	TDECU	$72,357,285	$1,650,933,779	$19,987,309	$889,195,444	$4,741,313,372
55	UT	Utah Community	$70,857,429	$524,836,949	$10,932,158	$1,114,085,867	$2,780,050,814
56	MI	United	$70,079,889	$1,273,274,904	$28,305,057	$1,155,390,229	$3,940,395,599
57	OH	Wright-Patt	$69,255,548	$1,736,014,289	$23,150,433	$3,955,113,538	$7,955,342,219
58	DC	Bank-Fund Staff	$65,709,824	$3,158,166,565	$0	$88,779,502	$6,400,575,496
59	TN	ORNL	$64,685,800	$1,381,657,884	$1,353,900	$226,370,875	$3,334,509,755
60	IL	CEFCU	$64,679,940	$2,429,579,836	$0	$45,869,724	$7,758,198,941
61	WY	UniWyo	$64,519,726	$105,212,339	$0	$0	$507,602,629
62	NC	Truliant	$64,238,667	$661,592,159	$4,138,741	$395,538,036	$4,374,887,266
63	CA	Patelco	$63,879,363	$3,115,598,667	$4,782,766	$1,184,967,227	$9,602,387,712
64	TX	Texas Tech	$63,232,555	$44,076,777	$47,744,707	$0	$389,096,784
65	FL	VyStar	$63,149,185	$3,166,823,155	$13,165,056	$307,670,157	$13,753,803,915
66	FL	Space Coast	$62,192,891	$1,936,552,375	$10,535,157	$591,510,865	$8,697,194,963
67	NY	Teachers	$62,184,307	$1,782,420,280	$7,740,283	$2,114,652,653	$9,452,716,315
68	AK	Global	$61,567,322	$2,189,109,291	$51,787,233	$4,747,715,203	$11,749,750,030
69	CA	California	$61,225,694	$1,184,407,586	$0	$649,026,335	$4,572,757,399
70	VA	Member One	$59,702,263	$374,954,592	$617,000	$0	$1,593,837,425
71	IL	Deere Employees	$59,501,810	$971,299,079	$7,707,901	$455,655,708	$2,041,877,774
72	WI	CoVantage	$59,207,034	$1,077,935,949	$3,165,010	$665,918,701	$3,306,030,618
73	FL	Fairwinds	$59,100,035	$1,289,920,689	$0	$539,411,618	$4,449,909,048
74	NY	ESL	$57,455,442	$854,541,792	$16,707,640	$1,320,761,595	$9,116,891,997
75	SC	Founders	$57,183,057	$1,724,718,283	$0	$0	$4,136,533,567
76	AL	Redstone	$56,095,212	$1,032,898,873	$13,502,967	$572,793,074	$7,606,070,426
77	CA	Stanford	$55,880,832	$2,025,836,431	$0	$444,731,561	$4,101,845,036
78	NJ	First Harvest	$54,120,845	$161,119,161	$0	$0	$485,842,919
79	AZ	OneAZ	$53,250,429	$640,381,629	$0	$0	$3,357,354,456
80	TX	Credit Union of Texas	$52,112,169	$469,124,563	$15,603,049	$0	$2,452,888,087

Top 300 First Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
81	SC	South Carolina	$51,747,900	$842,175,555	$2,984,832	$439,161,985	$2,556,106,043
82	GA	Delta Community	$51,418,021	$2,004,631,844	$2,564,039	$732,250,291	$9,194,029,033
83	IN	Elements Financial	$51,086,142	$843,657,665	$16,370,190	$0	$2,302,031,661
84	OH	General Electric	$49,148,480	$1,047,844,849	$0	$23,463,457	$4,717,187,378
85	ID	Freedom Northwest	$48,119,383	$301,016,720	$0	$0	$524,987,149
86	MI	Michigan Schools and Government	$47,222,733	$1,190,236,383	$6,672,591	$129,666,372	$3,383,173,420
87	WA	Washington State Employees	$46,421,085	$1,176,824,210	$10,436,155	$786,005,572	$5,068,019,636
88	TX	American Airlines	$46,336,050	$3,409,452,461	$0	$0	$8,623,190,037
89	IA	Dupaco Community	$46,072,737	$627,902,535	$18,254,000	$850,043,367	$3,113,592,338
90	WI	Community First	$45,839,936	$1,879,609,657	$0	$573,485	$5,315,224,832
91	VA	Chartway	$45,700,141	$185,196,805	$1,010,513	$25,356,449	$2,670,200,234
92	VT	New England	$45,563,424	$1,681,689,863	$22,735,559	$1,740,077,363	$3,089,200,772
93	PA	Members 1st	$43,933,622	$778,444,781	$7,818,149	$923,889,274	$7,116,778,608
94	UT	Goldenwest	$43,816,297	$363,267,110	$13,536,256	$0	$2,927,820,437
95	NM	Nusenda	$43,547,544	$366,997,957	$8,285,467	$615,657,434	$4,135,090,934
96	TX	Rally	$43,516,006	$1,214,096,492	$5,453,204	$146,164,640	$4,291,966,473
97	TN	Tennessee Valley	$43,483,041	$592,600,216	$257,600	$0	$2,598,986,340
98	WI	Educators	$43,467,081	$1,093,097,487	$5,829,359	$777,604,126	$3,209,877,328
99	HI	Hawaiian Financial	$42,993,150	$496,550,198	$2,196,900	$0	$964,689,906
100	IN	3Rivers	$42,401,525	$757,562,462	$23,604,326	$1,066,359,199	$2,247,479,968
101	IA	Veridian	$42,020,186	$1,501,566,241	$50,435,989	$50,143,416	$6,954,513,998
102	NY	AmeriCU	$41,777,284	$902,713,343	$2,229,866	$175,387,609	$2,720,324,739
103	MD	State Employees Credit Union of Maryland	$40,651,711	$2,449,647,276	$25,710,239	$1,171,581,635	$5,336,939,220
104	MI	DFCU Financial	$40,555,057	$546,646,949	$8,642,900	$854,709,141	$6,588,486,714
105	MI	Consumers	$40,404,392	$729,192,557	$0	$854,867,970	$2,102,978,766
106	MD	Tower	$40,355,976	$1,017,314,821	$2,673,395	$514,691,377	$4,506,633,511
107	AR	Arkansas	$40,098,734	$436,504,618	$16,670,734	$367,291,501	$2,198,960,677
108	TX	A+	$39,922,777	$903,711,902	$1,993,763	$42,989,395	$2,747,377,378
109	CO	Canvas	$39,670,987	$518,414,215	$13,324,645	$729,783,141	$4,335,027,568
110	CA	BluPeak	$39,068,276	$391,912,677	$1,589,750	$140,472,210	$1,402,909,625
111	PA	Pennsylvania State Employees	$38,773,199	$1,804,403,069	$0	$72,731,032	$8,311,106,103
112	MA	Jeanne D'Arc	$37,735,124	$1,116,913,769	$1,434,150	$110,827,258	$2,105,788,657
113	MI	Michigan State University	$37,231,918	$1,952,708,858	$4,453,564	$39,526,889	$7,453,518,688
114	WA	STCU	$36,395,299	$1,438,702,792	$10,747,730	$481,689,673	$5,771,757,693
115	TX	Advancial	$35,792,233	$651,151,189	$3,266,598	$378,298,827	$2,274,733,183
116	NY	Corning	$34,944,213	$497,285,616	$16,973,503	$591,811,600	$2,332,328,761
117	NY	Visions	$34,551,875	$1,773,824,283	$468,405	$38,527,287	$5,753,110,627
118	MI	Advia	$34,374,533	$732,128,959	$1,100,875	$0	$2,927,623,671
119	FL	Campus USA	$34,254,914	$725,392,451	$0	$19,775,499	$3,093,606,784
120	CA	Nuvision	$33,716,985	$815,647,715	$5,864,793	$366,615,439	$3,059,402,320
121	TX	Gulf Coast	$33,555,950	$92,167,497	$0	$0	$319,193,964
122	VA	Langley	$33,322,802	$1,422,082,503	$0	$223,431,267	$5,164,633,501
123	MO	Together	$33,198,570	$648,697,384	$3,890,923	$708,908,776	$2,497,265,272
124	TX	AMOCO	$33,130,019	$337,693,335	$2,359,680	$0	$1,434,103,109
125	FL	IThink	$33,123,793	$1,082,531,047	$3,486,750	$290,317,128	$2,180,499,745
126	NC	Allegacy	$32,903,895	$365,628,636	$2,905,532	$186,360,625	$2,257,018,941
127	PA	Diamond	$32,277,618	$253,000,444	$227,035	$0	$977,879,544
128	ME	The County	$32,230,776	$118,317,061	$0	$0	$461,341,118
129	CA	Partners	$31,804,960	$901,731,616	$0	$883,547,670	$2,501,648,577
130	WI	Fox Communities	$31,794,849	$927,354,296	$3,522,045	$207,380,037	$2,735,293,127
131	WA	Numerica	$31,770,218	$520,275,133	$6,623,079	$635,282,160	$3,803,858,211
132	NH	St. Mary's Bank	$31,646,256	$516,951,879	$8,760,623	$578,789,939	$1,497,357,217
133	IN	Forum	$31,439,587	$299,102,892	$18,616,581	$977,005,642	$2,028,792,415
134	TX	First Community	$31,435,680	$523,507,828	$0	$52,347,932	$2,311,589,547
135	ID	Beehive	$31,387,663	$187,492,330	$2,566,421	$34,404,573	$568,103,713

Top 300 First Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
136	NM	Sandia Laboratory	$31,248,621	$583,825,001	$0	$0	$3,461,644,241
137	KS	Heartland	$30,866,886	$135,919,436	$2,057,148	$0	$604,509,775
138	RI	Coastal1	$30,769,190	$1,629,107,178	$871,500	$123,768,137	$3,221,495,638
139	MI	Honor	$30,405,584	$445,395,716	$1,461,824	$561,350,341	$1,688,499,738
140	MT	Whitefish	$30,033,187	$853,506,922	$0	$0	$2,281,015,740
141	MO	First Community	$29,711,101	$646,459,683	$102,000	$649,311,059	$3,972,679,615
142	NC	Skyla	$29,241,011	$293,575,242	$0	$0	$1,450,288,399
143	IN	Purdue	$29,071,598	$762,279,895	$7,228,624	$442,385,982	$1,854,916,299
144	AZ	Desert Financial	$29,064,172	$518,465,412	$0	$569,020,553	$8,399,581,171
145	AZ	Arizona Financial	$29,019,969	$298,006,489	$5,964,743	$0	$3,228,113,571
146	TX	GECU	$28,975,051	$525,045,640	$11,003,349	$748,674,868	$4,245,371,389
147	MI	Michigan First	$28,751,031	$396,554,908	$15,550,686	$573,590,435	$1,512,182,050
148	GA	Georgia's Own	$28,467,010	$525,332,289	$4,521,726	$420,097,000	$4,745,229,262
149	WI	Marine	$28,386,943	$511,626,337	$0	$78,592	$1,058,440,327
150	PA	TruMark Financial	$28,311,251	$822,281,482	$4,030,250	$529,792,372	$3,058,656,106
151	FL	GTE Financial	$27,821,610	$501,598,181	$12,983,028	$709,956,632	$2,925,099,491
152	TN	Leaders	$27,807,210	$151,911,921	$11,777,094	$0	$924,158,004
153	NC	Latino Community	$27,800,400	$500,770,679	$0	$0	$898,674,158
154	TX	Alliance	$27,310,646	$129,045,304	$15,005,301	$5,755,101	$509,098,009
155	IN	Indiana Members	$26,955,928	$572,926,262	$6,962,220	$409,653,883	$2,953,513,000
156	HI	HawaiiUSA	$26,742,886	$610,777,962	$0	$1,057,625	$2,303,501,494
157	TX	EECU	$26,697,722	$400,149,479	$4,649,692	$246,193,851	$3,504,638,649
158	CO	Premier Members	$26,688,864	$654,316,807	$0	$292,673,854	$1,741,281,698
159	SC	Sharonview	$26,589,002	$496,458,473	$8,182,978	$428,990,810	$1,852,446,056
160	IN	Indiana University	$26,464,520	$590,541,050	$0	$0	$1,627,902,742
161	NY	Hudson Valley	$26,297,200	$1,052,464,421	$14,347,323	$1,149,058,124	$6,866,182,122
162	CA	Valley Strong	$26,045,309	$1,245,003,438	$4,043,801	$113,974,495	$4,102,955,175
163	OH	Superior	$25,991,175	$604,931,576	$7,651,818	$875,582,156	$1,542,378,534
164	TX	Firstmark	$25,636,480	$224,284,709	$0	$0	$1,229,872,439
165	MA	Harvard University Employees	$25,366,836	$641,607,472	$6,211,838	$487,006,808	$1,190,986,351
166	NY	Sunmark	$25,204,701	$339,769,988	$7,104,239	$16,333,819	$1,132,026,894
167	IA	Community Choice	$24,669,474	$247,583,369	$16,387,830	$0	$794,871,449
168	NY	USAlliance Financial	$24,463,449	$1,086,535,068	$2,973,602	$235,200,196	$2,869,470,682
169	IN	Centra	$24,366,308	$471,018,295	$1,884,365	$248,671,728	$2,061,447,553
170	WI	Capital	$24,238,885	$804,869,082	$325,000	$242,504,899	$2,347,416,093
171	NY	Municipal	$24,175,361	$1,159,444,186	$0	$0	$4,358,020,453
172	MS	Keesler	$24,129,076	$957,162,331	$0	$8,299,533	$4,102,295,556
173	IN	Notre Dame	$24,097,377	$374,754,060	$10,246,132	$483,787,197	$1,147,643,162
174	NY	Polish & Slavic	$23,652,255	$966,110,741	$0	$26,996,894	$2,568,633,868
175	LA	Aneca	$23,267,534	$78,336,001	$603,769	$16,372,604	$228,991,405
176	OH	Directions	$23,000,046	$362,586,509	$0	$200,683,027	$1,207,524,650
177	MA	Massachusetts Institute Of Technology	$22,817,325	$453,876,801	$1,661,685	$1,661,685	$730,559,018
178	UT	UFirst	$22,395,207	$215,473,251	$3,942,350	$668,728,455	$1,858,433,823
179	OK	Tinker	$22,332,725	$317,427,271	$5,736,000	$246,496,646	$6,065,817,485
180	KY	L & N	$22,329,700	$736,512,938	$0	$209,803,599	$2,018,645,031
181	PA	American Heritage	$22,090,221	$533,787,874	$13,983,246	$1,119,262,387	$4,605,148,304
182	IN	Interra	$21,996,060	$378,227,658	$3,414,865	$209,734,104	$1,734,536,025
183	VA	Park View	$21,970,086	$177,381,217	$0	$0	$349,842,150
184	WA	Columbia	$21,945,537	$375,290,478	$4,300,150	$444,121,924	$2,305,648,367
185	PA	Police And Fire	$21,932,934	$3,035,921,972	$7,689,353	$642,688,335	$8,362,573,511
186	SC	SAFE	$21,857,153	$345,908,335	$0	$0	$1,730,090,866
187	MA	Workers	$21,574,130	$678,176,964	$7,165,148	$146,101,047	$2,632,046,235
188	CA	Northrop Grumman	$21,501,955	$262,845,925	$8,095,032	$354,120,771	$1,609,205,971
189	AZ	TruWest	$21,481,030	$413,975,487	$3,217,250	$338,418,767	$1,551,456,416
190	NY	Suffolk	$21,175,710	$406,489,758	$3,724,000	$0	$1,698,281,543

Top 300 First Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
191	KY	Park Community	$20,967,691	$443,405,724	$405,000	$0	$1,285,215,616
192	VA	Valleystar	$20,917,750	$163,371,340	$0	$0	$686,141,855
193	TN	Orion	$20,704,684	$315,006,615	$6,354,386	$25,466,475	$1,284,809,585
194	VA	Dupont Community	$20,635,505	$517,696,554	$585,070	$183,775,535	$1,851,769,781
195	SD	Dakotaland	$20,497,212	$171,355,429	$2,223,080	$306,905,017	$612,162,182
196	KY	Abound	$20,479,565	$478,368,051	$255,000	$42,347,695	$2,158,500,579
197	SD	Black Hills	$19,782,384	$615,618,328	$7,234,102	$0	$2,190,389,235
198	NY	Jovia Financial	$19,748,100	$902,477,239	$0	$562,543,069	$4,264,711,989
199	AL	Listerhill	$19,725,498	$392,727,950	$96,666	$0	$1,329,859,463
200	CA	Firefighters First	$19,713,838	$745,792,540	$0	$211,018,937	$2,082,928,400
201	CA	Mission	$19,577,350	$1,946,108,107	$2,115,050	$1,101,026,338	$6,094,217,942
202	NV	One Nevada	$19,336,012	$129,582,757	$13,533,589	$55,081,355	$1,361,906,485
203	OK	Truity	$19,208,597	$130,164,676	$10,992,809	$717,342,731	$1,108,019,344
204	LA	EFCU Financial	$18,849,531	$167,739,379	$429,754	$51,891,077	$939,319,681
205	MN	Spire	$18,691,448	$489,384,714	$4,516,418	$301,417,529	$2,115,836,238
206	MN	Magnifi Financial	$18,554,449	$137,983,302	$8,106,382	$603,443,432	$2,194,215,207
207	MN	Affinity Plus	$18,488,683	$1,428,461,486	$11,293,123	$1,296,686,842	$4,101,592,221
208	TX	Wellby Financial	$18,260,445	$681,419,714	$0	$0	$2,636,369,701
209	NY	Self Reliance New York	$18,174,100	$474,437,679	$0	$0	$1,426,106,517
210	IL	Scott	$18,158,117	$347,811,634	$8,101,301	$204,495,922	$1,731,507,723
211	OR	Selco Community	$17,977,402	$399,104,814	$0	$0	$2,780,227,732
212	LA	Barksdale	$17,837,037	$336,627,817	$204,410	$55,455,539	$2,204,821,445
213	NV	Boulder Dam	$17,798,965	$201,303,788	$0	$0	$829,774,414
214	HI	Hawaii State	$17,773,480	$367,392,829	$1,258,480	$627,096,208	$2,353,236,106
215	VA	Apple	$17,708,783	$1,148,405,952	$4,948,198	$780,805,105	$4,197,468,226
216	MN	Mayo Employees	$17,668,697	$350,753,023	$7,547,120	$0	$1,403,321,008
217	OR	Consolidated Community	$17,581,700	$122,715,015	$0	$0	$507,787,325
218	MA	Greylock	$17,505,440	$654,072,691	$105,000	$260,588,821	$1,557,883,927
219	TN	Knoxville TVA Employees	$17,486,075	$747,145,856	$569,296	$0	$3,972,235,664
220	CA	Meriwest	$17,409,350	$731,706,935	$6,721,450	$560,827,431	$2,274,287,239
221	KS	Meritrust	$17,375,711	$468,572,835	$0	$394,653,810	$1,831,085,075
222	TX	Texas Trust	$17,296,511	$484,507,903	$0	$15,659,615	$2,046,729,693
223	TN	Y-12	$17,036,902	$571,885,959	$0	$47,546,882	$1,896,545,812
224	WA	Red Canoe	$17,029,390	$297,426,894	$2,730,612	$93,807,559	$1,184,464,409
225	NY	TEG	$16,948,025	$107,960,041	$5,570,518	$65,743,179	$419,472,186
226	PA	Clearview	$16,852,307	$336,328,268	$0	$0	$1,845,688,220
227	CO	Credit Union Of Colorado	$16,789,586	$496,542,688	$0	$266,687,008	$2,361,952,074
228	OR	Oregon Community	$16,775,909	$645,528,226	$0	$557,746,268	$3,458,486,316
229	NY	Suma Yonkers	$16,761,350	$192,093,007	$0	$0	$425,120,602
230	WA	WECU	$16,572,374	$809,519,696	$0	$250,505,842	$2,685,187,496
231	AL	Avadian	$16,539,874	$291,905,236	$4,314,489	$22,346,142	$1,314,356,089
232	MI	Christian Financial	$16,481,172	$194,521,177	$0	$0	$836,344,929
233	PA	Philadelphia	$16,429,850	$257,707,308	$0	$95,415,696	$1,626,891,710
234	CT	Sikorsky Financial	$16,301,675	$467,789,738	$292,600	$0	$1,136,721,538
235	VA	Northwest	$16,266,620	$788,923,742	$8,082,025	$1,415,934,992	$4,834,423,822
236	OR	Rivermark Community	$16,249,950	$294,903,476	$2,902,000	$524,622,144	$1,395,599,502
237	NY	ACTORS	$16,218,690	$147,475,009	$0	$0	$287,588,495
238	TX	Austin Telco	$16,195,945	$700,789,251	$0	$0	$2,462,566,068
239	MA	Rockland	$16,179,914	$581,888,343	$0	$265,995,162	$2,783,215,572
240	MI	University Of Michigan	$16,097,128	$369,922,659	$0	$0	$1,393,227,118
241	FL	USF	$16,009,452	$272,825,700	$6,823,000	$40,912,694	$1,143,542,433
242	CA	Credit Union of Southern California	$15,935,150	$579,836,440	$1,994,550	$184,441,646	$2,801,895,618
243	MN	Great River	$15,869,452	$106,461,994	$238,598	$0	$351,429,851
244	PA	Citadel	$15,846,724	$2,659,862,742	$2,188,035	$266,511,726	$5,737,101,829
245	TX	Neches	$15,841,694	$197,538,401	$0	$0	$894,230,245

Top 300 First Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 1st Mortgages (Fixed & Adjustable)	$ Outstanding 1st Mortgages (Fixed & Adjustable)	$ Sold 1st Mortgages	RE Loans Sold but Serviced by CU	Total Assets
246	IL	Great Lakes	$15,730,905	$625,408,508	$0	$291,034,084	$1,323,800,979
247	SC	REV	$15,699,891	$288,771,229	$2,277,456	$153,279	$1,103,201,554
248	CA	Bay	$15,668,250	$435,417,039	$3,626,550	$269,465,243	$1,610,201,577
249	FL	Achieva	$15,567,463	$286,873,039	$2,481,100	$281,716,576	$2,798,433,803
250	CA	San Mateo	$15,552,874	$763,239,490	$2,303,000	$244,991,912	$1,691,700,949
251	FL	Community First Credit Union of Florida	$15,520,936	$652,331,527	$0	$94,721,427	$2,672,034,613
252	WY	Blue	$15,496,342	$291,804,754	$705,000	$0	$1,836,952,130
253	OK	TTCU	$15,495,215	$219,297,299	$6,952,758	$545,453,796	$2,667,042,723
254	MO	Assemblies Of God	$15,312,209	$196,309,004	$6,165,199	$0	$397,594,886
255	FL	Tyndall	$15,222,447	$423,373,803	$1,673,204	$203,146,908	$1,937,512,146
256	KY	Commonwealth	$15,215,821	$535,610,575	$0	$69,328,341	$2,086,429,364
257	NY	Empower	$15,159,904	$646,181,846	$2,157,410	$518,018,840	$3,249,979,323
258	MI	Lake Trust	$15,126,257	$638,794,815	$0	$1,686,287	$2,628,944,377
259	MO	Vantage	$15,102,209	$233,090,064	$976,503	$0	$1,145,836,875
260	GA	Associated	$14,979,020	$251,365,881	$3,335,400	$395,501,323	$2,106,431,375
261	OR	Unitus Community	$14,960,875	$428,660,946	$8,449,296	$561,490,446	$1,739,473,327
262	SC	Spero Financial	$14,884,432	$155,279,550	$0	$0	$710,478,182
263	OK	Communication	$14,874,912	$310,942,785	$0	$36,905,966	$1,986,532,079
264	AZ	Vantage West	$14,836,310	$427,759,024	$2,349,225	$147,831,224	$2,723,387,076
265	VA	Freedom First	$14,795,855	$198,066,260	$6,830,771	$0	$1,076,519,951
266	WI	Thrivent	$14,712,888	$223,217,242	$4,864,094	$410,098,677	$891,660,966
267	MA	Metro	$14,696,975	$1,124,262,745	$2,074,750	$974,029,732	$3,190,145,938
268	IL	Encurage Financial Network	$14,686,879	$89,510,069	$1,884,400	$239,425,171	$181,305,147
269	NY	SECNY	$14,676,930	$94,955,969	$0	$0	$283,138,440
270	DC	IDB Global	$14,582,085	$483,858,425	$0	$1,943,881	$784,774,111
271	WI	Verve	$14,474,188	$356,195,744	$5,251,906	$281,949,924	$1,543,424,805
272	OR	Rogue	$14,449,002	$425,638,546	$17,645,273	$646,629,977	$3,190,551,362
273	IL	1st MidAmerica	$14,436,521	$209,331,905	$0	$133,778,954	$937,234,238
274	CA	Travis	$14,383,089	$1,753,240,814	$8,403,047	$663,655,066	$4,784,730,958
275	GA	Robins Financial	$14,265,441	$455,364,861	$885,040	$304,356,102	$4,370,705,146
276	KS	Credit Union Of America	$14,036,931	$399,300,381	$5,402,562	$0	$1,431,815,460
277	OK	WEOKIE	$13,972,552	$373,994,266	$0	$138,358,414	$1,496,222,193
278	ND	Town & Country	$13,969,923	$45,313,716	$12,503,040	$17,246,379	$657,030,487
279	MI	Marshall Community	$13,881,312	$123,245,369	$3,568,969	$190,397,149	$314,560,591
280	FL	Grow Financial	$13,848,582	$809,729,743	$0	$64,028,957	$3,540,470,459
281	TX	Union Square	$13,833,204	$205,958,899	$4,383,355	$0	$670,344,935
282	MI	ELGA	$13,827,772	$200,882,738	$172,319	$0	$1,450,108,574
283	MI	Arbor Financial	$13,775,204	$392,684,813	$4,821,570	$348,982,314	$927,461,954
284	WA	Sound	$13,751,635	$431,967,492	$9,656,925	$0	$2,768,995,429
285	MA	Hanscom	$13,678,249	$489,469,435	$1,082,000	$475,782,626	$1,881,304,384
286	IL	IH Mississippi Valley	$13,630,666	$407,224,515	$7,287,266	$585,102,086	$2,093,274,501
287	SC	SRP	$13,471,866	$205,904,243	$1,038,933	$0	$1,711,499,807
288	VA	BayPort	$13,396,249	$448,206,399	$1,780,141	$0	$2,319,211,792
289	NE	Liberty First	$13,381,273	$129,781,306	$9,066,397	$0	$444,887,967
290	OH	Kemba	$13,307,703	$522,405,951	$5,672,454	$220,041,647	$1,603,331,266
291	MI	Credit Union One	$13,295,473	$342,773,026	$1,898,864	$219,158	$1,784,152,699
292	TX	Gulf Coast Educators	$13,266,344	$337,882,541	$0	$1,855,561	$1,295,589,596
293	UT	Cyprus	$13,096,778	$232,367,340	$8,444,176	$0	$1,764,426,475
294	TX	East Texas Professional	$13,056,134	$205,891,522	$0	$0	$1,217,796,088
295	MN	Hiway	$13,031,850	$461,281,146	$5,699,748	$320,272,302	$1,755,479,079
296	WA	Gesa	$13,008,389	$1,003,176,049	$9,981,004	$640,645,640	$5,459,320,426
297	HI	Gather	$13,000,428	$175,570,044	$0	$0	$724,685,221
298	CA	Farmers Insurance Group	$12,958,473	$289,586,458	$0	$0	$1,466,626,383
299	AL	All In	$12,936,385	$153,449,035	$1,806,465	$0	$2,814,844,913
300	WI	Westby Co-op	$12,825,462	$142,807,419	$3,261,098	$218,552,084	$912,882,424

REVIEW DATA FOR THE TOP 300 2ND MORTGAGE ORIGINATIONS BY CREDIT UNIONS

Source: Callahan's Peer-to-Peer Data

All origination figures include residential member business loans (MBLs).

	$ Originated 2nd Mortgages	$ Outstanding 2nd Mortgages	RE Loans Sold but Serviced by CU	Total Assets
Top 300 2nd Mortgages Originated CUs	9,936,134,215	77,019,339,458	207,123,802,030	1,373,396,968,306
All Originating CUs (2,643 CUs)*	12,636,299,054	110,508,788,538	256,838,538,793	2,147,547,725,983
Top 300 Share	8.6	70	80.6	64.0

**CUs who granted $10,000 or more 01/23 - 3/23*

Top 300 Second Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 2nd Mortgages	$ Outstanding 2ndMortgages	RE Loans Sold but Serviced by CU	Total Assets
1	VA	Navy	$559,896,101	$2,674,631,668	$34,680,037,842	$166,016,265,200
2	UT	America First	$325,524,253	$1,612,212,084	$3,293,814,965	$18,329,601,269
3	NY	Teachers	$212,472,635	$1,255,613,856	$2,114,652,653	$9,452,716,315
4	AZ	TruWest	$188,663,613	$247,680,932	$338,418,767	$1,551,456,416
5	CA	SchoolsFirst	$184,866,582	$1,098,040,037	$1,480,416,322	$28,568,853,401
6	UT	Mountain America	$170,137,710	$1,926,720,913	$1,867,110,532	$16,959,875,715
7	NY	Bethpage	$153,649,745	$1,587,395,295	$5,252,813,102	$12,302,669,767
8	IA	GreenState	$150,649,126	$657,496,994	$291,121,085	$11,124,811,671
9	CO	Ent	$145,115,454	$1,046,555,449	$1,988,078,606	$9,898,281,288
10	NH	Service	$140,695,723	$267,131,670	$78,085,892	$5,237,203,910
11	OH	Telhio	$139,853,855	$76,136,091	$60,081,836	$1,380,425,475
12	IL	Alliant	$130,796,877	$1,374,175,679	$710,764,594	$19,018,068,660
13	WA	BECU	$125,968,269	$2,279,096,671	$4,646,712,720	$28,926,760,849
14	GA	Georgia's Own	$125,686,189	$499,427,261	$420,097,000	$4,745,229,262
15	OR	OnPoint Community	$122,907,225	$410,203,898	$4,416,950,214	$8,887,728,916
16	VA	Pentagon	$120,353,534	$2,514,559,670	$13,513,626,812	$35,319,293,260
17	CA	First Tech	$118,550,784	$951,732,739	$4,147,365,632	$16,995,043,833
18	WI	Summit	$115,959,400	$571,164,936	$3,186,448,506	$6,370,480,015
19	WI	University Of Wisconsin	$115,089,855	$582,682,479	$3,659,273,824	$5,013,312,933
20	FL	Space Coast	$100,506,567	$508,186,136	$591,510,865	$8,697,194,963
21	TX	Security Service	$99,173,591	$635,193,800	$1,203,487,160	$13,124,647,617
22	PA	Police And Fire	$98,219,274	$744,016,282	$642,688,335	$8,362,573,511
23	CA	Golden 1	$91,658,176	$432,830,131	$952,115,705	$19,565,196,760
24	MA	Digital	$89,166,121	$637,519,502	$1,933,782,707	$11,541,554,137
25	ID	Idaho Central	$87,821,345	$824,944,120	$4,170,444,172	$10,042,032,388

Continued →

Top 300 Second Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 2nd Mortgages	$ Outstanding 2nd Mortgages	RE Loans Sold but Serviced by CU	Total Assets
26	FL	Suncoast	$87,501,717	$372,537,730	$123,966,737	$16,945,262,400
27	CA	Star One	$81,798,305	$379,635,762	$3,000,454	$10,323,322,173
28	MD	Tower	$80,863,208	$1,152,467,128	$514,691,377	$4,506,633,511
29	PA	Members 1st	$79,905,976	$832,012,434	$923,889,274	$7,116,778,608
30	CO	Bellco	$74,924,466	$851,454,509	$128,173,510	$7,701,104,420
31	CA	Logix	$68,064,036	$751,306,640	$1,731,387,948	$9,721,394,162
32	IL	BCU	$67,547,975	$317,888,004	$2,459,494,543	$5,815,403,507
33	MA	Metro	$66,114,177	$123,162,999	$974,029,732	$3,190,145,938
34	MI	Lake Michigan	$65,038,516	$543,623,321	$8,468,049,701	$12,357,512,939
35	MA	Hanscom	$64,120,598	$480,859,115	$475,782,626	$1,881,304,384
36	MN	TruStone Financial	$61,613,131	$591,365,243	$1,573,397,184	$4,672,310,375
37	NC	Truliant	$60,478,654	$418,623,443	$395,538,036	$4,374,887,266
38	KS	CommunityAmerica	$60,171,612	$479,126,689	$2,734,676,068	$4,753,967,254
39	TX	Randolph-Brooks	$59,495,455	$532,963,923	$604,840,035	$16,857,318,788
40	FL	VyStar	$59,443,055	$432,952,235	$307,670,157	$13,753,803,915
41	UT	Utah Community	$59,121,771	$282,152,257	$1,114,085,867	$2,780,050,814
42	TX	Credit Union of Texas	$58,929,982	$298,876,302	$0	$2,452,888,087
43	PA	TruMark Financial	$58,536,917	$547,577,332	$529,792,372	$3,058,656,106
44	NC	Coastal	$58,346,217	$376,307,814	$1,821,364,367	$4,702,175,467
45	MI	Advia	$54,636,427	$220,314,809	$0	$2,927,623,671
46	GA	Delta Community	$50,333,978	$257,319,125	$732,250,291	$9,194,029,033
47	AL	All In	$50,201,770	$271,754,359	$0	$2,814,844,913
48	MI	Genisys	$50,023,690	$289,410,578	$512,344,661	$4,595,163,279
49	AZ	Desert Financial	$49,598,675	$916,942,172	$569,020,553	$8,399,581,171
50	NC	State Employees'	$49,420,771	$1,231,221,772	$58,460,601	$50,774,726,130
51	CA	Patelco	$49,298,573	$688,678,177	$1,184,967,227	$9,602,387,712
52	CA	Wescom	$48,837,167	$384,714,631	$536,174,342	$6,156,513,883
53	PA	Citadel	$46,393,703	$419,994,183	$266,511,726	$5,737,101,829
54	CA	Redwood	$45,066,729	$449,989,188	$837,537,074	$7,676,578,660
55	VA	Member One	$43,905,000	$83,675,087	$0	$1,593,837,425
56	WI	Landmark	$43,803,040	$389,489,784	$2,759,434,307	$6,214,545,778
57	WA	Harborstone	$42,409,949	$69,853,223	$19,054,480	$1,889,543,962
58	FL	Tampa Bay	$42,113,372	$37,165,620	$14,148,900	$408,869,237
59	MD	Andrews	$41,526,308	$218,444,058	$500,405,989	$2,447,016,667
60	MD	State Employees Credit Union of Maryland	$40,233,538	$572,021,572	$1,171,581,635	$5,336,939,220
61	NY	Jovia Financial	$40,182,160	$930,495,394	$562,543,069	$4,264,711,989
62	OH	Wright-Patt	$39,568,400	$370,590,936	$3,955,113,538	$7,955,342,219
63	PA	Diamond	$38,925,371	$71,914,084	$0	$977,879,544
64	TN	Leaders	$38,371,089	$41,721,212	$0	$924,158,004
65	KY	University Of Kentucky	$37,770,236	$318,935,509	$0	$1,440,426,627
66	CA	Kinecta	$37,689,167	$251,916,485	$2,286,677,062	$6,744,430,906
67	NC	Local Government	$36,868,324	$198,376,260	$0	$4,057,333,888
68	CA	California Coast	$36,181,783	$201,980,855	$189,092,282	$3,512,785,780
69	NC	Allegacy	$35,900,315	$361,406,528	$186,360,625	$2,257,018,941
70	UT	Goldenwest	$35,596,537	$387,565,194	$0	$2,927,820,437
71	WA	STCU	$35,423,551	$278,661,508	$481,689,673	$5,771,757,693
72	MI	United	$35,363,345	$215,398,710	$1,155,390,229	$3,940,395,599
73	FL	GTE Financial	$35,123,422	$227,496,249	$709,956,632	$2,925,099,491
74	TX	Firstmark	$35,033,792	$19,758,660	$0	$1,229,872,439
75	CA	America's Christian	$34,930,661	$56,160,030	$120,373,638	$622,472,154
76	AZ	Vantage West	$34,410,780	$123,403,053	$147,831,224	$2,723,387,076
77	CA	SCE	$33,712,351	$59,325,335	$677,496	$1,040,485,228
78	TX	American Airlines	$33,699,271	$160,921,563	$0	$8,623,190,037
79	CO	Credit Union Of Colorado	$33,648,937	$237,434,078	$266,687,008	$2,361,952,074
80	NY	Broadview	$33,621,818	$461,134,549	$3,814,888,876	$8,283,514,008

Top 300 Second Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 2nd Mortgages	$ Outstanding 2nd Mortgages	RE Loans Sold but Serviced by CU	Total Assets
81	MN	Wings Financial	$33,406,700	$314,025,842	$776,550,368	$8,546,362,917
82	MN	Affinity Plus	$33,167,431	$373,792,448	$1,296,686,842	$4,101,592,221
83	IN	Elements Financial	$32,988,489	$146,010,108	$0	$2,302,031,661
84	CA	Orange County's	$32,878,700	$136,677,358	$521,839,135	$2,523,815,999
85	CO	Premier Members	$31,956,149	$218,195,261	$292,673,854	$1,741,281,698
86	WI	Royal	$30,551,892	$176,513,506	$2,477,277,302	$4,713,161,695
87	CA	Mission	$30,044,795	$280,191,932	$1,101,026,338	$6,094,217,942
88	VA	United States Senate	$29,995,946	$302,333,932	$0	$1,274,790,807
89	NY	Hudson Valley	$29,062,008	$361,678,172	$1,149,058,124	$6,866,182,122
90	PA	Clearview	$28,777,924	$199,112,375	$0	$1,845,688,220
91	FL	MidFlorida	$28,700,424	$298,522,320	$750,839,368	$7,023,648,255
92	MI	Michigan State University	$28,450,573	$227,597,480	$39,526,889	$7,453,518,688
93	CA	California	$28,116,295	$268,067,664	$649,026,335	$4,572,757,399
94	HI	HawaiiUSA	$27,522,498	$147,798,192	$1,057,625	$2,303,501,494
95	IL	Deere Employees	$27,079,289	$190,133,592	$455,655,708	$2,041,877,774
96	UT	Utah First	$26,848,100	$141,093,525	$0	$900,755,348
97	CO	Credit Union of Denver	$26,462,711	$135,940,712	$0	$1,103,614,645
98	OR	Oregon Community	$26,057,157	$190,366,434	$557,746,268	$3,458,486,316
99	PA	Pennsylvania State Employees	$25,269,195	$487,061,853	$72,731,032	$8,311,106,103
100	CA	Technology	$24,964,491	$253,331,801	$0	$4,833,797,419
101	UT	UFirst	$24,956,423	$142,202,732	$668,728,455	$1,858,433,823
102	IA	Veridian	$24,758,813	$375,641,726	$50,143,416	$6,954,513,998
103	WA	Gesa	$24,305,709	$315,125,774	$640,645,640	$5,459,320,426
104	MI	Community Financial	$24,038,298	$241,872,874	$337,278,824	$1,584,142,949
105	TX	First Service	$23,612,520	$73,237,694	$0	$1,385,910,049
106	NY	Visions	$23,201,845	$222,859,148	$38,527,287	$5,753,110,627
107	CO	Canvas	$23,014,547	$552,957,096	$729,783,141	$4,335,027,568
108	IN	Liberty	$22,904,671	$126,068,964	$1,715,102,958	$3,719,135,646
109	MA	Rockland	$22,795,700	$204,025,080	$265,995,162	$2,783,215,572
110	VA	State Department	$22,558,056	$194,308,884	$57,558,824	$2,688,361,153
111	CA	San Diego County	$22,482,750	$223,972,853	$186,895,775	$11,136,487,860
112	MO	Together	$22,237,509	$115,044,712	$708,908,776	$2,497,265,272
113	TN	Eastman	$22,235,704	$150,413,243	$2,789,283	$7,591,863,990
114	CA	Nuvision	$22,208,700	$112,234,128	$366,615,439	$3,059,402,320
115	CA	Firefighters First	$22,137,403	$150,299,597	$211,018,937	$2,082,928,400
116	DC	Bank-Fund Staff	$21,970,336	$135,174,786	$88,779,502	$6,400,575,496
117	CA	Southland	$21,871,291	$106,659,490	$122,607,149	$1,112,198,597
118	FL	Fairwinds	$21,845,941	$109,798,906	$539,411,618	$4,449,909,048
119	NY	ESL	$21,764,292	$310,332,505	$1,320,761,595	$9,116,891,997
120	CO	Westerra	$21,700,699	$159,358,722	$898,758,387	$2,173,974,993
121	CA	Stanford	$21,605,700	$190,407,176	$444,731,561	$4,101,845,036
122	WA	Seattle	$21,576,388	$57,118,126	$44,496,260	$1,075,097,364
123	WA	Numerica	$21,532,790	$285,208,599	$635,282,160	$3,803,858,211
124	HI	Aloha Pacific	$21,211,500	$123,467,794	$35,288,255	$1,260,542,274
125	GA	Georgia United	$21,183,983	$296,223,144	$280,362,811	$2,056,934,361
126	PA	American Heritage	$21,061,983	$233,766,339	$1,119,262,387	$4,605,148,304
127	VA	Virginia	$20,770,785	$161,106,187	$1,305,523,295	$5,146,938,423
128	CA	San Mateo	$20,102,462	$96,675,358	$244,991,912	$1,691,700,949
129	VA	BayPort	$19,947,629	$170,373,296	$0	$2,319,211,792
130	WA	Columbia	$19,812,670	$133,090,370	$444,121,924	$2,305,648,367
131	CT	American Eagle Financial	$19,776,100	$222,392,607	$242,512,591	$2,552,771,521
132	AZ	OneAZ	$19,688,790	$132,325,989	$0	$3,357,354,456
133	CA	Travis	$19,652,478	$139,052,678	$663,655,066	$4,784,730,958
134	OR	Wauna	$19,561,295	$30,901,982	$0	$395,978,687
135	SC	Founders	$19,370,837	$105,699,663	$0	$4,136,533,567

Top 300 Second Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 2nd Mortgages	$ Outstanding 2nd Mortgages	RE Loans Sold but Serviced by CU	Total Assets
136	MI	Credit Union One	$19,236,908	$143,536,104	$219,158	$1,784,152,699
137	HI	Hickam	$19,139,418	$84,500,121	$0	$672,345,996
138	HI	Hawaii State	$18,972,300	$254,832,427	$627,096,208	$2,353,236,106
139	OR	Maps	$18,457,900	$84,832,450	$73,484,273	$1,288,133,180
140	NC	Marine	$18,306,758	$70,762,777	$0	$948,988,063
141	IN	Indiana Members	$18,109,095	$115,726,068	$409,653,883	$2,953,513,000
142	TX	Amplify	$17,875,355	$144,546,356	$359,281,635	$1,487,264,015
143	NY	USAlliance Financial	$17,836,165	$355,899,160	$235,200,196	$2,869,470,682
144	WA	Washington State Employees	$17,362,017	$235,956,364	$786,005,572	$5,068,019,636
145	NY	Corning	$17,315,838	$113,987,015	$591,811,600	$2,332,328,761
146	RI	Coastal1	$16,999,495	$116,791,134	$123,768,137	$3,221,495,638
147	NM	Nusenda	$16,801,500	$146,748,187	$615,657,434	$4,135,090,934
148	VT	New England	$16,759,396	$138,449,024	$1,740,077,363	$3,089,200,772
149	IL	Great Lakes	$16,558,050	$130,559,476	$291,034,084	$1,323,800,979
150	IN	Interra	$16,528,927	$86,499,280	$209,734,104	$1,734,536,025
151	TX	EECU	$16,496,971	$138,162,764	$246,193,851	$3,504,638,649
152	MI	Michigan Schools and Government	$16,405,935	$146,096,844	$129,666,372	$3,383,173,420
153	CA	Chevron	$16,296,471	$101,998,298	$16,595,944	$4,846,879,098
154	TN	Fortera	$16,191,923	$118,899,529	$4,018,250	$862,350,449
155	MD	APG	$16,007,699	$127,736,075	$279,694,781	$2,155,980,178
156	OR	Selco Community	$15,917,326	$99,913,666	$0	$2,780,227,732
157	GA	Robins Financial	$15,809,992	$96,852,238	$304,356,102	$4,370,705,146
158	CA	Credit Union of Southern California	$15,554,585	$100,466,550	$184,441,646	$2,801,895,618
159	CA	F & A	$15,532,250	$101,874,026	$17,713,377	$2,259,119,476
160	AK	Global	$15,113,794	$606,631,526	$4,747,715,203	$11,749,750,030
161	NJ	Affinity	$14,995,866	$228,996,279	$114,596,669	$4,640,316,629
162	FL	IThink	$14,951,000	$161,966,832	$290,317,128	$2,180,499,745
163	RI	Navigant	$14,903,750	$154,934,083	$251,562,629	$3,475,812,630
164	CA	First Entertainment	$14,847,921	$108,226,705	$9,090,343	$2,127,770,487
165	NY	Municipal	$14,805,963	$127,217,405	$0	$4,358,020,453
166	TN	ORNL	$14,773,800	$111,588,226	$226,370,875	$3,334,509,755
167	WI	Altra	$14,666,603	$144,536,413	$1,384,592,785	$2,634,886,289
168	NY	Suffolk	$14,577,061	$166,547,454	$0	$1,698,281,543
169	MA	Direct	$14,531,687	$159,784,549	$195,954,923	$848,491,086
170	WI	Educators	$14,498,395	$153,241,951	$777,604,126	$3,209,877,328
171	NE	Metro	$14,366,800	$44,245,519	$120,156,317	$531,691,821
172	VA	Northwest	$14,366,618	$198,600,882	$1,415,934,992	$4,834,423,822
173	CA	Premier One	$14,338,028	$62,258,988	$0	$562,293,875
174	TX	UNIFY Financial	$14,301,968	$104,788,779	$419,531,665	$4,157,489,519
175	KY	Abound	$14,293,566	$145,939,179	$42,347,695	$2,158,500,579
176	NY	AmeriCU	$14,269,573	$144,981,755	$175,387,609	$2,720,324,739
177	IA	Dupaco Community	$14,052,259	$144,437,918	$850,043,367	$3,113,592,338
178	IN	Notre Dame	$14,033,413	$108,265,824	$483,787,197	$1,147,643,162
179	FL	Achieva	$14,024,566	$170,318,748	$281,716,576	$2,798,433,803
180	MI	DFCU Financial	$14,016,922	$174,526,242	$854,709,141	$6,588,486,714
181	CA	SF Fire	$13,873,799	$232,668,951	$203,492,358	$1,823,100,666
182	AL	Redstone	$13,711,409	$289,740,643	$572,793,074	$7,606,070,426
183	NE	Centris	$13,704,446	$107,126,697	$378,557,054	$1,201,921,424
184	OR	Mid Oregon	$13,679,750	$71,494,714	$0	$679,435,903
185	AR	Arkansas	$13,614,231	$98,337,886	$367,291,501	$2,198,960,677
186	IL	CEFCU	$13,582,589	$141,176,203	$45,869,724	$7,758,198,941
187	WI	Community First	$13,501,986	$93,057,762	$573,485	$5,315,224,832
188	VA	NextMark	$13,486,469	$262,918,143	$4,427,919	$534,307,492
189	MA	Central One	$13,375,300	$142,120,215	$149,123,713	$774,415,937
190	AL	Avadian	$13,341,833	$116,069,321	$22,346,142	$1,314,356,089

Top 300 Second Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 2nd Mortgages	$ Outstanding 2nd Mortgages	RE Loans Sold but Serviced by CU	Total Assets
191	WA	Verity	$13,237,218	$94,817,830	$502,222,451	$857,048,609
192	MA	Leominster	$13,204,600	$95,695,332	$75,598,139	$917,318,560
193	CA	Bay	$12,889,100	$51,789,896	$269,465,243	$1,610,201,577
194	CO	Elevations	$12,791,912	$286,750,447	$344,678,855	$3,379,602,352
195	CO	Colorado	$12,639,946	$100,249,729	$0	$378,107,168
196	VA	Chartway	$12,569,329	$140,750,958	$25,356,449	$2,670,200,234
197	GA	Credit Union Of Georgia	$12,509,600	$101,975,513	$0	$628,380,772
198	CT	Achieve Financial	$12,378,474	$14,061,741	$0	$198,709,280
199	WA	Kitsap	$12,372,700	$133,867,354	$0	$2,262,383,637
200	SC	SC State	$12,299,525	$76,899,172	$0	$1,299,564,695
201	IN	Teachers	$12,207,429	$149,704,131	$319,651,781	$4,919,907,715
202	VA	Henrico	$12,148,796	$25,861,687	$0	$416,833,614
203	NH	Northeast	$11,866,807	$73,566,269	$100,605,508	$1,893,682,598
204	OR	Rivermark Community	$11,696,100	$115,679,895	$524,622,144	$1,395,599,502
205	AK	Matanuska Valley	$11,695,155	$7,199,725	$3,798,928	$855,040,301
206	SC	Spero Financial	$11,624,164	$57,796,027	$0	$710,478,182
207	CA	Valley Strong	$11,559,019	$835,519,453	$113,974,495	$4,102,955,175
208	CT	Sikorsky Financial	$11,443,450	$109,942,750	$0	$1,136,721,538
209	SC	South Carolina	$11,231,426	$122,033,069	$439,161,985	$2,556,106,043
210	MN	Spire	$11,231,008	$89,951,835	$301,417,529	$2,115,836,238
211	DC	Congressional	$11,156,525	$91,932,440	$182,021,388	$1,246,996,688
212	MA	Workers	$11,079,370	$147,752,418	$146,101,047	$2,632,046,235
213	CA	CoastHills	$11,005,546	$55,318,207	$70,721,228	$1,848,353,142
214	WA	WECU	$10,982,146	$59,433,082	$250,505,842	$2,685,187,496
215	CA	SESLOC	$10,948,416	$66,510,363	$0	$1,230,287,638
216	VA	Dupont Community	$10,938,176	$84,672,281	$183,775,535	$1,851,769,781
217	TN	Knoxville TVA Employees	$10,926,785	$67,142,560	$0	$3,972,235,664
218	CA	Caltech Employees	$10,877,700	$62,316,941	$3,707,008	$2,027,347,339
219	PA	Franklin Mint	$10,861,750	$216,793,130	$471,445,994	$1,856,559,538
220	NH	St. Mary's Bank	$10,851,725	$118,933,910	$578,789,939	$1,497,357,217
221	MI	Honor	$10,750,926	$69,539,237	$561,350,341	$1,688,499,738
222	KY	Commonwealth	$10,644,257	$144,208,850	$69,328,341	$2,086,429,364
223	AZ	Arizona Financial	$10,642,064	$125,275,211	$0	$3,228,113,571
224	WA	TwinStar	$10,554,999	$84,717,036	$302,545,020	$2,307,400,396
225	CA	Los Angeles Police	$10,533,330	$73,905,547	$165,275,415	$1,457,002,918
226	FL	Community First Credit Union of Florida	$10,525,275	$65,345,515	$94,721,427	$2,672,034,613
227	NY	Empower	$10,521,933	$405,202,078	$518,018,840	$3,249,979,323
228	MD	Educational Systems	$10,491,847	$62,566,816	$83,891,283	$1,248,859,862
229	WA	Sound	$10,407,961	$112,388,641	$0	$2,768,995,429
230	MA	Fall River Municipal Employees	$10,381,883	$24,584,724	$52,116,727	$250,240,357
231	CA	Alta Vista	$10,351,050	$18,613,949	$0	$234,125,643
232	MO	Vantage	$10,277,719	$65,887,207	$0	$1,145,836,875
233	MD	NASA	$10,185,791	$92,762,500	$71,919,621	$4,832,483,352
234	CA	Parishioners	$10,184,506	$11,953,811	$0	$57,931,727
235	NV	Clark County	$10,061,625	$83,855,371	$0	$1,144,347,206
236	VA	Langley	$10,034,550	$180,400,486	$223,431,267	$5,164,633,501
237	MO	West Community	$9,966,039	$141,774,541	$0	$463,734,621
238	TX	Neighborhood	$9,790,067	$142,407,980	$20,950,727	$1,101,671,777
239	MA	St. Mary's	$9,747,194	$65,728,570	$37,401,018	$1,031,782,494
240	MI	Dort Financial	$9,732,406	$67,919,248	$67,594,279	$1,597,794,716
241	UT	Utah Power	$9,721,968	$51,353,281	$0	$897,204,459
242	OH	KEMBA Financial	$9,715,474	$133,794,406	$12,903,826	$2,076,946,923
243	IN	Indiana University	$9,709,508	$40,209,784	$0	$1,627,902,742
244	ID	Pioneer	$9,688,930	$44,600,794	$80,725,161	$753,133,662
245	CT	Waterbury Connecticut Teachers	$9,555,570	$119,666,665	$0	$311,747,006

Top 300 Second Mortgage-Granting CUs as of March 31, 2023

Rank	State	Name of Credit Union	$ Originated 2nd Mortgages	$ Outstanding 2nd Mortgages	RE Loans Sold but Serviced by CU	Total Assets
246	WA	iQ	$9,546,696	$161,402,028	$293,148,303	$2,091,170,972
247	PA	Service 1st	$9,514,548	$180,922,378	$950,750	$641,068,122
248	WA	Red Canoe	$9,499,456	$58,433,444	$93,807,559	$1,184,464,409
249	TX	Public Employees	$9,478,851	$82,443,507	$0	$446,785,495
250	PA	Merck Sharp & Dohme	$9,379,000	$121,200,872	$62,952,769	$825,104,526
251	MO	First Community	$9,332,430	$166,183,792	$649,311,059	$3,972,679,615
252	CA	Heritage Community	$9,292,491	$43,556,227	$36,620,682	$268,329,282
253	IA	Community Choice	$9,264,595	$61,433,577	$0	$794,871,449
254	MA	SCU	$9,178,900	$72,288,601	$40,621,114	$1,248,767,395
255	CA	Los Angeles	$9,153,000	$64,005,778	$12,341,906	$1,269,376,661
256	OK	TTCU	$9,124,120	$94,790,372	$545,453,796	$2,667,042,723
257	FL	USF	$9,118,900	$91,443,505	$40,912,694	$1,143,542,433
258	IL	Credit Union 1	$9,091,535	$99,066,999	$753,435,855	$1,608,721,704
259	MA	Freedom	$9,086,191	$61,053,745	$62,070,063	$710,409,657
260	CA	Pacific Service	$9,061,098	$80,784,592	$0	$1,474,119,557
261	ID	Potlatch No 1 Financial	$9,041,050	$67,596,979	$413,435,491	$2,070,920,435
262	OH	General Electric	$9,033,600	$39,301,588	$23,463,457	$4,717,187,378
263	CA	SAFE	$9,028,200	$93,307,812	$716,457,372	$4,468,310,842
264	MD	First Financial of Maryland	$8,919,400	$88,024,301	$0	$1,312,873,825
265	CA	Provident	$8,900,459	$98,915,512	$1,576,838,171	$3,579,152,714
266	CA	Arrowhead	$8,880,348	$69,903,125	$0	$2,491,263,835
267	IN	3Rivers	$8,820,250	$127,723,377	$1,066,359,199	$2,247,479,968
268	TN	Y-12	$8,813,972	$82,199,114	$47,546,882	$1,896,545,812
269	IL	Scott	$8,797,634	$52,332,623	$204,495,922	$1,731,507,723
270	OR	Oregon State	$8,772,627	$65,423,120	$231,669,697	$2,145,119,041
271	UT	Deseret First	$8,694,110	$133,581,273	$0	$1,000,554,005
272	NC	Skyla	$8,680,964	$147,171,995	$0	$1,450,288,399
273	MT	Whitefish	$8,629,100	$63,071,445	$0	$2,281,015,740
274	NH	Granite State	$8,612,719	$61,076,929	$70,866,933	$676,953,791
275	PA	Utilities Employees	$8,609,238	$83,687,134	$0	$1,304,952,742
276	CA	Commonwealth Central	$8,582,055	$90,445,065	$0	$664,468,417
277	AZ	Pima	$8,579,900	$35,757,010	$0	$1,035,994,803
278	MI	Community Choice	$8,579,048	$77,551,888	$3,434,302	$1,807,809,807
279	MI	Consumers	$8,552,829	$76,921,023	$854,867,970	$2,102,978,766
280	CA	Honda	$8,407,890	$76,276,087	$0	$1,166,862,847
281	CA	Farmers Insurance Group	$8,388,923	$113,624,161	$0	$1,466,626,383
282	WI	Capital	$8,375,649	$48,046,792	$242,504,899	$2,347,416,093
283	KY	Park Community	$8,369,855	$85,151,563	$0	$1,285,215,616
284	VA	Central Virginia	$8,275,989	$12,348,700	$0	$202,289,301
285	CT	Nutmeg State Financial	$8,275,953	$74,931,321	$0	$558,916,457
286	WI	Connexus	$8,273,311	$171,135,596	$138,805,998	$5,265,341,019
287	IN	Forum	$8,184,141	$85,345,034	$977,005,642	$2,028,792,415
288	WI	Fox Communities	$8,160,888	$78,189,733	$207,380,037	$2,735,293,127
289	CA	University	$8,147,647	$91,930,091	$85,006,475	$1,189,245,320
290	ID	Beehive	$8,122,912	$40,370,333	$34,404,573	$568,103,713
291	OR	Consolidated Community	$8,102,500	$108,346,078	$0	$507,787,325
292	FL	Community Credit Union Of Florida	$8,067,987	$119,127,045	$3,125,941	$1,194,502,873
293	NV	Greater Nevada	$8,065,499	$67,238,313	$7,492,058	$1,784,783,838
294	FL	Tropical Financial	$8,061,472	$69,034,800	$371,612,584	$1,016,560,379
295	PA	Philadelphia	$8,025,074	$139,337,843	$95,415,696	$1,626,891,710
296	VA	Arlington Community	$8,009,808	$131,792,074	$0	$477,720,717
297	MA	Merrimack Valley	$7,979,400	$78,687,305	$123,557,038	$1,371,414,651
298	AL	America's First	$7,920,970	$110,957,169	$0	$2,371,495,305
299	IL	Abbott Laboratories Employees	$7,909,416	$35,384,259	$17,367,768	$1,037,854,447
300	NJ	Proponent	$7,906,073	$69,463,881	$2,531,862	$508,049,812

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