

PIPELINE

MAGAZINE

Summer 2022



EXPANDING HOMEOWNERSHIP

CHARTING A PATH FORWARD

SPECIAL SECTION: PAGES 14-38



**"ACES ALLOWED US TO
INCREASE OUR MORTGAGE
AND CONSUMER LENDING
REVIEWS BY 50%."**

-Real Client Testimonial



PLUS

MEET THE PRESIDENT / 77

NASHVILLE NOTES / 78

TOP 300 MORTGAGE-ORIGINATING CREDIT UNIONS / 83



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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.

OUR CORE VALUES

- 1 We are a non-profit trade association committed to promoting credit union mortgage lending proactively, positively, but not politically.
- 2 Our members are our owners and are treated as such.
- 3 We are committed to helping the realtor community understand credit unions and the value they bring to promoting homeownership.
- 4 We maintain a high level of fiscal responsibility while ensuring that membership provides access to all employees of the credit union or CUSO, and that events are high quality yet affordable.
- 5 We provide exceptional education and networking, using experts from the mortgage banking, leadership and credit union communities.



**A MESSAGE FROM
ACUMA PRESIDENT**

Peter Benjamin, CMB



Competent, Confident, Consistent

Credit Unions Must Be Ready to Serve Members

By Peter Benjamin

Most of us don't set out from day one in pursuit of our dream job. That opportunity comes — if it comes at all — as the result of study, hard work, and a growing knowledge of who we are as people and professionals and how we fit into this very complicated life. Fortune favors the prepared mind, or so philosophers say. If we're smart and follow our instincts, we just might land a role that makes a difference in this world.

For some of us, however, finding our true path can also be a matter of dumb luck. I was working my way through college at a law firm as a “production assistant”, their term for the lucky employee who made sure the copier always had paper, the coffee never ran out, and none of the partners' needs ever went unmet. Suffice to say, I hated it there. My best friend worked at a mortgage



I believe we should think of every month as National Homeownership Month, because increasingly homeownership is the ultimate goal of everything we do every day.



ship Month, a time that recognizes the rights and opportunities of everyone to follow their own path to the American Dream. We are mortgage lenders one and all, or support the efforts of those who help make that dream come true for credit union members nationwide. It's a dream that supports our members' safety, financial security, their sense of pride and, in some cases, even their sense of worth. It's not a responsibility to be taken lightly.

I didn't know all that when I took that first part-time job with the mortgage firm my friend recommended. Back then it was more about managing loans and pushing paper, something that many of us still do every day. But as I moved through the ranks at various mortgage companies it dawned on me that there was something much larger and more important going on here. It was something that started touching me at a deeper level.

I began to see some of the faces of the borrowers behind the mortgages, to understand their wants and needs. They came to us, both male and female, of all ages, races and creeds, and their needs were always the same. They wanted a house where their families would be secure

company and suggested I apply. It didn't take long for me to settle in, and only a little longer still to understand the important role mortgage lenders play in helping individuals take care of their families and, in turn, helping build stronger communities through homeownership. It's fair to say that I never looked back, and I likely never will.

This past June was designated National Homeowner-

and could grow safely, a place that would help them amass the wealth they'd need to survive and maybe even thrive in an increasingly expensive world. They wanted something of worth, of which they could say with pride, "This is our home."

I think that's when I knew I had found as close to a calling as I ever would, a reason to get up in the morning and work hard every day, something that made a difference in an often indifferent world. And I understood the importance of the role that we play to the people that we serve.

Even though June has passed, I believe we should think of every month as National Homeownership Month, because increasingly homeownership is the ultimate goal of everything we do every day. We don't serve the process of making mortgage loans, we serve the recipients of those loans. In fact, mortgage loans have no meaning if there are no members to benefit from them. The credit union movement's founding philosophy — "Not for profit, not for charity, but for service" — is or should be the perfect motto for what we do.

I truly believe the next three to five years will be the era of credit union mortgage lending, a time when we reach out to more current and potential members with better rates and terms than our non-credit union competition can provide. The market has been rapidly changing due to economic and world trends, yet credit unions have maintained a steady five- to six-percent penetration into the trillion-dollar mortgage market. It's time to start thinking about ways to grow that niche.

And we can do that because we are credit unions, member-owned financial cooperatives that cooperate to compete successfully with



As credit unions, we are competent, confident and consistent in our member service, and that is something borrowers need now more than ever.



It was my dream job, I said, and I was sure they would never pick me.

Thankfully, I was wrong. They picked me, and I am very grateful to have been given the opportunity to serve you. I guess dreams do come true after all, and now it's time for all of us to come together and make sure the American Dream of homeownership comes true for all credit union members everywhere. ▲

other types of lenders. Thanks to that cooperation and the growing use of technology, even the smallest of us can successfully serve the market. As credit unions, we are competent, confident and consistent in our member service, and that is something borrowers need now more than ever.

After I interviewed for this job, I told my wife Danielle that this was the place I wanted to work, where I could execute my best efforts to make sure everyone understood that home mortgages were first and foremost about the people they served, and not the other way around.



I truly believe the next three to five years will be the era of credit union mortgage lending, a time when we reach out to more current and potential members with better rates and terms than our non-credit union competition can provide.



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



We don't serve the process of making mortgage loans, we serve the recipients of those loans.





A MESSAGE FROM THE ACUMA BOARD

Tim Mislansky

PROFIT

CHARITY

But for Service*

New Leadership in a New Year Means Increased Potential and Possibilities for ACUMA

By Tim Mislansky

If I have any regrets about writing this column, it's that I only have two chances to communicate with all of you each year — each time an issue of ACUMA's *Pipeline* is published. True, I do get to meet many of you at the sold-out ACUMA workshops and the Annual Conference and, like many attendees, I relish the chance to reconnect with old friends and make new ones. Frankly, I can't think of a better way to recharge my batteries, broaden my mortgage knowledge, and support our organization, which is helping credit union mortgage lenders nationwide better serve their members.

But twice a year also means I have a lot of heavy lifting to do within the confines of the few pages I am given. However, that forces me to sharpen my thinking, focus on what's truly important, and search out the best ways to support ACUMA and, by extension, help you become better mortgage lenders. Those are not service obligations I take lightly. In fact, I like to follow the advice of boxer and athlete the late Muhammad Ali, who said, "Service to

others is the rent you pay for your room here on Earth." That means that I, and all of you for that matter, had best get going.

Speaking of service, I am more than pleased that Peter Benjamin, CMB, accepted our offer and became the new president of ACUMA. Don't get me wrong — Tracy Ashfield, Peter's predecessor,

did wonderful things to support and help grow the organization, and we all will be forever grateful for those efforts. But Peter's a leader of a different stripe. He's been a credit union mortgage lender and brings those same insights and understanding of the business to our

national association. I hear that doesn't happen much among credit union trade groups, and I congratulate us all on our good fortune.

You will have a chance to read about Peter elsewhere in this edition, including his inaugural President's column. It's clear that he's not only hitting the ground running, but at lightning speed, and is already creating a new look and feel for ACUMA, all of it designed to improve our value proposition to members to help them help more members with homeownership. This equates to becoming

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I like to follow the advice of boxer and athlete the late Muhammad Ali, who said, "Service to others is the rent you pay for your room here on Earth."

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SERVICE

ing better, more responsible, and more profitable mortgage lenders. On behalf of the board, I want to thank Peter for joining ACUMA. We couldn't be more excited about the future.

Speaking of board members, we're planning on adding a new one this year. Board service is not necessarily a difficult task, but it is a task critical to the success of our organization. As board members we establish governance for the organization, as well as provide guidance to the ACUMA president. Nothing could be more important to ACUMA's success in helping you as members succeed in your chosen careers.



Today, our members need our help more than ever in terms of homeownership, and I am optimistic and confident in our ability to create great success together.



Like those in credit unions, board terms are voluntary and the three-year terms are staggered to assure that there are experienced members as well as "new blood" to keep ideas fresh. You have to be from an ACUMA member credit union or CUSO to serve and have your credit union's support to participate in conference calls, ad hoc committees and the Annual Conference, including the one scheduled for September in Las Vegas. Most important of all, you need a strong desire to give back to the credit union industry, as well as the ability and willingness to act on that desire.

If you have an interest, need more information, or would like to apply, please see page 6 of the magazine for more details. We need your expertise to help us chart the future for ACUMA. A future that is bright. Today, our members need our help more than ever in terms of homeownership, and I am optimistic and confident in our ability to create great success together.

We hope to have the new board member onboard in early fall. But I will be happy to tell you more about board service when I see you at the 2022 Annual Conference in Las Vegas this September. The hallmark of any profession is its commitment to train its future leadership. Even if you can't serve at this time, know that future opportunities abound. And please do attend the only conference designed to serve the professional needs of credit union mortgage lenders. We can talk more about it when I see you there. 

**An abbreviation of the longstanding credit union motto, "Not for Profit, Not for Charity, But for Service."*

Tim Mislansky is chairman of the ACUMA Board of Directors, which governs the organization. He also is president and CEO of Wright-Patt Credit Union in Beavercreek, Ohio.

WHAT DOES THE ACUMA BOARD DO?

The board provides guidance for the non-profit association.

ACUMA is a non-profit association dedicated to advancing mortgage lending within the credit union space. The ACUMA Board of Directors sets governance for the association and provides guidance to the ACUMA President.

A board member serves a three-year term. Terms are staggered. The current board has eight members. The board members are volunteers who have a strong desire to give back to the credit union industry and receive no compensation.

Officers of the Board (Chair, Vice Chair, Treasurer, and Secretary) are selected by the entire board at the Organizational Meeting following the Annual Business Meeting of the membership, normally held in September of each year in conjunction with the Annual Conference.

The time commitment for a board

member includes conference calls as needed and two in-person meetings each year, including a planning session and the Organizational Meeting as part of the ACUMA Annual Conference. In addition, they may also serve on standing or ad-hoc committees and participate in occasional special projects.

WHO IS ELIGIBLE FOR A BOARD SEAT?

To be eligible for a board position, you must:

- Be an employee of an ACUMA member credit union or CUSO.
- Accept ACUMA's policies and rules of governance.
- Have the support of your own credit union or CUSO for serving on the board.

Please submit your resume with a request for consideration to ACUMA board member Bernie Chavira, AVP Mortgage Lending Originations, Define Mortgage Solutions, LLC at Bernie.Chavira@definemtg.com or Pam Davis, SVP Branch Delivery and Operations, Delta Community Credit Union at Pam.Davis@deltacommunitycu.com.

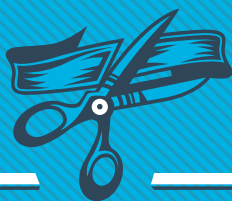
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WE SHRED GOVERNMENT RED TAPE

THIS IS HOW WE MORTGAGE®

For many of your members, government FHA, VA and USDA loans are the best path to homeownership. Why don't more credit unions offer them? Probably because navigating the maze of red tape is an epic undertaking. At myCUMortgage, we partner with credit unions like yours to help make your members' dreams of homeownership a reality.

You stay focused on the member—and we'll run the maze!



Help advance racial equity in the housing industry

Fannie Mae created **Future Housing Leaders (FHL)** to address the gap in workforce diversity. By leveraging our position in the industry, we can connect college students from historically underrepresented groups to paid summer internships and early career opportunities in housing.

What Future Housing Leaders offers

Through proactive recruiting, FHL provides companies in housing with a pipeline of diverse talent. The program provides support and resources to students interested in a career in housing, helping them better understand the industry.



Intern and Full-time Employee (FTE) recruiting

FHL will recruit students for your existing internship program and entry-level talent for your FTE openings, associate programs, and training programs through our free recruiting service. Maximum experience for potential FTE candidates is two years.



Curriculum and summer program

The free curriculum and summer program provides professional development, trainings, and certification opportunities. The program is available to your entire internship cohort or early-career FTE hires.



Executive speaking

Participate in our Housing Matters Speakers Series to promote your company brand and discuss career paths with diverse students to further showcase careers in housing.

How to participate

Follow this four-step process to explore a partnership:

1. Designate the best person within your organization to implement the program.
2. Secure executive-level support at your company to help ensure success.
3. Connect with your Fannie Mae Account Support Team to discuss your needs and learn more.
4. Prioritize Future Housing Leaders as a component of your current Diversity and Inclusion (D&I) goals.

To learn more, visit futurehousingleaders.com/for-employers.

Together, we can help change the housing industry with action and accountability to improve diversity at all levels.



The housing industry needs more diversity

Housing industry workforce:

7.5%

BLACK

9.1%

HISPANIC OR
LATINO

9.4%

ASIAN
AMERICAN

71.6%

WHITE



FHL's impact:

- Initiated relationships that led to the hiring of nearly 400 students who self-identified as racial or ethnic minorities by our employer partners between 2018 and 2021.
- Educated over 1,000 interns and young professionals through the FHL summer program curriculum.

PIPELINE MAGAZINE CONTENTS



12 Compliance



32 Digitization



52 Regulation



74 Secondary Marketing

COLUMNS

- 1 About ACUMA**
Who We Are, Our Mission and Core Values
- 2 A Message from the President** *By Peter Benjamin, CMB*
Competent, Confident, Consistent
- 4 A Message from the ACUMA Board** *By Tim Mislansky*
But for Service
- 10 Regulation and Legislation** *By John J. McKechnie*
Regulator Spotlights Shine on Fair Lending
- 12 Compliance Challenges** *By Kris Kully*
HELOCS are Hot
- 71 Honors, Awards & Recognitions**
Sharing the Successes of Our Members
- 78 Nashville Notes**
Photos and Comments from ACUMA's Sold-out Spring Workshop

SPECIAL SECTION

EXPANDING HOMEOWNERSHIP: Charting a Path Forward

- 14 Serving Latino Communities through Technology** *By Andria Lightfoot*
- 18 Profiting from DEI** *By Shalecia Callaway*
- 22 Know Thy Members: Creating a Flexible Blueprint for Expanding Homeownership** *By Alex Kutsishin*
- 26 Creating A 'Virtuous' Circle** *By Mary Sexton*
- 32 Embracing Digitization** *By Mark Walser and Nathan Bossers*
- 34 A New Dawn** *By Jim R. Wickham, CMB*
- 36 A More Equitable American Dream: Breaking Down Barriers to Homeownership** *By Derek Brummer*
- 38 How to Grow Your Mortgage Program by Focusing on First-time Buyers** *By Cory Fleming*

ARTICLES

- 44 Leveling the Field for Community Lenders: FHLB's MPF Turns 25**
By John Stocchetti
- 46 Breaking Old Habits with Technology** *By Adam Carmel*
- 48 Construction Financing: More than a Work in Progress** *By Sean Faries*
- 52 Putting the S on CAMELS** *By Mark Cary*
- 58 Strategies for CUs to Add Value to Members** *By Ian Miller*
- 62 Change Your 'Target-rich' Market** *By Amanda Phillips*
- 64 What Have You Done for Me Lately?** *By Adam Pickett*
- 68 Leading the Expedition** *By Bob Sadowski*
- 72 Cultivating Operational Excellence** *By Arleen Scavone*
- 74 Consider Secondary Marketing** *By Kevin McMahon*
- 77 Meet the President: Cultivating a Passion for Service** *By Michael Muckian*
- 80 Pain Beyond the Pump** *By Bill Bodnar*
- 83 Top 300 Mortgage-originating Credit Unions**
Statistics from First Quarter 2022 from Callahan's Peer-to-Peer Data



REGULATION & LEGISLATION

John J. McKechnie

Regulator Spotlights Shine on Fair Lending

By John J. McKechnie

Fair lending oversight by federal regulators, while always a priority, has now become a central focus of both the Consumer Financial Protection Bureau (CFPB) and the National Credit Union Administration (NCUA) as the pandemic and broader economic factors take their toll on consumer borrowing. For credit unions and other lending institutions, this focus isn't showing up in new regulations. Instead, it's being seen in the form of tighter and more rigorous enforcement of what's already on the books, and it offers more expansive definition of what constitutes abusive lending practices.

The reason? It's the arrival of new, and more activist "cops on the beat."

CFPB Director Rohit Chopra and NCUA Chairman Todd Harper, both appointed to those jobs by President Biden in 2021, have delivered on their promises to be more vigilant consumer advocates in all areas, in particular home mortgage borrowing, which Chopra has called "the single most important, and most expensive financial transactions most Americans make in their lifetimes."



Financial institutions with more than \$10 billion in assets are subject to direct CFPB supervision. A dozen credit unions are in that category, although all federally insured credit unions are required to comply with regulations under CFPB administration.

CFPB GETS BUSY

Enforcement of consumer protection laws has been a project that Chopra has overseen at CFPB with enthusiasm. When he was sworn in as director last October, one of Chopra's initial moves was to beef up fair lending oversight. He created a dedicated office within CFPB that focuses exclusively on mortgage lending supervision. Chopra then instituted a policy of having enforcement lawyers select lenders for fair lending exams, with an eye toward bringing penalties for violations.

But the most significant move was

CFPB's March announcement that it was revising its Unfair and Deceptive or Abusive Practices (UDAAP) procedures. UDAAP is the law used to guide the Bureau's examination staff in evaluating discriminatory practices as potentially unfair and illegal. Significantly, the revision also guides examiners in assessing whether a lender's decision-making processes result in discrimination and allows CFPB to review whether an institution's safeguards actually prevent discrimination in connection with consumer lending and related services. Repeat offenders are subject to a streamlined litigation process, a change that Chopra said would create a "durable" record of court actions that allows for correction of consumer abuses through the court system.

Sources within CFPB say that the Bureau "already has a pipeline of UDAAP cases that could be brought to court. All lenders, including smaller banks and credit unions, should be aware of this new focus on UDAAP, because it is designed to put lenders on notice that we are watching, and we will act."

NCUA'S PARALLEL TRACK

NCUA Chairman Todd Harper appears anxious to tailor NCUA exam priorities to parallel those of CFPB when it comes to credit union mortgage lending. In his confirmation hearing in the Senate Banking Committee last September, Harper stated he is "emphasizing fair lending oversight...as a way to expand fair access to financial services."

Fair lending supervision by NCUA is based on three separate federal statutes: the Fair Housing Act, the law that prohibits discrimination in the purchase, sale, or financing of housing; the Equal Credit Opportunity Act (ECOA), which prohibits discrimination by lenders on the basis of sex or marital status; and the Home Mortgage Disclosure Act, which requires disclo-

sure of information about mortgage lending. In addition, NCUA has regulations that detail nondiscrimination requirements in real estate lending.


Taken together, these rules comprise NCUA's approach to overseeing fair lending compliance by credit unions. According to NCUA sources in both front-line examiner and legal compliance staff, the "raw number of fair lending exams has increased dramatically since mid-2021." Although NCUA did not disclose the exact number of such examinations, staff said "(fair lending) contacts in 2022 are more than five times greater" than in recent years.

ACUMA ON ALERT

ACUMA was the first credit union organization to uncover a nationwide uptick in fair lending violations alleged by NCUA. According to NCUA sources, some credit unions that modify lending software systems are inadvertently violating fair lending regulations by adding age and marital status parameters. While NCUA told ACUMA that these instances are "technical (with) no intent to discriminate is being found", they nonetheless are resulting in credit unions being flagged by their NCUA examiners.

While the need for credit unions to be mindful of fair lending compliance is nothing new, the increased spotlight puts a premium on the ability to manage the complexities and potential regulatory pitfalls that come with a mortgage lending portfolio.

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.



All lenders, including smaller banks and credit unions, should be aware of this new focus on UDAAP, because it is designed to put lenders on notice that we [CFPB] are watching, and we will act.

“ACUMA was the first credit union organization to uncover a nationwide uptick in fair lending violations alleged by NCUA.”



COMPLIANCE CHALLENGES

Kris Kully



HELOCs are Hot

By Kris Kully

Housing economists tell us that while rising mortgage rates have put the brakes on the refinancing boom, the value of American homeowner equity is higher than ever. Under those conditions, many credit unions are focusing on home equity lines of credit (HELOCs) as a hot product to meet their members' financing needs. A few compliance reminders will keep your credit union from getting burned.

HELOCs are exempt from several federal regulations, including the restrictions on loan originator compensation and the requirement to determine a member's ability to repay. However, those exemptions apply only to true open-end credit, and not to closed-end credit in disguise. To constitute "open-end" credit under the Truth in Lending Act (TILA), a lender must extend credit under a plan in which the lender reasonably contemplates repeated transactions, and the credit must generally be made available to the extent the consumer repays outstanding balances. If a plan does not satisfy those conditions, a court or regulator may characterize

the transaction as closed-end credit, subject to separate disclosure and substantive requirements.

Accordingly, HELOCs must be offered in accordance with a contractual arrangement prescribing the terms under which the borrower may obtain draws under the plan. Individual advances generally must not be separately negotiated or underwritten. The plan must have a revolving period during which the borrower may use, repay, and reuse at least a certain



HELOCs are exempt from several federal regulations, including the restrictions on loan originator compensation and the requirement to determine a member's ability to repay.



amount of the credit.

To determine whether the lender "reasonably contemplates" repeated transactions, the following factors generally would be considered:

- whether the plan is designed so that borrowers are reasonably able to make repeated transactions;
- whether the lender has a procedure for handling repeated transactions;



- whether the relationship allows financing a variety of purchases (as opposed to, for example, allowing purchases only from one retailer);
- whether the lender has fully performed its obligations under the agreement after making a single extension of credit;
- whether borrowers under the plan do in fact use it to make repeated transactions over time. The regulations do not, however, set any specific parameters for those factors.

While HELOCs are exempt from certain federal requirements, they are

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The lender is generally prohibited from changing any term of an existing HELOC unless the borrower specifically agrees to it in writing at the time, the change is insignificant, or the change will unequivocally benefit the consumer.”

nonetheless subject to several special restrictions. Importantly, a lender must not, by contract or otherwise, terminate a HELOC and demand repayment, except in the case of borrower fraud, material misrepresentation, or payment default; or if the borrower's action or inaction adversely affects the lender's security for the plan. In fact, the lender is generally prohibited from changing any term of an existing HELOC unless the borrower specifically agrees to it in writing at the time, the change is insignificant, or the change will unequivocally benefit the consumer. A lender also may change a term of an ex-

isting HELOC to the extent that the initial agreement allows the lender to prohibit additional draws or reduce the credit limit if and when the maximum annual percentage rate (APR) is reached, or the initial agreement provides that specified changes will occur if a specified event takes place. Further, a lender may prohibit additional extensions of credit or reduce the credit limit applicable to an agreement during any period in which the property value declines significantly below the appraised value; the lender reasonably believes that the borrower will be unable to pay because of a material change in the borrower's financial circumstances; the borrower is in default of any material obligation under the agreement; or in the case of certain government action.

A creditor must provide the borrower a notice of such changes in terms when the changed terms are among those required to be disclosed in account-opening disclosures, unless the change consists solely of a reduction of the finance or other charge. When required, the lender must provide the notice at least 15 days in advance (unless the change is made pursuant to written consumer consent, in which case the lender must just provide the notice before the change.)

Lenders face potential liability if they fail to comply with the requirements described above. TILA provides that a borrower may sue the lender and recover damages, attorney's fees, and costs, either through a private or a class action. A lender's regulator also may bring an enforcement action. ▲

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.



EXPANDING HOMEOWNERSHIP
CHARTING A PATH FORWARD

Serving Latino Communities through Technology

By Andria Lightfoot
SimpleNexus

In recent years, Latinos have accounted for a sizable share of homeownership growth, with the National Association of Hispanic Real Estate Professionals (NAHREP) reporting that Latino homeownership reaching 48.4% in 2021, its highest level since the mid-2000s. What's more, the mortgage-ready Latino population is rapidly growing, with the Urban Institute projecting Latinos will account for 70% of net new homeowner households by the year 2040.

Despite these trends, NAHREP has found that Latinos are 81% more likely to be denied home financing than their non-Latino counterparts.

These data points, along with Spanish-speaking homebuyers' concerns regarding language barriers, point to an urgent need for credit unions to improve language accessibility for Latino homebuyers. Thankfully, ongoing innovation in the mortgage industry is producing tools to help credit unions strengthen relationships with the Latino community and sup-

port the needs of all limited English proficiency (LEP) homebuyers.

CHALLENGES FOR LATINO LEP HOMEBUYERS

Latino homeownership has risen each year since 2014, accounting for more than half of U.S. homeownership growth since 2010. Nonetheless, financing a home requires a lot of hoop-jumping for Latinos and LEP borrowers of all backgrounds.

Members and prospects that are seeking a mortgage obviously prefer to

work with an advisor they understand and trust. LEP borrowers are no different in this regard, and language barriers make trust an even bigger priority. According to a 2017 study conducted by Kleimann Communications Group for Fannie Mae and Freddie Mac, Spanish-speaking homebuyers rely heavily on relatives and trusted advisors for guidance and translation during the homebuying process. Establishing trust with their lender is also a primary concern, as LEP individuals are often nervous about failing to understand the intricacies and requirements of such an enormous financial decision.

LEP Spanish-speakers are especially likely to feel at risk if they are unable to personally review loan details in their homes — and rightfully so. Like most homebuyers, LEP individuals recognize the importance of understanding the terms of their mortgage. They simply lack the English proficiency needed



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to parse complex legal terminology and confidently verify information on their own. Even members that speak English fluently may want loan documents in their native language to ensure they fully understand the implications of unfamiliar words like “amortization” or “escrow.”

EXPANDING ACCESSIBILITY THROUGH LEGISLATION

The challenges Spanish-speaking Latinos face in mortgage origination and servicing are long-running. Fortunately, consumer protection laws expanding support requirements for LEP homebuyers have already been passed in some states, and federal legislation is forthcoming.

In 2018, for example, California passed SB 1201, which requires financial institutions that negotiate a mortgage loan modification with a borrower primarily in Spanish, Chinese, Tagalog, Vietnamese, or Korean to also provide a form summarizing term changes in the same language used in negotiation. New Jersey also passed a similar law in 2019 requiring credit reporting agencies to provide reports in Spanish and 10 other common languages upon request.

Introduced in 2021 by House Rep. Sylvia Garcia (D-Texas), whose Texas district is reportedly more than three-quarters Latino, HR 3009 would require residential lenders and servicers to provide interpretation services and application documents in the eight most commonly-spoken languages identified by the CFPB. HR 3009 is just one example of pending language access legislation on a federal level. Either it will succeed and force lenders to provide better support, or other similar bills will follow as demand for Spanish language financial services continues to grow.

The CFPB has avoided making rigid requirements for LEP homebuyer support, giving credit unions the free-

dom to decide for themselves how best to offer financial products and services to LEP homebuyers in their member network. While credit unions are being encouraged to attend to the issue of language accessibility, they can currently do so at their own pace to ensure their program is effective using LEP member feedback. Notably, the CFPB, HUD and other agencies have produced LEP guidance and made it available in several different languages on their websites.

LEVERAGING TECH TO SERVE LEP MEMBERS

Some enterprising credit unions have already begun expanding services for Spanish speakers. For example, Dora Financial LLC is an all-digital credit union cooperative aiming to expand Latino access to financial services via its mobile banking app that offers both English and Spanish language options. Of course, building a comprehensive portfolio of Spanish resources for Latino members is quite a tall order for many credit unions.

Translating a variety of loan documents into multiple languages may be a reasonable undertaking for banks and IMBs with significant volume. For smaller regional credit unions on the other hand, this level of translation may

be too costly and time-consuming. Instead, credit union lenders can stay competitive in the Latino homebuyer market (without blowing their budget on translation services) by adopting digital tools that have Spanish translations already built in.

The adoption and implementation of digital solutions is designed to help Spanish-speaking members entail an initial product and training investment. However, once a system is in place, credit unions can begin offering their competitive rates and personalized services to the historically underserved Latino market at scale — plus reap the benefits of being

among the first to do so.

When reviewing options for Spanish-language technology in the mortgage industry, credit unions should always have compliance in mind, or risk costly penalties and losing the trust of Latino members. For example, advertising a service in Spanish and then providing contractual documents in English could be construed as misleading and result in a violation of National Credit Union Administration (NCUA) requirements. The CFPB’s mortgage origination examination manual is a helpful resource for understanding unfair, deceptive, or abusive acts or practices (UDAAP) that credit unions should avoid.

IN CONCLUSION

Technology that allows credit unions to connect with members in Spanish, along with an understanding of the challenges Latino communities face in the mortgage market, can open credit unions’ doors to a breadth of opportunities that will only continue to increase in coming years. Although today’s multilingual lending tools may not be developed enough to support a fully-digital borrower experience in Spanish just yet, they can be a cost-effective way for credit unions to get their foot in the door with Latino homebuyers. Informed by member data, feedback and the evolving needs of their local communities, credit unions can use these tools to effectively expand language access that is long overdue in the mortgage industry. ▲

“When reviewing options for Spanish-language technology in the mortgage industry, credit unions should always have compliance in mind, or risk costly penalties and losing the trust of Latino members.”

Andria Lightfoot is a renowned mortgage technologist with experience leading mortgage operations, providing strategy for enterprise software solutions and implementing innovative change management solutions. As Chief Customer Officer, Lightfoot oversees all customer-centric activities of SimpleNexus’ customer division including professional services, customer success, support, training and integration engineering.

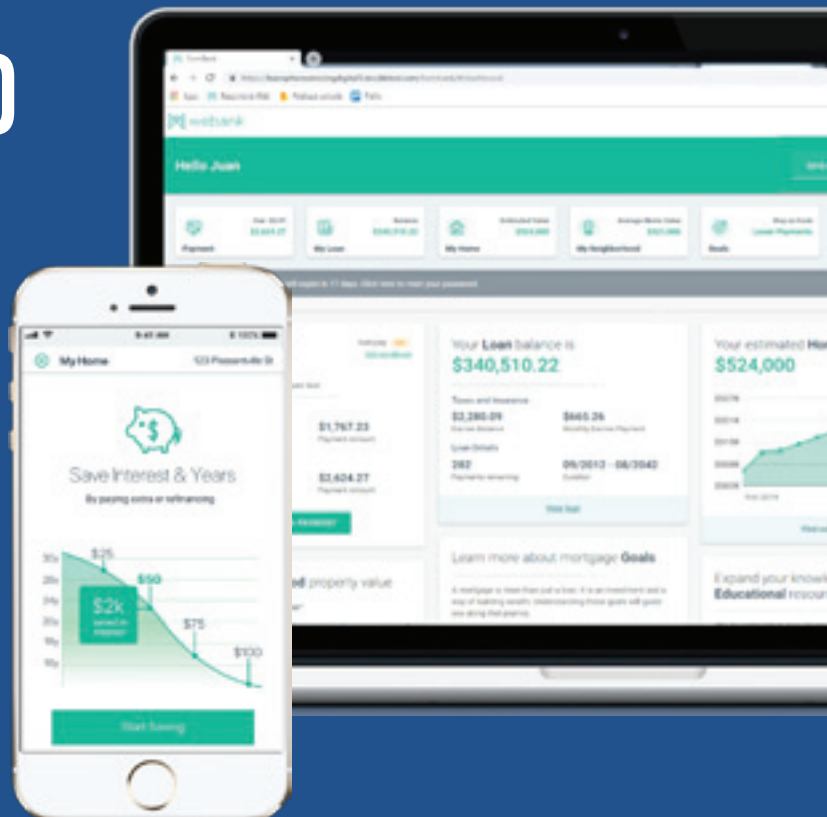


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EXPANDING HOMEOWNERSHIP
CHARTING A PATH FORWARD

Profiting from DEI

Embracing Diversity and Inclusion in Mortgage Lending Means CUs and their Members Will Benefit

By Shalecia Callaway
FICS

Embracing diversity and inclusion is essential in today's mortgage lending landscape. As refinance activity declines due to rising interest rates, credit union mortgage lenders can increase their market share by attracting minority borrowers. The 2020 Census shows the United State as a country whose population is increasingly diverse and multiracial, breaking down traditional demographic lines. The Hispanic or Latino population, for example, grew 23% and the multiracial population overall experienced a 276% increase between 2010 and 2020, and the trend only continues.



Diversity, Equity, and Inclusion (DEI) must be a high priority for credit union mortgage lenders. At its most basic, DEI refers to building diverse, equitable and inclusive workplaces that reflect the communities served. But DEI is more than creating a welcoming environment and equal opportunities for everyone. Workplace equity and inclusion mean valuing all employees and providing everyone equal access to resources for career growth and promotion to leadership. On the consumer side, fair lending laws mandate that lenders provide “fair and equal access to mortgage services to individuals without discriminating based on gender, age, race, religion, dis-

ability, and sexual orientation.”

A lender committed to DEI focuses on building staff, leadership, and a member base that reflect the borrowers it wants to serve. Diverse staff and leadership create an environment where a broader range of ideas can flourish, boosting the credit union’s bottom line and increasing benefits to the members it serves.

MINORITY DEPOSITORY INSTITUTIONS

Minority Depository Institution (MDI) credit unions typically offer affordable financial products and services to underserved individuals and communities. In an MDI credit union, more than 50 percent of its current board members are Asian American, Black American, Hispanic American, or Native American. More than 50% of current credit union members, and more than 50% of current and eligible potential members (combined), reflect these same diverse population groups.

There are currently more than 500 MDI credit unions. The National Credit Union Administration (NCUA) provides resources, including training, technical assistance, and—for low-income-designated MDIs—access to grants, loans, and an MDI mentoring program. To become an MDI, a credit union must self-designate as an MDI using the online Credit Union Profile and respond “yes” to both “Minority Depository Institutions Questions” in the Profile.

EMBRACING DEI DRIVES PROFITABILITY AND GROWTH

With the world so rapidly changing, credit union lenders will struggle to reach their sales and growth goals if they don’t develop a more diverse member base. Forty



Workplace equity and inclusion mean valuing all employees and providing everyone equal access to resources for career growth and promotion to leadership.



EMPLOY A DIVERSE, REPRESENTATIVE STAFF

Many credit union members examine their lender’s staff and leaders to determine their diversity. Potential borrowers may feel uncomfortable — and avoid doing business with that lender — if they cannot work with someone who they believe better understands them. When a borrower works with a diverse group of helpful people, homeownership may seem more attainable. This is especially important for members who speak other languages.

Eliminating language barriers is one important strategy to build a stronger, broader member base.

To address this, lenders need an employee base that reflects their member base. To attract more diverse borrowers, lenders should employ a diverse, representative staff. With insights into what people in their communities consider a satisfying home buying experience, these employees can better meet borrower expectations.

Credit unions that have Black leadership — based on how their executives or board



Lenders need an employee base that reflects their member base. To attract more diverse borrowers, lenders should employ a diverse, representative staff.



members identify — tend to serve communities that are majority Black. Not surprisingly, Black-led credit unions make more home loans to Black borrowers, according to the Federal Deposit Insurance Corp. Women and other people of color also are making great advances within the financial services industry. The Bank Administration Institute (BAI), a nonprofit that conducts research and delivers insights for the financial services industry, found in a 2020 survey that 86% of financial services employees reported that they agree or strongly agree that their organization is committed to diversity. Minorities (87%) and females (86%) share this positive opinion.

However, there is still much work to be done. Equal Employment Opportunity Commission (EEOC) data show that across all financial services, white men made up more than half of all executive and senior-level positions in 2018. The next step is to find ways to grow more leaders from diverse employee pools.

CREATE AN INCLUSIVE COMMUNITY

Members also look for signs of diversity in lending in their own community. Prospective borrowers who don't know many homeowners who look like them may assume they won't qualify for a mortgage. By reaching out to members in underserved areas, lenders can demonstrate their willingness to serve them. Innovative lenders are embracing new strategies, such as considering untraditional means to evaluate borrowers (e.g., considering rent payments as part of borrowers' credit histories), to allow more people to achieve the

Innovative lenders are embracing new strategies, such as considering untraditional means to evaluate borrowers (e.g., considering rent payments as part of borrowers' credit histories), to allow more people to achieve the American Dream of homeownership.

The research also found that while most financial services organizations have DEI goals in place, fewer reported inclusion and equity goals.

American Dream of homeownership. They are also investing in programs that give every employee equal growth and advancement opportunities.

USE SOFTWARE TO SUPPORT AND PROMOTE DIVERSITY

Another key finding from the BAI research was that while most financial services organizations are committed to DEI, many organizations are not measuring empirical data tied to DEI efforts. The research also found that while most financial services organizations have DEI goals in place, fewer reported inclusion and equity goals.

Lenders can use technology and data to further their DEI strategies and goals, especially when leveraging Web-based mortgage software.

Members rely on online resources for information. Today's software can create documentation in many languages, making it easier for borrowers with limited English proficiency

to interpret and understand. Eliminating this language barrier is a vital step in reaching out and effectively serving communities that speak languages other than English.

Technology also enables lenders to help members feel comfortable with the mortgage process. Today, borrowers from many backgrounds embrace electronic capabilities (e.g., eSign, eClose, and eMortgages). Lenders can send electronic documents to borrowers prior to closing, giving them time to review and share with family members and trusted advisors. Electronic options

may alleviate fear of the unknown and get more borrowers to the closing table. Technology also makes it easier to educate members. Lenders can build custom materials that help borrowers from different backgrounds understand the mortgage process and find the best products and rates. Videos, video chat and online help resources explain the complex home buying process.

Credit union lenders can use mortgage software to examine their loan data to find any gaps in their service. HMDA data provides a simple way to benchmark a lender's performance against peers and look for ways to expand services or eliminate unintentional biases. Lenders can also use underwriting software that removes bias from underwriting decisions by making sure applica-

tions are not altered based on a borrower's demographic characteristics.

Everyone benefits in a mortgage industry that embraces DEI. More variety within a credit union leads to broader knowledge and insight, and a more diverse member base fosters growth. Lenders should keep in mind that people from different cultures think and see things differently. Considering other perspectives opens more doors and opportunities—essential in this competitive market.

By recruiting diverse, well-qualified staff and expanding their member base and offerings, credit union lenders can boost member satisfaction — and their organization's bottom line.

Shalecia Callaway is senior vice president of System Support for FICS (Financial Industry Computer Systems, Inc.), a mortgage software company that provides flexible loan origination and mortgage servicing software.



Shalecia Callaway



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Know Thy Members: Creating a Flexible Blueprint for Expanding Homeownership



By Alex Kutsishin
CEO, Sales Boomerang

Expanding homeownership to underserved demographics has become a hot topic not only among mortgage lenders, but also nationwide, as underscored by HUD's April release of its first-ever Equity Action Plan. Several credit unions have responded to the call to action by announcing aggressive goals to increase their lending to nonwhite homebuyers. Typically, these efforts revolve around the introduction of affordable home loan programs based on lower credit score and down-payment requirements.



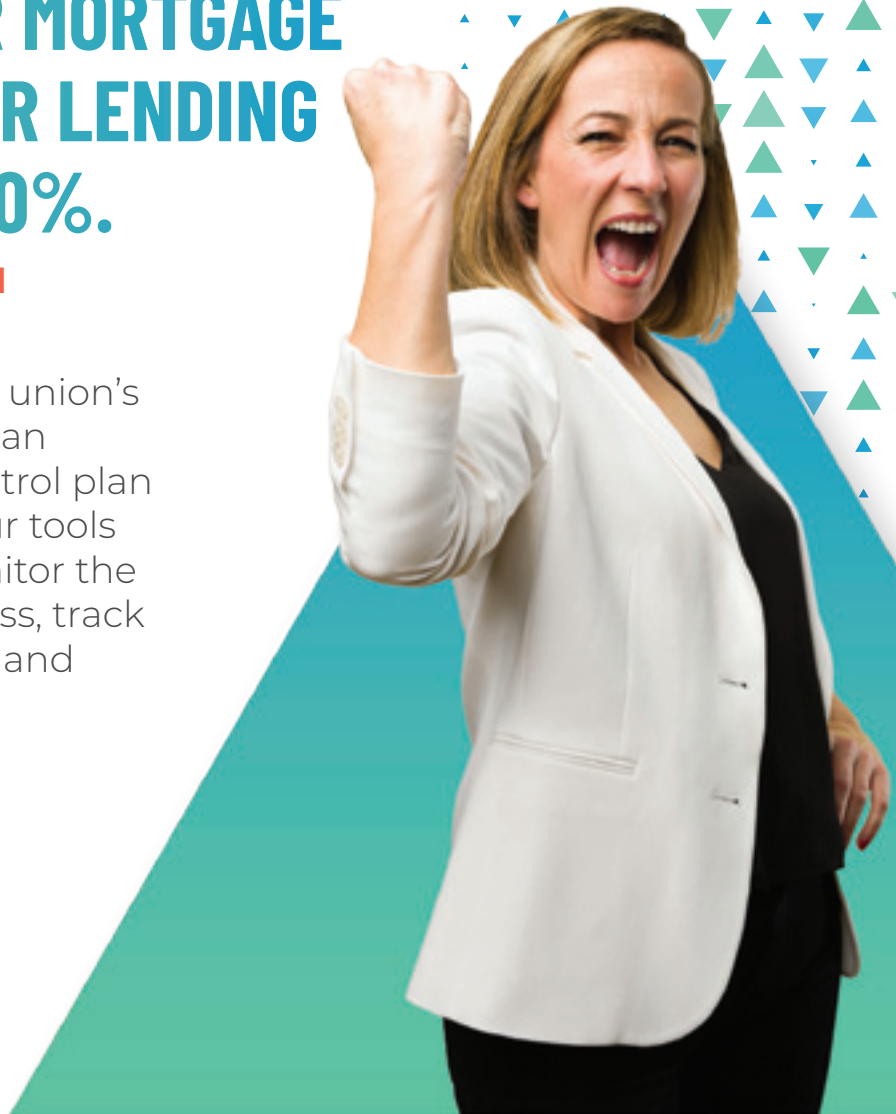
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Offering loan products that meet the needs of more members is unquestionably a step in the right direction, but it's not enough. The purchase of a house is neither the beginning nor the end of the homeownership journey; nor is it the only point in the journey during which lenders can play a role in helping expand homeownership.

By placing an emphasis on better knowing their members, credit unions can position themselves to advance homeownership not just during, but also before and after the mortgage point of sale.

Since not every member will take the same route to homeownership, it's important that credit unions have a flexible blueprint for homeownership on hand.

A SOLID FOUNDATION

Some consumers have insufficient credit histories or personal savings to secure a mortgage the first time they apply. Countless others, thinking they won't qualify, never even fill out an application. To ensure more marginalized groups can benefit from affordable home loan programs, credit unions must first help members become loan-ready.

The same populations that are underrepresented as homeowners — such as racial minorities, adults under age 35, and low-income earners — are also likely to have lower credit scores than their peers who are white, older, or middle class.

Comparably, studies like the Financial Industry Regulatory Authority (FINRA) national survey reveal a disparity in the rates of financial literacy across different ethnic and racial groups. The reasons for this gap are complex and bound up with structural factors that drive

Credit unions can position themselves to advance homeownership not just during, but also before and after the mortgage point of sale.

ship journey.

By laying a solid foundation, credit unions can anticipate both a higher application rate and a higher approval rate for their affordable home loan programs. But the work of expanding homeownership doesn't end there.

FRAMING THE FUTURE

Expanding homeownership isn't just about getting more people into homes. It's about helping more individuals reap the myriad of lifelong benefits of homeownership.

As homeowners continue to build a secure financial future after the home purchase, borrower intelligence again plays a role in alerting credit unions when members can tap into the financial benefits that come with building wealth through home equity.

For example, borrower intelligence can tell credit unions when a member has accumulated enough equity — whether through

regular monthly principal payments or through their home's appreciating value — to remove mortgage insurance (MI), thereby improving their monthly cash flow. Or, with the aid of intelligent data monitoring, credit unions can know when a member may benefit from loan options such as a cash-out refinance or a home equity line of credit (HELOC).

Consider a member who needs a new roof 10 years after purchasing their first home with a credit union's affordable

home loan program. They may be considering financing the project through their roofer at a 12% interest rate or using a credit card with a 29% APR, unaware that they have the option to tap their home equity at a much more affordable interest rate. Moments like these are opportunities for credit unions to expand access to the benefits of homeownership even after the initial mortgage point of sale.

As credit unions build their strategies for better serving the housing needs of marginalized groups, borrower intelligence and education will play just as important role as the development of new loan programs.

Together, these approaches form a new blueprint that redefines what it means to expand access not just to homeownership itself, but to all the benefits it represents. ▲

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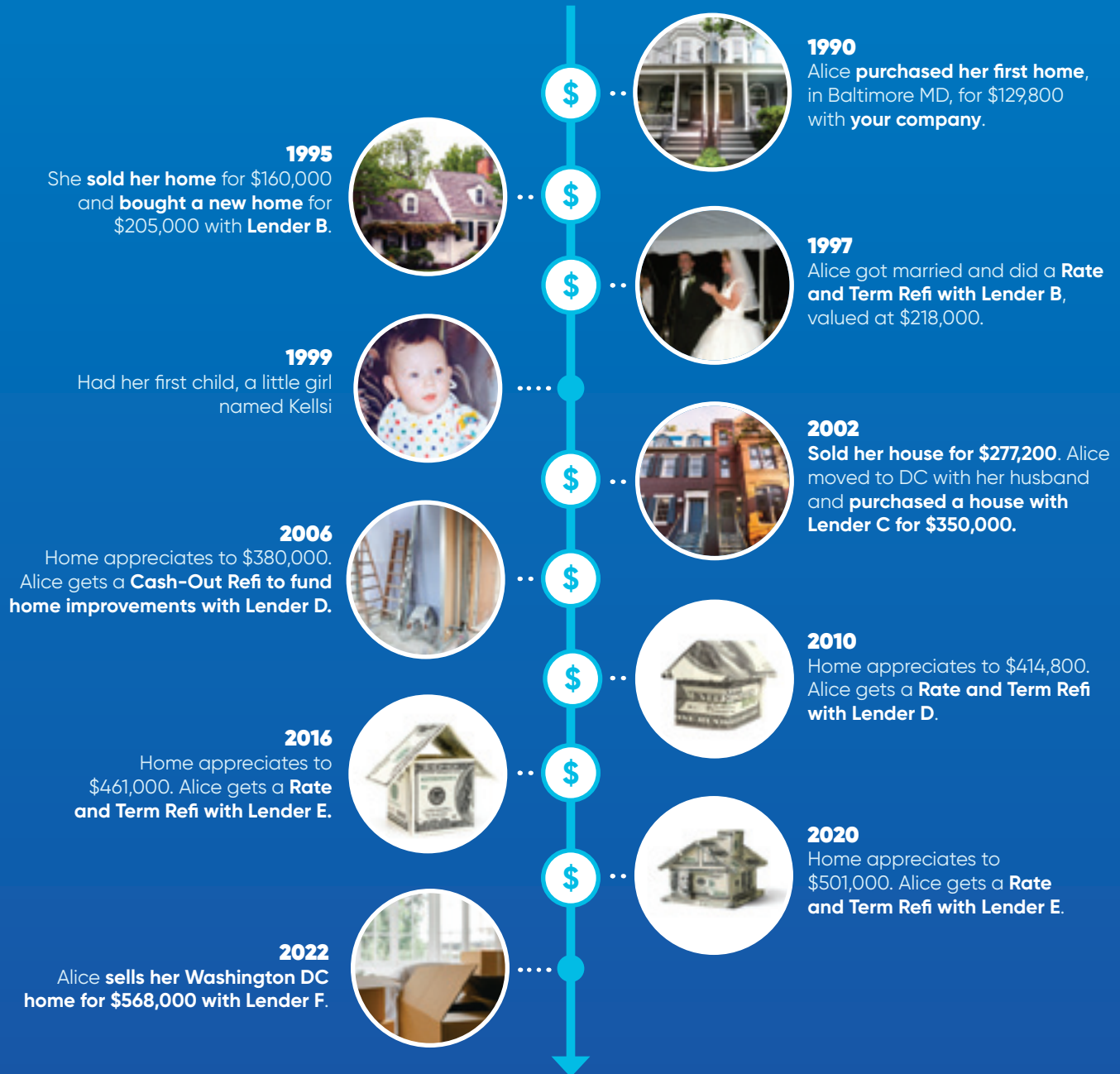
Alex Kutsishin is founder and CEO of ACUMA affiliate member Sales Boomerang, whose borrower intelligence software has helped hundreds of lenders including credit unions, banks and independent mortgage lenders turn overlooked opportunities into additional loans.



Alex Kutsishin

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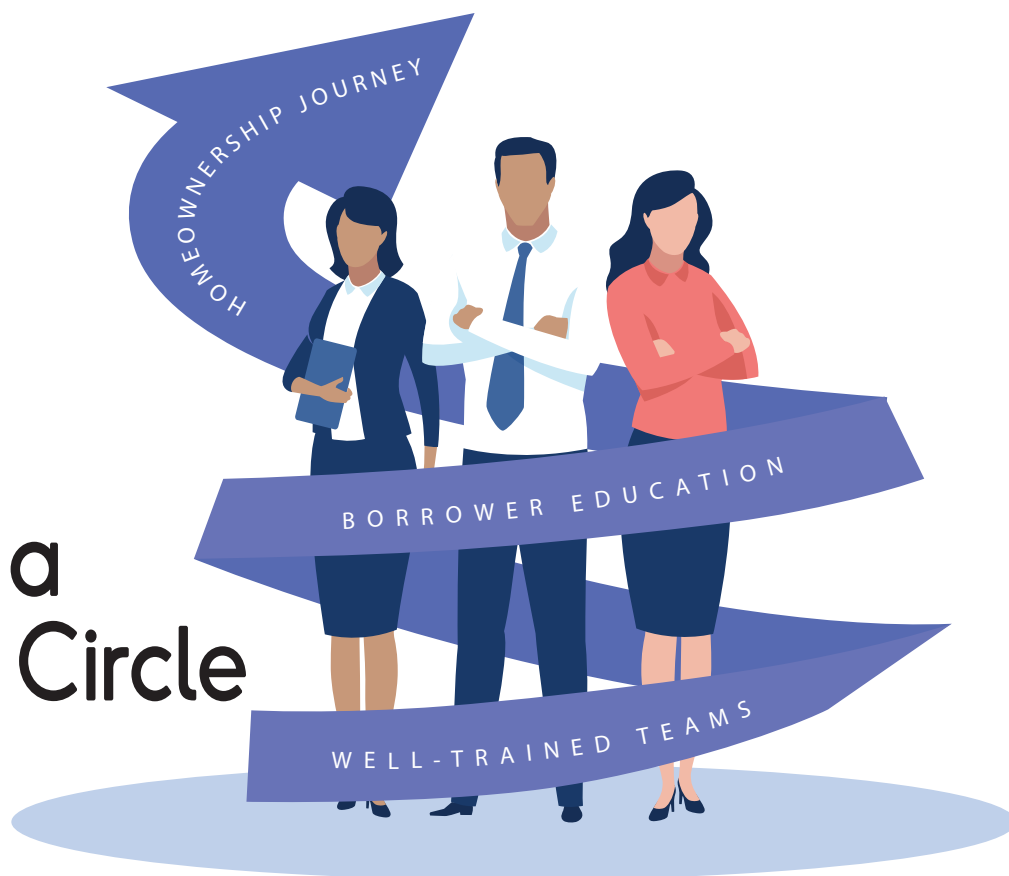
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Creating a 'Virtuous' Circle



Helping Underrepresented Households Participate in the American Dream

*By Mary Sexton
LenderSelect Mortgage Groups*

In 1889, around the time that credit unions were forming around the world, the Oklahoma Land Rush created an unprecedented amount of wealth for 50,000 settlers who staked their claims to newly opened land in the ‘unsettled’ and vast American West. Benjamin Keys, a professor at the University of Pennsylvania’s Wharton School of Business, recently compared that event to the historic surge in personal wealth among homeowners during the recent pandemic period.

An eyepopping \$6 trillion dollars of housing wealth was created over the past two years among U.S. homeowners, according to a Federal Reserve report in May 2022. These wealth-gatherers comprise around 65% of American households.

And while this windfall is great news for homeowners, a large segment of American families did not participate, and the dream of homeownership sub-



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Because homeownership is a critical component of many members' financial well-being, an increased focus on branch competency in mortgage lending and education must now become a priority for credit unions.



today and in the near future. Zillow recently polled a panel of housing market experts, and the largest group of respondents bullishly predicted that the housing market will return to pre-pandemic levels. But with the daunting challenges facing new entrants to the that market, credit unions need to reach back to their roots and become the heroes to underserved communities. That includes less-affluent and middle-class families who remain outside the focus of both traditional big banks and fin-techs, and whose machine decisioning platforms can intimidate uninitiated buyers.

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sequently moved even further out of reach.

According to Clare Trapasso with Realtor.com, the cost of buying a home has risen 50% from a year ago. The highly constrained housing supply and sharply rising rates have combined to create a challenging market for even the most qualified and courageous buyers.

A MOMENT FOR THE MOVEMENT

The hurdles may seem insurmountable, but there are paths for first-time homeowners to participate in the American Dream,



Your team should know why members should investigate their own credit union as a mortgage borrowing option, while messaging the larger community that the institution also can be of service beyond its front door.



become a priority for credit unions.

It makes great business sense as well. The demographics of the current housing market are a great target market for new members. The National Association of Realtors in its most recent study offered characteristics of the current home-buying market. Among first-time buyers comprising 34% of the market, with an average income of \$67,000, 11% have purchased multi-generational homes to take care of aging parents or to accommodate adult children. Cost savings was an additional priority of multi-generational first timers.

Credit unions have a long record of serving both diverse households and those with modest incomes. Given CUNA Mutual Group's 2016 study showing that 100% of U.S. population growth and 61% of credit union growth from 2011-2016 came from multi-cultural consumers, credit unions' future clearly lies in serving these communities. These financially emerging groups have less experience with banking and finance, and need (as well as value) assistance, education and person-to-person services.

NAVIGATING THE WAY HOME

Common sense tells us that front-line literacy in mortgages is the first place to start. Your team should know why members should investigate their own credit union as a mortgage borrowing option, while messaging the larger community that the institution also can be of service beyond its front door. A BankRate.com FAQ lists why consumers should borrow from credit unions, and the benefits include lower fees, more affordable rates, better personalized

service, and sometimes more leeway in the approval process.

Understanding the plethora of mortgage products takes expertise. Some credit unions may have the resources to hire experienced loan officers, while continuing staff education is critical to keeping skills sharp and keeping up with new rules, products, and opportunities for borrowers. Many credit unions lack the wherewithal to undertake the significant complexity and responsibilities that offering mortgages entails, but management has many options to partner with a mortgage fulfillment companies.



The Federal Government has renewed its commitment to expanding homeownership across a more diverse population. Several highly advantaged first-time home buyer programs are available to support this powerful policy initiative.



RESOURCES TO CONSIDER

The government agencies charged with making homeownership a reality offer both educational resources and mortgage programs specifically targeted to first-time homebuyers.

The Federal Government has renewed its commitment to expanding homeownership across a more diverse population. Several highly advantaged first-time home buyer programs are available to support this powerful policy initiative.

Programs targeted to first-time home buyers are available from Fannie Mae, FHA, USDA, and the Community Development Revolving Loan Fund. Other resources and services include partnerships with community lenders in efforts to improve access to homeownership.

■ The Federal Home Loan Bank (FHLB) system has 11 regionally based banks that act as wholesale suppliers of lendable funds to community banks and credit unions. Their mission is to provide their 7,000+ member credit unions and community lenders with reliable short-term liquidity and asset-liability management. The Affordable Housing Program (AHP) of the FHLB was established in 1989 and is one of the largest sources of private

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FHLB provides member institutions with liquidity structures including advances, letters of credit and secondary market access.

- Fannie Mae has led the GSEs in developing access to sustainable homeownership options for first-time home buyers. Their signature HomeView is a go-to resource to explain the homeownership journey. HomeReady is targeted to both first-time and repeat low-income buyers that allows lower credit scores, limited down payments with flexible funding. These loans offer better or equal to standard Fannie Mae loan pricing at higher LTVs. Even better, reduced mortgage insurance coverage requirement can reduce monthly payments over time.

- The Federal Housing Administration (FHA) provides mortgage insurance on loans made by approved lenders. In fact, FHA is the largest insurer of residential mortgages in the world.

FHA loan guidelines are the most forgiving among loan programs targeted to borrowers with less cash, lower credit scores and higher debt-to-income ratios. Even borrowers who have suffered bankruptcy and foreclosure may qualify for FHA-backed programs.

Most powerfully, the FHA has down payment assistance programs based on the borrower's location and income that includes non-repayable grants, also known as forgivable loans. Down payments as low as 3.5% for both purchase and refinance transactions, but mortgage insurance is paid up front with FHA.

The FHA website has everything you need to tap

into these options. Housing counselors are available to members by calling 1-800-Call FHA.

- The US Department of Agriculture focuses on rural lending. For properties in eligible areas as designated by the Rural Development Guaranteed Housing Loan Program, loans always carry a \$0 down payment feature.
- Housing and Urban Development (HUD) launched the Good Neighbor Next Door to support revitalization of neighborhoods. Law enforcement officers, firefighters, EMTs, are teachers are offered a 50% discount off the list price of homes available from HUD's inventory. Homes are offered exclusively through HUD and borrow under the GNND program. They must serve as the primary residence and have a 3-year occupancy requirement.

- The Community Development Revolving Loan Fund (CDRLF) provides funding directly to eligible low-income designated credit unions to support both education and staff development to implement impactful programs to support initiatives.

At the state level, there are more than 2,000 down-payment assistance and grant programs across the U.S., sponsored by state housing authorities. Most offer \$0 down payments, forgivable grants, and closing cost assistance.

Many have more favorable terms and competitive market rates. Some states help borrowers in certain profes-

sions, such as educators, first responders or active-duty military and veterans. Many CUs won't have direct access to these programs, but you can find partners who can bring these options to your members.

Responsible credit management improves members' abilities to approach the buyers' market with confidence. Mortgage qualifications are very specific, and borrowers need to come to the table with the ability to evidence good credit and money management. Offer-

ing your members meaningful information on the dos and don'ts, and how to qualify for mortgages will be highly valued and a great way to cement relationships.

Today, it is essential to be pre-approved to be considered as a serious buyer and it has always been a powerful bargaining tool and best practice. That process may also bring forward any issues with qualification that need to be addressed prior to searching for a new home.

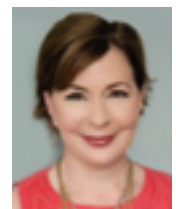
Incorporating well trained teams with borrower education and programs to prepare members for the homeownership journey is a virtuous circle. It allows credit unions to tangibly impact their communities, directly benefit members across

the affluence spectrum, and to grow and thrive capitalizing on the recognition of the changing demographic of credit union membership. ▲

“
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Mary Sexton, SVP Strategic Partnerships for MemberSelect Mortgage Group, has spent her 25-year career working across the financial services spectrum in capital markets, brokerage, banking, and mortgage. Currently, she channels the entirety of her experience into deepening the relationships with clients to create truly collaborative partnerships.



Mary Sexton

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Embracing Digitization

Technology Can Be the Key to Advancing the American Dream

By Mark Walser and Nathan Bossers
Incenter Appraisal Management

For lower-wealth communities and diverse populations, the obstacles to homeownership are multiplying. With the average interest rate on 30-year fixed-rate mortgages exceeding 5%, and median sale prices for new homes as of this past April is up nearly 20% from a year ago. The dream of wealth-building through homeownership is becoming more elusive, amplifying the impact of other obstacles these buyers already face

Yet, credit unions have a unique opportunity to offer hope by building on their “people helping people” philosophy. By taking advantage of some of the “temporary” (and now permanent) measures that kept homebuying activity strong during the pandemic, these institutions are well positioned to serve a wider range of buyers.

HOW DIGITIZATION HELPS UNDERREPRESENTED HOMEBUYERS

When lockdowns and social distancing began in March 2020, the move toward digital mortgages accelerated. This affected everything from closings/notarizations to appraisals, and changes that began out of necessity have become part of the “new normal”. In March, for example, Freddie Mac and Fannie Mae began accepting desktop appraisals for certain purchase mortgages, and the trend continues.

Credit unions taking the digital lead with these processes are finding themselves able to streamline and speed service, characteristics that are both important to under-represented buyers. These buyers are also being hurt by a dramatic shrinkage in inventory, making it harder to find and compete for homes for sale in the neighborhoods they want. For every five homes that were for sale toward the beginning of the pandemic, there are only two homes on the market today, according to the Realtor.com April 2022 Housing Market Trends Report. Being able to move faster in this more competitive market gives them an edge and offers an advantage to the credit unions that have “worked smart” to make it happen.

Why is digitization important here? In some cases, it's not just condensing processes; it's addressing larger factors at play in the mortgage industry. Take appraisals, which are known to add anxiety to homebuying, particularly in an appreciating market where a valuation can determine whether lower-wealth buyers will receive a large enough loan.

For many credit unions, a shortage of appraisers they can call on is exacerbating members' anxiety, leading to valuation reporting backlogs of as long as two weeks. In 2018, there were about 78,000 active appraisers in the U.S., compared to 87,000 in 2014, according to the *Appraisal Institute*. This has forced many appraisers to handle three times the volume that they did before. Lenders, in turn, have been routinely adding days to the mortgage process as they wait for appraisers to complete their assignments.

Credit unions and lenders whose ap-

praisal partners are capable of delivering desktop/remote appraisals are starting to see a difference in the service levels they can provide. By completing the inspection portion of their work from their desks, appraisers are delivering their reports faster. Driving to/from properties can consume up to 50% of an appraiser's workday. Without that unnecessary effort, appraisal professionals are not only submitting reports more quickly, they are handling more assignments in the same amount of time.

How do these technologies work? With fully remote (versus hybrid) appraisals, for example, appraisers look through a property contact's smartphone camera to capture and upload time-stamped and geographically verified photos, videos and closeups. They also can create detailed floor plans with walls, along with the functional layout of a home. They then insert this data and content into their final reports.

BEYOND SPEED: OTHER BENEFITS TO HELP ENSURE EQUAL ACCESS

This digitization promotes more than convenience; it advances efforts to remove bias from the appraisal process. One reason is that appraisers are looking at properties remotely and have limited to no face-to-face interaction with the homeowner or realtor on the premises. This does not mean a compromise on appraisal quality, but does decrease the chance of a negative in-person experience as the appraiser largely assesses the property and the neighborhood rather than the homeowner.

Moreover, many neighborhoods that attract lower-wealth buyers have a paucity of nearby appraisers. That forces lenders to pay more to get a local professional to drive there, and many then pass on the cost to already financially strapped borrowers. With



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digitization, matching appraisers to neighborhoods is quicker and less costly, and lower-wealth members ultimately win by not having to pay additional trip fees, or experience extended wait times for an appraisal which can adversely affect their chances of winning a bid on a home purchase.

IMPROVING SERVICE AND EFFICIENCY, WHILE MOVING BUYERS FORWARD

When the pandemic transformed mortgage lending, many processes beyond appraisals saw transformation, too. Remote online notarization, for example, enabled socially distanced closings/signings to take place. These innovations spawned others

as people began gathering again, such as in-person electronic notarization (IPEN), which also streamlines processes and gets members crossing the thresholds to their new homes faster.

Credit unions have traditionally been in the vanguard of borrower services. By embracing digitization, with an eye toward its value for underrepresented buyers, they can help bring the American Dream of homeownership close to reality for everyone.



Mark Walser is president of Incenter Appraisal Management, a national provider of best-in-class valuations, inspections and data products for lenders throughout the country. Nathan Bossers is president of Incenter company Boston National Title Agency LLC, one of the largest independent title and settlement service providers in the nation. For more information, see incenteram.com and bostonnationaltitle.com.



Mark Walser



Nathan Bossers



A New Dawn

It's Time to Consider New Loan Choices to Help Meet Member Needs

*Jim R. Wickham, CMB
Union Home Mortgage*

The mortgage arena has seen a dramatic shift in recent quarters with the unprecedented rise in interest rates. With that in play, we still have a dramatic housing shortage in America today. When looking at our population compared to available housing, some would suggest we are short millions of units needed for our current population. In addition, we must recognize the age of existing housing stock, much of which was built in the 1950s and '60s as Americans returned from war and settled down to have families. Add to that our remote working environment, the pivot made with COVID, housing wants, and personal needs that are now drastically different. One thing stays the same through all this: we need to provide mortgage financing for all Americans.

As we look forward, we can already see that the broader market is moving away from a Conventional Fixed Rate dominating the market to a more diversified set of products. With that in mind, expanding portfolio options with hybrid arms like a 3/1 or 5/1 amortized over 30 years are in high demand. Other loans that go a long way towards serving first-time home buyers and those with incomes on the lower end of the spectrum include government products like FHA, VA and USDA loans.

Many credit unions historically have not offered government mortgage products for a variety of good reasons. Some would say they don't have the technology to calculate the insurance premiums and/or loan amounts correctly, others would suggest they simply don't see the benefits to their mortgage effort due to complexity of the product, and still others who just don't recognize the benefits to their members. As we move forward into second half of 2022, you should consider expanding your mortgage offerings, and government lending is a great place to start.

Sometimes it just makes more sense to ease into the shallow end of the pool versus diving in at the deep end. There are wholesale investors in the market that would gladly partner with credit unions to buy their government and conventional loans. Partnering with a lender who will be with you step-by-step who supports you through the entire process. At firms like UHM, we might not be able to leap tall buildings or stop speeding trains, but we can take a complicated process and make it easy. Our superpowers? Communication, integrity and speed.

Think about it. We're not from the government, and we're here to help. ▲

Jim R. Wickham, CMB is vice president of third-party originations for Union Home Mortgage. He has been in the mortgage industry over 30 years and has worked in every capacity of lending.



Jim Wickham

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EXPANDING HOMEOWNERSHIP CHARTING A PATH FORWARD



A More Equitable American Dream: Breaking Down Barriers to Homeownership

By Derek Brummer
Radian Group

Achieving the American Dream can (and should) mean different things to different people, but it almost always involves owning your own home. Unfortunately, systemic inequalities and record-breaking home prices have made that dream elusive for far too many people.

The good news, though, is that our industry has an opportunity to make things better. This article outlines where things stand now — and why — and how we might be able to help more Americans achieve the dream of sustainable homeownership.

HOMEOWNERSHIP IS THE FOUNDATION OF THE AMERICAN DREAM

Homes have always held a special place in the American psyche. Our homes are where we put down roots. They

are where we decompress after a hard day's work, and where we spend quality time with family and friends. They are where we share meals and make memories. More than any other place, they are where we enjoy the comfort, self-determination and happiness long associated with the aforementioned American Dream.

For generations, owning a home has also been an important way many Americans have attained financial security, by serving as a tool for building wealth over time. According to the

Brookings Institution, “since the mid-20th century, the U.S. has primarily relied on homeownership as a strategy for middle-income households to build wealth.”¹

For just as long, however, far too many people — especially people of color — have been systemically excluded from homeownership opportunities, exacerbating inequalities. As Brookings highlights, in 2019 “the median white family had eight times the wealth of the median Black family, and five times the wealth of the median Latino or Hispanic family.”

Disparities in homeownership rates break down along similar lines. More than a half-century since the passage of the Fair Housing Act, the picture of homeownership in the U.S. is still significantly unequal. For Black Americans and Hispanic Americans, homeownership rates lag non-Latino Whites by approximately 30% and 25%, respectively.²

Since homeownership is a primary way by which Americans accumulate wealth, particularly for Black and Hispanic households, lower levels of ownership in minority communities mean a reduced opportunity to do things like pay for college and cover medical expenses without going deep into debt,

fund retirement, provide a cushion against emergencies and pass wealth on to the next generation.

AFFORDABILITY CRISIS IS WORSENING BARRIERS TO HOMEOWNERSHIP

Unfortunately, the barriers to homeownership have only gotten worse in recent years, thanks to the unprecedented increase in home prices, especially for entry-level homes. For more than a decade, there has been record-high demand for homes, and prices have been going up consistently during that time.

That has benefited many housing market participants, but it has also made getting onto the homeownership ladder harder than ever. Inventory shortages and home price growth have been especially acute in the lowest price quartile, where prices have risen at twice the rate of the top quartile over the last decade.

Housing economists have raised the alarm, labeling it an affordability crisis. As mortgage rates hit 5% in April 2022, it zapped purchasing power from homebuyers already straining to afford homes. It's no surprise they are disheartened. As of May 2022, Fannie Mae's Home Purchase Sentiment Index (HSPi) has fallen to the lowest level since the beginning of the COVID-19 pandemic — down 10.5 points year-over-year, with a survey-high 76% of consumers indicating that they believe it's a bad time to buy a home.³

While buying a home is more expensive now for everyone, the affordability crisis disproportionately affects first-time and low-income homebuyers, especially people of color. Black households, a majority of which are living on lower-than-average incomes, are more likely to rent their homes and are therefore more vulnerable to disruptions, instability, eviction, and even homelessness, according to the National Low Income Housing Coalition.⁴ The affordability crisis is not just preventing people from achieving their dreams of homeownership; it is preventing people of color from achieving financial stability and eliminating the opportunity

to build generational wealth for many.

IMPROVING ACCESS TO AFFORDABLE HOMEOWNERSHIP

Given the magnitude and complexity of these challenges, is there a path to a better future? While there are no single easy fixes, we can make incremental progress by working to:

- **Help underserved first-time homebuyers overcome** the affordability barrier. We can do this by supporting things like downpayment assistance programs (particularly ones that are structured to avoid overleveraging by borrowers), rent-to-own programs that help renters convert to homeowners, and regulatory reforms that would make it easier for credit unions and other financial institutions to make loans for less-expensive homes.
- **Help increase consumer knowledge and awareness.** Even in the best of scenarios, navigating the homebuying process — or simply knowing where to start — can be a challenge. Credit unions often do a great job of providing their members with education that lays out the incredible benefits of homeownership and support along the path to owning a home. The rest of the industry needs to catch up.
- **Help overstretched communities build more affordable homes.** As we all know, this is easier said than done, but is a high priority for the housing industry as well as the Biden Administration, which announced its own Housing Supply Action Plan this past May.⁵ Currently, the biggest impediments to increasing supply of affordable homes are the high costs of land and high construction costs. It's time to take a closer look at the innumerable state and local zoning and permitting regulations that contribute substantially to both. While there are many valuable regulations that we absolutely want to keep in place, others might be ready for a rethink, and now is the time to do so. For this, strong engagement with local communities, which has always been an

incredible strength of credit unions, is essential.

As credit union professionals, you are undoubtedly working on some, if not all, of these fronts already. These issues are top of mind at Radian as well, where our mission is to ensure affordable, sustainable, and equitable homeownership. That is why Radian has launched an Affordable Homeownership Advisory Council, which I am proud to lead as Executive Sponsor. The council consists of a cross-functional team dedicated to finding solutions to help close the homeownership gap, particularly for underserved minority communities.

Radian is uniquely positioned to contribute solutions that expand homeownership. With our internal resources and our connections across the industry, Radian aspires to make a meaningful impact that improves access to affordable and sustainable homeownership.

It's time to turn the page, and I believe that by working together to break down barriers to homeownership, we can promote a more equitable reality of the American Dream.



¹ <https://www.brookings.edu/research/rethinking-homeownership-incentives-to-improve-household-financial-security-and-shrink-the-racial-wealth-gap/>

² <https://www.census.gov/housing/hvs/files/currenthvspress.pdf>

³ <https://www.fanniemae.com/research-and-insights/surveys-indices/national-housing-survey>

⁴ <https://www.opportunityhome.org/resources/racial-equity-housing/>

⁵ <https://www.whitehouse.gov/briefing-room/statements-releases/2022/05/16/president-biden-announces-new-actions-to-ease-the-burden-of-housing-costs/>

As president, mortgage, for Radian Group Inc., Derek Brummer is responsible for overseeing the company's Mortgage Insurance and Mortgage Risk Services businesses, including developing strategies for continued growth as the mortgage industry evolves. He also serves as Radian's chief risk officer and head of Mortgage Insurance and Risk Services



Derek Brummer

How to Grow Your Mortgage Program by Focusing on First-time Homebuyers

By Cory Fleming
Superior Financial Solutions

“Homeownership is important to our community, and we are committed to helping individuals realize the dream of owning their first home.”

– Phil Buell, CEO, Superior Credit Union

We’ve all heard that mortgage growth will slow now that rates have topped 5% for the first time in a decade. At Superior Credit Union, which operates 25 branches in western Ohio and is sole owner of Superior Financial Solutions, a mortgage CUSO, application volume has held steady in 2022. Hence, it’s our belief that other credit unions are still able to see success with their mortgage programs so long as they make mortgage lending an organizational priority.

For more than 20 years, SCU has been the leader in northwest Ohio by taking a member-centric approach to mortgage lending, actively looking for ways to get loan approval while

still managing risk. We take pride that many of our borrowers are first-time homebuyers looking to build long-term equity rather than pay rent.

One aspect to help court first-time home borrowers is down payment assistance. In the past, we’ve participated in the Federal Home Loan Bank of Cincinnati’s Welcome Home program,



which provided \$5,000 DPA grants to qualifying homebuyers. Unfortunately, the program saw a 75% reduction in available funds for 2022. The lack of housing inventory has also priced many first-time buyers out of the market, especially when having to compete with real estate investors.

In response, our Foundation created the “SuperiorFirst” program, which offers first-time homebuyers the opportunity to receive a grant to fund their down payment and closing costs. In four years, SuperiorFirst has assisted 300 first-time homebuyers with nearly \$600,000 in relief. One of those members recently shared that, “the \$2,000 SuperiorFirst Grant helped me so much throughout my process of homebuying and financing. I wouldn’t have been able to secure my first home without the advantage of using the grant.”

If down payment assistance is not possible for your credit union, another way to adapt to rising interest rates is offering a full menu of mortgage products. With 30-year fixed rates increasing over 2% already this year, the average homebuyer’s monthly payment could increase by as much as several hundred dollars per month. This increase leads to higher DTI ratios, which in turn hurts the ability of many borrowers to find and purchase a home. This is especially true for millennials who graduated college with high student loan debt and little-to-no assets for a down payment.

Adjustable-rate mortgages (ARM’s) became a four-letter word following the Great Recession of 2008, but the fact is that a 30-year fixed rate mortgage may not make the most financial sense for a lot of borrowers, especially first-time homebuyers. Why would a borrower want a 30-year loan on a property they only intend to occupy for five years? It makes far more sense for them to take an ARM and realize the interest savings in the first period(s) to build equity

faster and equip themselves to make a larger down payment on their next home.

“Adjustable-rate mortgages (ARM’s) became a four-letter word following the Great Recession of 2008, but the fact is that a 30-year fixed rate mortgage may not make the most financial sense for a lot of borrowers, especially first-time homebuyers.”

At Superior, we offer most standard ARM’s, but our most popular is a 5/5 ARM. This product fixes the rate for the first five years with a maximum adjustment of 1% for each interval that follows. By pricing this loan at 1.25% less than the 30-year fixed, the borrower is essentially locking in a rate lower than the 30-year fixed for at least 10 years. After 10 years, it’s likely that they will be selling or refinancing anyway. By carefully explaining the benefits of an ARM to your borrower, you can help your member save money, lower their DTI, and build equity faster.

In addition to helping with down payment assistance and offering adjustable-rate products, other ideas for your credit union to consider include:

- **Actively contacting realtors for client referrals.** We are now in a purchase market. Successful lenders will be the ones who have built a strong referral network. Your lenders should be encouraged to attend realtor association events to build relationships with referral partners.
- **Market directly to get members pre-approved.** Your value to realtors increases exponentially if you can send them clients who already have financing in place. In fact, it is highly unlikely for an offer to be accepted in today’s market if it does *not* include a pre-approval letter. But make sure you verify assets and income before issuing one. As a reputable lender, you need to stand behind your pre-approvals. Nothing upsets an agent more than having an offer accepted only to find out the purchaser was

not approved for financing.

- **Provide staff incentives for cross-selling.** Your front-line staff interacts with members more than anyone. Many times, members offer cues that they are looking to buy a home. If staff are trained to notice these cues and can turn them into referrals, you’re more likely to see an increase in mortgage volume.

- **Do not be hesitant to offer FHA loans.** Nearly half of first-time homebuyers will utilize a government loan for financing. Some lenders are hesitant to offer them due to the increased inspection scrutiny and underwriting requirements. By doing so, you are limiting yourself to a large market of prospective borrowers.

“We are now in a purchase market. Successful lenders will be the ones who have built a strong referral network.”

At Superior, we believe credit union members are getting a mortgage somewhere, so why not with us? If your credit union adopts a similar mentality, then you too can be successful in mortgage lending. This does require an all-in commitment from the top to the bottom of your organization, openness to collaboration, allocating financial resources, and instilling a sales mentality with staff.

But such commitment is sure to result in increased mortgages and more satisfied members. ▲

Cory Fleming is the Vice President of Business Development for Superior Financial Solutions, which is a wholly owned CUSO of Superior Credit Union. In his capacity, Cory oversees the CUSO partner recruitment and assists with origination support. Previously, he served as the Legislative Director for the Ohio Credit Union League.



Cory Fleming



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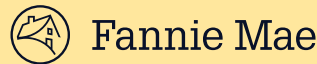


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Leveling the Field for Community Lenders

FHLB's MPF Program Turns 25



*By John Stocchetti
Federal Home Loan Bank of Chicago*

As we celebrate the 25th anniversary of the first loan purchased by the Federal Home Loan Bank's (FHLB) Mortgage Partnership Finance® (MPF) Program, it's a good time to look back at how the program has transformed mortgage funding for hundreds of community lenders nationwide. The MPF program was created in 1997 to provide FHLB members with reliable access to the secondary mortgage market, allowing our members to offer a wider range of mortgage products at more competitive rates. Over the years, the MPF program has grown and evolved, ensuring that we continue to provide the products and support members need to thrive and foster homeownership in their communities.

REALIZING THE REWARDS OF CREDIT QUALITY

Before the MPF Program, community lenders had two choices when originating fixed-rate mortgage loans: to keep them on their balance sheet (potentially limiting their mortgage business) or to sell them to a secondary market investor, paying rising guarantee fees despite the high credit quality of their loans. Recognizing the credit expertise of community lenders who know their borrowers, the FHLBanks saw the lack of secondary market competition for these high-quality loans as an untapped advantage for their members.

With this in mind, the MPF program developed the MPF Traditional products, offering members the best options for mortgage funding: the ability to transfer interest rate and prepayment risks to the FHLBanks while retaining a portion of the credit risk of loans they originate. The MPF Program then allows these members to capitalize on the quality of the mortgages they deliver by receiving Credit Enhancement income over the life of those loans. To date, members have received almost \$1 billion in additional income. The program was also designed to help community lenders maintain one of their greatest assets — customer relationships — by giving them the option to retain servicing and earn resulting income.

GROWING WITH OUR MEMBERS

Another aspect of the MPF program is our responsiveness to members' re-

quests, both through the dependability of our MPF Service Center and through the evolution of the program itself to meet their changing needs. What began as a single offering has grown into a suite of products designed to give community lenders a wider range of options to best serve their customers and communities. MPF mortgage products offer differences in terms of credit structure, risk-sharing versus non-risk-sharing, and loan type.

With the solid foundation of members' high-quality loans, combined with the hedging and funding advantages of the FHLBanks and the variety of products available, the MPF Program has provided community lenders with a stable liquidity option through good times and bad over the last quarter century, including during the Great Recession of 2007–2009. Through the years, the MPF Program has grown from just

six approved sellers in 1997 to the hundreds of members the program serves today. If your institution isn't already participating in the MPF program, now is a good time to consider how it could benefit your mortgage business over the next 25 years.



John Stocchetti is executive vice president and has served as group head of the Mortgage Partnership Finance Program (MPF) at the Federal Home Loan Bank of Chicago since 2014. He holds an MBA



John Stocchetti

from the University of Chicago and has taught graduate-level classes at the Illinois Institute of Technology in the Financial Markets and Trading program.



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Breaking Old Habits

Redefining Mortgage Operations with Technology



Adam Carmel
Polly

Credit unions and other mortgage lenders are facing a new reality. The pandemic and its aftermath ushered in demand for organizations to stay one step ahead of homebuyer needs. Not only should they satisfy (and exceed) expectations amid the transition to remote environments, but many members are now accustomed to data on demand, increased convenience, and better experiences, often with limited in-person interaction.

This shift has changed how members view the mortgage process. Research from Freddie Mac indicates 91% of banking and lending executives strongly believe that customer expectations for a robust digital mortgage experience are rising as a result of the pandemic. And, according to recent research from McKinsey & Company, nearly 60% of both purchase and refinance borrowers would be open to completing the entire mortgage application online, without support either over the phone or in person. Members also crave speed, and their satisfaction drops by roughly 15% if the lender takes more than 10 days to provide a decision on an application.

The important question has now become: how can credit unions expand homeownership in an unpredictable market, while keeping up with these new needs and growing demands from members? The answer lies in modern, cloud-native technology that transforms the mortgage experience.

LEGACY TECHNOLOGY SOLUTIONS NO LONGER SUFFICE

Historically, the implementation and adoption of new technology has been a challenge for mortgage lenders. This is at no fault of the lenders themselves, as legacy solutions can be complicated

and cumbersome, often rife with unexpected, additional workflow requirements and expenses. In addition, legacy technology lacks the configurability, flexibility, and scalability necessary to face industry uncertainty and evolving member demands.

Despite alternate solutions being available to automate many of the front-end processes, McKinsey's research has found that many mortgage originators still engage in labor-intensive and repetitive fulfillment and servicing. By continuing with legacy technology, credit unions face elevated costs and delayed cycle times, as well as the inability to scale operations fast enough to take full advantage of increased demand, all of which dramatically impact member satisfaction scores, and consequently, profitability. Credit unions and other lenders cannot meet the needs of today's homebuyers using outdated technology, and therefore must adapt.

THE MORTGAGE MARKET IS AS VOLATILE AS EVER

At the start of the pandemic, the Federal Reserve's economic stimulus measures such as increasing liquidity and buying billions in Treasury bonds and mortgage-backed securities (MBS) caused interest and mortgage rates to fall to record lows, triggering a surge in new home sales and refinances. To counteract the record-high inflation levels resulting from the pandemic, the Fed has mapped out 7 interest rate hikes this year, with the possibility of more in 2023 — the first and second of which occurred in March and May.

Interest rates have one of the most significant impacts on mortgage prices, and subsequently on purchase demand. As a result, in preparation for

further rate hikes in the remainder of the year and beyond, credit unions must also brace for predicted margin compression as lower demand collides with decreased refinance activity and untapped capacity in the market.

Despite predictions and planning, the lending environment remains extremely unpredictable. Today's economic climate and continued rate hikes, combined with global political uncertainties, have made it difficult for credit unions to define a clear path toward achieving increased growth and efficiency.

Further, with fewer buyers in the market, it is even more important for credit unions and lenders to adopt technology that can make the mortgage process easier and less cumbersome to remain competitive and expand market share.

THE ANSWER: INNOVATIVE, MODERN TECHNOLOGY THAT PRIORITIZES THE MEMBER

In its evaluation of the past five years, McKinsey found that lenders have increased spending on mortgage technology, and that trend is only expected to continue. Most of this investment in lending technology thus far has been channeled towards the front end of the value chain. However, lenders can save considerable costs, labor, and time by upgrading more components of their mortgage technology stacks to accelerate automation efforts.

Many leading credit unions are already looking to cloud-native, agile

solutions to operate faster, scale appropriately, and maximize profitability. This shift to modern tech enables credit unions to stay ahead of non-traditional lenders and increase market share, as well as completely satisfying member needs which, in turn, is fueling profit growth.

Further, by optimizing internal operations and increasing flexibility through the use of modern, cloud-native technology, credit unions can confidently and successfully serve a diverse member base in the midst of today's market uncertainty. Having access to the most technically advanced software solutions makes configuring new products and channels significantly easier. Workflows become automated, speed to market is increased, and lenders can truly optimize margins and revenue on every loan. Equally important, beyond increased efficiencies, innovative technology offers the customization and near-infinite configurability needed to create an ideal experience for each member.

In a rapidly changing and competitive market, it is important for credit unions to invest in new technology that stabilizes and strengthens their internal mortgage operations, facilitating enhanced and reliable service for both current and potential members. Providing homebuyers with a smoother and more efficient experience through technology will be critical for expanding homeownership now and into the future.

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

By continuing with legacy technology, credit unions face elevated costs and delayed cycle times, as well as the inability to scale operations fast enough to take full advantage of increased demand — all of which dramatically impact member satisfaction scores, and consequently, profitability.

Today's economic climate and continued rate hikes, combined with global political uncertainties, have made it difficult for credit unions to define a clear path toward achieving increased growth and efficiency.



Construction Financing: Technology Makes It More than a Constant Work in Progress

Sean Faries
Land Gorilla

In an ideal world, every construction loan should be safe and hassle-free. Yet the complexities of new home construction — including labor availability, supply inventory, and managing timelines amid frequent design changes — place this ideal world out of reach for many buyers. That's particularly true today, when an uncertain economy and rising interest rate environment is creating more roadblocks to progress.

Fortunately, credit unions have long been a trusted source of construction financing for their members. Like any lender, however, they are often challenged by manual processes and delays when getting new homes under construction inspected, responding to draw requests, and managing member expectations. New technologies have helped bring these challenges down to a minimum, and credit unions that use

them are seeing big gains.

NO SHORTAGE OF HURDLES

Perhaps one more troublesome aspect of construction financing is the draw disbursement process, which is typically handled through tedious manual tasks and spreadsheets. For many credit unions, the average draw process can take as long as two weeks between the time a draw is needed and

the actual receipt of funds.

Typically, a credit union will manage draw requests using several different solutions and platforms that often involve multiple steps. Draw information is also usually received from various home builders in different formats. Either way, manual work, including typing and retyping information, is common.

The process is cumbersome for builders as well. Typically, builders must manually fill out a draw request form, search out the property owner for additional signatures, scan the request to their computer, and then email it to the credit union to get paid. On average, the whole process takes about three days just to request payment. In a recent industry study, it took contractors an average of 83 days to get paid.

Inspections are another major obstacle in which financing can get bogged down in time-consuming tasks and often lengthy project delays. Of course, scheduling and ensuring inspections

during expected time frames is important to ensure funding and gain visibility that the overall project stays on track. In many markets, however, it's difficult to even find an inspector, especially in rural areas or markets where inspectors are exceptionally busy. Even when inspectors are available, it's not unusual for credit unions to get emails from the inspector saying they can't get reach the builder.

Inspection reports themselves can be a frequent source of headaches. Once the report comes in, it takes extra time and effort to cross-reference the document with the draw request and the project budget using separate screens. Because of these hurdles, it can take an additional 24 hours just to review the report.

Budgets are yet another area that requires extra time and effort. Generally, budgets are managed manually through spreadsheets and emailed at each draw from the owner or builder, leaving a trail of budget versions with no comprehensive budget of record. Without a single source of truth to track budget history, it takes significant time and resources just to keep the loan in balance. However, there are new tools available that credit unions and builders can use to streamline budget handling, inspections, and draw requests.

TECHNOLOGY TO THE RESCUE

Easily, the best way for lenders to significantly reduce draw turn times and increase workflow efficiency is to digitize their process with a software solution capable of streamlining draw management, inspection processes, and loan servicing. With draw management software, a credit union's construction loan administration team can easily manage from a centralized system of record and make faster decision-making on draw disbursements.

By digitizing the draw process, credit unions can reduce the time it takes to

draw funds by 80% or more. The process can also let credit unions achieve a more scalable construction loan business that enables them to adjust to rising demand. Plus, it provides a superior experience for local home builders.

For example, new mobile and web applications now empower builders to easily access the project's budget, upload documents, submit draw requests and communicate with a credit union from wherever they are, even at the

job site. These tools have been proven to eliminate the risk of data entry errors, inaccurate budgets, and over-funded draws. Armed with a mobile and web app, builders can fill out and submit draw requests entirely online in just a few minutes and get instantly notified when funding is approved. They particularly appreciate being able to submit a draw request on the go by just tapping a few buttons on their phone.

With the right technology provider, credit unions can also get access to inspectors in any market, nationwide. In fact, when combined with draw and inspection management technologies, credit unions can get access to tens of thousands of in-

spection companies and inspectors nationwide and complete inspections up to 50% faster than the typical scenario.

RESULTS IN ACTION

Last year, \$255.4 million Pacific NW Federal Credit Union (PNWFCU), based in Portland, Oregon, was looking for a way to eliminate the slow, manual tasks and the use of spreadsheets to manage the draw disbursement process for their construction loans. Since adopting our platform for draw management and inspections, PNWFCU has been able to streamline its construction loan processes and significantly reduce draw turn times, while providing an exceptional experience for members and builders.

Using our platform, for example, PNWFCU can now view all draw requests in the same format, in one place, which is creating an easier review process and quicker decision making for approving draws. "It's an efficiency factor for us — we don't have to go looking in folders in our shared drive when a draw is received," said Diane Calvin, PNWFCU's chief lending officer. "It really streamlines the process and is much more convenient for everybody involved."

Our mobile and web apps are also helping PNWFCU eliminate the risk of data entry errors, inaccurate budgets, and over funded draws. "The majority of our builders use the mobile app," Calvin said. "They love the fact that they can submit a draw on the go, anytime. It's on their phone and with just a tap of a few buttons, their draw request is submitted."

PNWFCU serves members in rural areas, where it can be difficult to find an inspector. Through technology and services, PNWFCU reduced their inspection turnaround time by 80%, resulting in an 83% reduction of draw time.

It's important to keep in mind that, while the market for new construction loans is itself very challenging, there will always be people looking to buy new homes, especially with current housing inventory so low. But financing a new home shouldn't be exceedingly more challenging than it is to buy an existing home. And with new technology solutions available to credit unions and builders, it doesn't have to be. ▲



Easily, the best way for lenders to significantly reduce draw turn times and increase workflow efficiency is to digitize their process with a software solution capable of streamlining draw management, inspection processes, and loan servicing.



Sean Faries has deep roots in the construction finance industry and founded Land Gorilla in 2010. He is passionate about innovative technology to meet the complex needs of our ever-evolving industry and has been nationally recognized for his technology leadership. Under his leadership as CEO, Land Gorilla pioneered software solutions that make construction lending safer, faster, and more efficient.



Sean Faries

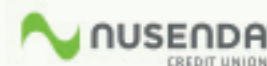


Welcomes our newest members

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) and our magazine, the *Pipeline*.

Join ACUMA in wishing success to these new members:



Affiliate Members





Putting the “S” on CAMELS

NCUA Sharpens its focus on IRR and Liquidity

By Mark Cary
FHN Financial Capital Assets Corp.

On April 2, 2022, the NCUA released a new rule, found in *NCUA Letter to Credit Unions (Letter No: 22-CU-05)* to its CAMEL regulatory requirements. The regulator that the NCUA will add *Sensitivity to Market Risk* — represented by the letter S — to its CAMEL examination framework. In addition, the NCUA redefined the Liquidity Risk or “L” component of the CAMEL rating. The final rule became effective April 1, 2022. In this article, we’ll examine what led to this new release, where mortgage loans fit into this targeted release and how credit unions can get prepared for their next examination in light of this new release.

BACKGROUND AND REASON FOR ADDING THE “S”

The CAMEL regulatory framework has been in place and has provided the major tenants of a safety and soundness examination since 1997. According to the Federal Register summary, “the benefits of adding the S component are to enhance transparency and to allow the NCUA and federally insured natural person and corporate credit unions to better distinguish between Liquidity

Risk (“L”) and Sensitivity to Market Risk (“S”). The addition also enhances the consistency between supervision of credit unions and financial institutions supervised by other banking agencies.”

If you dig into the Federal Register release, you’ll also see hints of another reason they are making this change, an increased Interest Rate Risk profile of credit unions. When referring back to the original CAMEL framework introduction in 1997, the NCUA noted that,

since 1997, the credit union industry has increased its holdings in mortgage related assets from 19% in 1997 to 45% in June 2021.

RUMBLINGS BENEATH THE SURFACE

While the release from the NCUA seems to indicate that the regulator has already been evaluating credit unions from a sensitivity-to-market-risk perspective, we believe the increase in mortgage re-

lated assets and the pandemic-induced artificially low mortgage rates has given examiners increased concern that may have been the last coal on the fire to prompt adding the “S”. By examining the trend of fixed rate mortgages with terms >15 years and at the same time evaluating the trend of the average loan yield, we see an alarming pattern and the advent of the super-low, long-term fixed rate mortgage. These mortgages reached an all-time high during the months following the pandemic due to record refinance activity, and in many cases we’ve seen credit union portfolios that have almost completely turned over and have significantly higher interest rate risk as a result.

FIXED RATE MORTGAGES REACH NEW PANDEMIC-ERA HIGHS

Chart 1 below is the percent of fixed

rate mortgages with terms > 15 years as a percent of loans for all U.S. credit unions. The second chart shows the average interest on loans for all U.S. credit unions. The issue that is concerning to regulators has to do with the level of longer-term, lower-coupon fixed rate mortgages that have been added to the balance sheet of many credit unions over the past several years.

INTEREST ON LOANS TO AVERAGE ASSETS NEARS ALL-TIME LOW

Chart 2 below illustrates the decline in the interest rates on loans following the COVID-19 pandemic.

PEELING BACK THE ONION LAYERS

Just like many restaurant onion appetizers, as you peel away the layers, what’s left is just not that appetizing.

Through analysis of a significant number of mortgage portfolios, we’ve been able to zero-in on Interest Rate Risk within the mortgage portfolio and attribute the majority of the risk to 20% of an institution’s most rate-sensitive loans. Unfortunately in some cases, there are institutions that have an alarming percentage — as much as 60% — in these IRR heavy fixed-rate mortgages. And that’s a major concern to regulators.

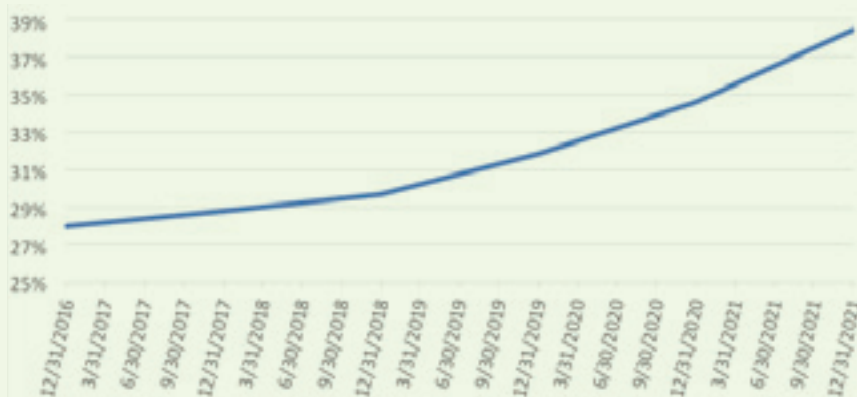
For purposes of evaluating the most rate-sensitive fixed-rate mortgages in the portfolio, segmenting the loans into buckets based on coupon bands and maturity bands enables us to isolate those loans that have the longest maturity and the lowest coupon, which we refer to as “Long-Lows”. Chart 3 (next page) is an example of how this is done using maturities across the columns and coupons down the rows.

Maturities are separated into short (<120) medium (120-180) and long (>180), while coupon bands are separated by low (<5%), mid (5%-6%) and high (>6%). For periods of abnormally low rates, such as the periods following the financial crisis of 2007-2008 and the pandemic of 2020, you should also further stratify the low coupon band. For example, for the longest maturity box, we could further isolate the coupons into low (<4%), mid (4%-4.49%) and high (4.5%-4.99%).

Pointing back to the 80/20 rule mentioned earlier, the most concerning segment of the fixed rate portfolio is the one with loans that have a rate below 4%. What we’ve observed during the period after the COVID-19 pandemic, when mortgage rates hit an all-time low, are that many portfolios began to see inordinate amounts of loans with rates of less than 3.0%. This is problematic because the price volatility in an up-100-basis-points scenario was approaching 8 points in losses and in an up 300 basis points scenario exceeding 20 points.

As we evaluate portfolios of all sizes and all institution types, what we observed was an alarming increase in interest rate risk within the fixed rate mortgage portfolios of credit unions as well as banks.

CHART 1: U.S. CREDIT UNIONS FIXED RATE 1ST MORTGAGES > 15 YEAR



Source: S&P Global Market Intelligence

CHART 2: U.S. CREDIT UNIONS INTEREST ON LOANS/AVG. ASSETS



Source: S&P Global Market Intelligence

CHART 3: LONG LOWS BY COUPON BAND

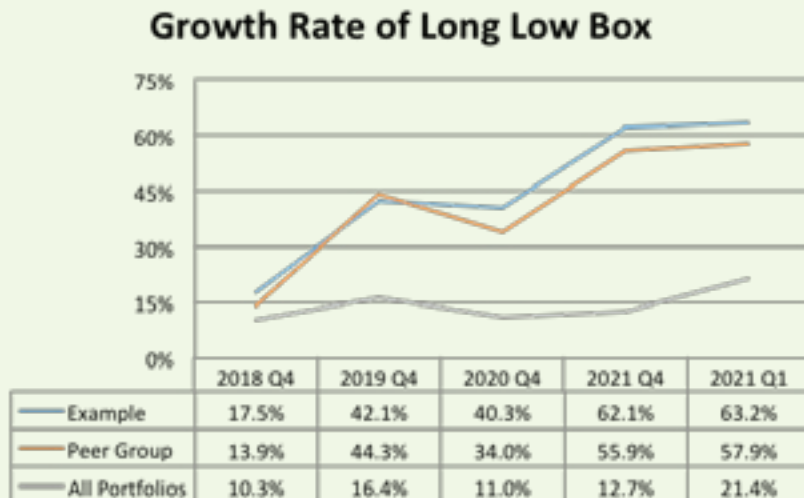
		CALC. TERM TO MATURITY (MONTHS)			
		"SHORT" BELOW 120	"MEDIUM" 120 - 180	"LONG" Over 180	TOTALS
COUPON RANGE (%)	"LOW" BELOW 5.00%	6,015,063 3.93% 89 105.00% 2&	117,335,819 3.80% 172 105.15% 2- &	474,823,881 4.05% 320 103.07% 89&	598,174,764 4.00% 288 103.49% 98%
	"MID" 5.00 - 6.00%	1,207,745 5.57% 93 99.63% 1&	1,389,000 5.24% 163 104.29% 1&	6,864,344 5.62% 327 107.86% 2&	9,461,090 5.56% 273 106.28% 2%
	"HIGH" Over 6.00%	1,541,808 7.72% 80 96.17% 0%	0 0.00% - 0.00% 0%	909,323 6.07% 320 108.12% 0%	2,451,131 7.11% 169 100.60% 0%
	TOTALS	8,764,616 4.82% 88 102.71% 2&	118,724,820 3.82% 172 105.14% 2- &	482,597,548 4.08% 320 103.14% 8- &	610,086,984 4.04% 288 103.53% 211&
	LONG LOWS BY COUPON BAND				

BELOW 4.00%	222,398,008 3.68% 297 102.11% 47%
4.00 - 4.49%	143,041,025 4.17% 332 103.40% 30%
4.50 - 4.99%	109,384,847 4.64% 350 104.57% 23%

Source: FHN Financial Capital Assets Corp

Chart 4 shows the increase in fixed rates as well as the increase in "Long-Lows" nationwide from 2018-2021.

CHART 4: LONG LOWS 2018-2021



Source: FHN Financial Capital Assets Corp

Because we're able to see portfolio changes on a quarterly and sometimes monthly basis, we could see first-hand the impact that artificially low rates had on portfolios. And because many balance sheets are examined by regulators long after a significant change occurs, the turnover in the portfolio can be rapid and severe before management or regulatory examiners realizes what's happened.

Given this rapid change in the make-up of mortgage portfolios, we were not surprised to see the new Letter to CUs adding Sensitivity to Market Risk ("S") to its CAMEL regulatory framework. It's almost as if the "warning label" (adding the S component) was added to the mortgage portfolios after a problem already existed.

HOW RISKS WITHIN MORTGAGES CAN BE IDENTIFIED, MEASURED AND MONITORED FOR IRR AND LIQUIDITY RISK

As explained in the Federal Register and the accompanying Appendix A to Letter No: 22-CU-05, the new Sensitivity to Market Risk ratings will be based on, but not limited to, the following evaluation factors:

- Sensitivity of a credit union's current and future earnings and economic value of capital to adverse changes in market prices and interest rates;
- Management's ability to identify, measure, monitor and control exposure to market risk considering a credit union's size, complexity, and risk profile; and
- The nature and complexity of interest rate risk exposure.

With the above in mind, and the impact of the post-pandemic low-rate period, institutions need to evaluate their mortgages on a more granular level and determine where to draw the line in the sand on low-rate, long-term mortgages.

Many of these loans will have thin to negative margins. It's an issue that can cause concern for another CAMEL framework letter — E for Earnings.

For some institutions, the interest rate risk scale has already tipped too far and corrective action will likely be necessary.

That action can include the following:

1. No longer originating certain loan types,
2. First loss, best loss sale transactions (or no pain, no gain transactions) of the loans that have the greatest potential to be a drag on earnings, and
3. Adding ARMs to the portfolio in order to re-balance the risk profile.

WHAT DO MORTGAGE LOANS HAVE TO DO WITH LIQUIDITY?

While NCUA Letter No: 22-CU-05 seems to place its emphasis on the addition of Sensitivity to Market Risk ("S"), the new release also redefines the

Liquidity component and credit unions will want to understand what changes are made here as well.

Our focus in this article will continue with the mortgage portfolio and (while often overlooked as a source of liquidity) how it can play an important role in providing a large reservoir of potential liquidity, but only if you understand what makes mortgage loans liquid and price-efficient (i.e. converted to cash without an undue loss). Before we dive into evaluating mortgage loan liquidity, it's important to understand what the regulators will be focusing on as they evaluate liquidity.

For the re-defined Liquidity component, the ratings would be based on, but not limited to, the following:

- The adequacy of liquidity sources compared to present and future needs and the ability of the credit union to meet liquidity needs without adversely affecting operations or conditions;
- The availability of assets readily convertible to cash without undue loss;
- Access to sources of funding;
- The level of diversification of funding sources, both on and off balance sheet;
- The degree of reliance on short-term, volatile sources of funds to fund longer term assets;
- The trend and stability of deposits; and
- The capability of management to properly identify, measure, monitor and control the credit union's liquidity position, including the effectiveness of funds management strategies, liquidity policies, management information systems, and contingency funding plans.

NOT ALL MORTGAGE LOANS ARE EQUAL WHEN IT COMES TO LIQUIDITY

Balance sheet management strategies can be structured to sell mortgage loans to reduce concentrations, interest rate risk exposure, or to provide liquid-

ity for an institution's strategic growth goals such as an acquisition. The secondary market has standard criteria for what makes a mortgage loan liquid.

Chart 5 (next page) provides an example of a Liquidity Waterfall Filter Analysis that segments loans into one of three different categories — Portfolio, Private or Agency grade.

Not all mortgage loans are created equally in terms of liquidity and how you underwrite and document loans can have a significant impact the liquidity profile and price-efficiency of your loans.

Portfolio Grade – Portfolio Grade loans have characteristics that make them more beneficial to hold in portfolio as opposed to selling them in the secondary market. The market price of the loans typically does not align with the economic value of holding them in portfolio to term.

Private Grade – Private Grade loans have the credit profile, documentation and other characteristics that make them suitable to be sold to another credit union or institution in a private secondary transaction. These loans are highly liquid and price-efficient.

Agency Grade – Agency Grade loans are the top of the food chain in terms of liquidity and price efficiency. They are eligible for a seasoned bulk sale or securitization to Fannie Mae or Freddie Mac.

As you evaluate your liquidity sources, policies and procedures in light of Letter 22-CU-05, it's important to have an understanding of how liquid your mortgage portfolio is and how to document its potential liquidity for your Liquidity Contingency Planning document, which regulators are sure to be focusing on more intently in light of the new release.

As you may already have recognized, the liquidity profile of your mortgage loans takes on a new meaning when the market causes your strategic plans to go awry. This is because, when issues such as interest rate risk, concentrations, or liquidity shortfalls arise, the mortgage portfolio can be a significant tool in helping you reduce your risk or provide

liquidity for strategic initiatives. Think of it as the fat deposits stored in the CAMEL's hump for survival in the desert (when authentic liquidity dries up)!

PROACTIVE NOT REACTIVE

Having been an ex-auditor of financial institutions for many years, I understand how being proactive can go a long

way towards making your next exam go smoothly. Being proactive can take on a whole new meaning when the market takes a detour. When the regulators come in for your next examination in light of the new release, you'll want to understand how the post-pandemic artificially low-rate period has impacted your mortgage portfolio and its liquidity profile.

In some cases, you may need to demonstrate what you've already done to reduce your institution's exposure to interest rate risk (or Sensitivity to Market Risk), any strains on Liquidity (and being prepared to show how the mortgage portfolio can help), and perhaps most importantly how these areas will not have a negative effect on a third CAMELS component — Earnings. If there are problems in all these areas, the result could be a lower CAMELS rating. Because of restrictions on institutions with lower CAMELS ratings, a credit union would be prevented from growing its member base or keeping up with strategies to continue to serve its existing member base. When it comes to CAMELS, you'll want to make sure the fat deposits stored in these humps (i.e. ability to weather IRR, Liquidity and other issues) are ready for any severe changes in the market and regulatory landscape.



[Link to NCUA Letter to Credit Unions CAMELS Rating System | National Credit Union Administration \(ncua.gov\)](#)

Mark Cary, CPA is a Senior Vice President and senior financial analyst of FHN Financial Capital Assets Corp. Prior to joining Capital Assets, he was a financial institution auditor for more than



Mark Cary

10 years and draws on that expertise to assist Capital Assets' clients in developing strategies to better manage their mortgage, consumer, and commercial loan portfolios.

CHART 5: WATERFALL LIQUIDITY FILTER REPORT EXAMPLE

EXAMPLE INSTITUTION ANYWHERE, USA

WATERFALL LIQUIDITY FILTER REPORT

1	2	3	4	17
Line Item	Description	No. Of Loans	Principal Balance	% Of Total
1	C : Portfolio Grade			
2	Currently Delinquent 30 or More Days	168	12,680,936	1%
3	Hist. DQ 30 or More Days Last 12 Mos	360	25,220,265	2%
4	Hist. DQ 30 or More Days Life of Loan (2)	0	0	0%
5	Borrower Credit Score Under 660	200	17,449,252	2%
6	Co-Borrower Credit Score Under 660	40	3,224,912	0%
7	Loss Mitigation \ Lender Modifications	0	0	0%
8	Loss Mitigation \ HAMP Modifications	0	0	0%
9	Loss Mitigation \ HARP Modifications	0	0	0%
10	Mobile Home \ Manufactured Housing Collateral	0	0	0%
11	Housing Co-Operative Share Loan	0	0	0%
12	DTI Ratio Over 50 %	176	16,135,422	2%
13	DTI Ratio > 45 % Seasoned < 36 Mos	116	8,566,913	1%
14	No Documentation of Income\Assets	0	0	0%
15	Original Balance Under \$15,000	244	1,156,800	0%
16	Current Balance Under \$15,000	596	4,947,298	0%
17	Updated LTV Over 104 % & FHA\VA	0	0	0%
18	Updated LTV Over 95 % & O\O With PMI	0	0	0%
19	Updated LTV Over 80 % & O\O Without PMI	72	9,409,577	1%
20	Amortized LTV Over 104 % & FHA\VA	0	0	0%
21	Amortized LTV Over 95 % & O\O With PMI	28	4,022,511	0%
22	Amortized LTV Over 80 % & O\O Without PMI	0	0	0%
23	Adjustable Rate & Margin Over 4 %	0	0	0%
24	Non-Private Investor Eligible	0	0	0%
25	Subtotal	2,000	102,813,886	10%
26	B : Private Grade			
27	Original Balance Over \$1,500,000	0	0	0%
28	Current Balance Over \$1,500,000	0	0	0%
29	Original Balance Over Agency Maximum	100	75,800,693	7%
30	Current Balance Over Agency Maximum	0	0	0%
31	Updated LTV Over 90 % & O\O With PMI	0	0	0%
32	Updated LTV Over 75 % & Second or NOO	180	31,668,501	3%
33	Updated LTV Over 75 % & Cash Out Refi	328	28,920,975	3%
34	Updated LTV Over 70 % & Condo	0	0	0%
35	Amortized LTV Over 75 % & Second or NOO	352	62,286,125	6%
36	Amortized LTV Over 75 % & Cash Out Refi	164	18,162,837	2%
37	Amortized LTV Over 70 % & Condo	0	0	0%
38	Investor Property & Condo Collateral	0	0	0%
39	Limited Documentation of Income\Assets	0	0	0%
40	Simple Interest Payments	0	0	0%
41	Interest Only Payments	32	2,221,044	0%
42	LIBOR Indexed ARM Seasoned Over 6 Mos	0	0	0%
43	Adjustable Rate & Margin Over 3.5 %	100	2,828,234	0%
44	Adjustable Rate & Periodic Cap Over 3 %	0	0	0%
45	Non-Agency Investor Eligible	76	8,082,489	1%
46	Subtotal	1,332	229,970,899	23%
47	A : Agency Grade			
48	No Data Exceptions Coded	7,612	684,026,855	67%
49	Subtotal	7,612	684,026,855	67%
50	Grand Total	10,944	1,016,811,640	100%

Source: FHN Financial Capital Assets Corp

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In this article, Mortgage Capital Trading (MCT) presents actionable strategies that are designed to reduce expenses and increase revenue to help credit unions ultimately provide more value for members. We will examine a credit union's process flow to identify potential improvements in areas such as secondary marketing, technology, automation, and business processes. The strategies explored in this whitepaper amount to over 50 basis points of potential improvement to margins based on the experiences of credit unions who have put them to use.



Strategies for Credit Unions to Add Value to Members

By Ian Miller
Mortgage Capital Trading

SECONDARY MARKETING STRATEGIES TO IMPROVE PROFITABILITY

Reviewing secondary marketing strategies can have a huge effect on revenue. In order to stay competitive, credit unions should review their existing secondary marketing strategy and consider delivering loans to the agencies on a mandatory basis with hedging.

1. Increase Revenue with Mandatory Loan Sales: 20-40 BPS

If you are delivering all loans on a best-efforts basis, mandatory delivery has the potential to yield material additional revenue in loan sale profitability. However, a sound pipeline hedging strategy is essential to mitigate interest rate risk until the loan closes. The economic incentive for switching to

mandatory delivery begins to make more sense when credit unions reach roughly \$10 million per month in loan volume.

2. Review & Manage Secondary Exceptions: 20 BPS

The criteria you set for lending to new members impacts your pull-through rate, loan volume, and ultimately the success of your business. In some cases, you may come across members who would like a better price, have a high loan-to-value (LTV) percentage, lower than ideal FICO score, or other characteristics not meeting your criteria for a loan. Reviewing your process for exceptions can reveal areas of improvement.

3. Review Your Servicing Portfolio Strategy

Your mortgage servicing rights port-

folio can provide instant cash to your business or a long-term accounts receivable. Credit unions that can analyze different scenarios, such as the effect of rising interest rates on its portfolio will have better insight into its portfolio and a better handle on cash-flows. The ability to run a variety of interest rate scenarios or “shocks” will allow your credit union to better position itself in any rate environment.



4. Consider a Healthy Positive Carry Depending on Your Cost of Funds: 5-10 BPS

In May 2019, conditions in the MBS market created an opportunity for depositories to take advantage of their low funding costs to pick up investment income. By financing loan holdings using low-cost deposits, credit unions are able to earn additional net income by holding and hedging portfolios of closed loans for an extra month or longer. For example, holding and hedging \$10 million in 4% loans for 30 days (as opposed to selling them immediately) can earn a depository extra income of between \$21,000 and \$25,000, depending on their cost of funds.

LEVERAGING TECHNOLOGY AND AUTOMATION

Technological advances have given credit unions the ability to organize departments, streamline processes, and analyze data faster and more efficiently than ever before. The technology available to credit unions has improved tremendously even in the last two years.

5. Digitize & Automate Manual Processes

Critical and heavily ingrained workflows can be hard to change, but com-

mitted credit unions can reap significant cost and time savings through new technologies. Digitizing formerly paper- or phone-based workflows saves significant time, while automation frees critical employees to focus on more important tasks instead of rote manual processes. Three areas to consider include loan sale processes, TBA trading, and the member point-of-sale experience.

Bid tape management has come a long way since the days spent sending, receiving, organizing, normalizing, then finally reviewing bid tapes from a range of different investors every time you want to do a loan sale. If your Credit Union sells to multiple outlets, GSEs or FHLB, whole loan trading platforms like MCT's Bid Auction Manager (BAM) have automated and improved the best execution process. Credit unions have reduced their bid tape processing time, shortened their delivery period and eliminated “fat finger” mistakes.

6. Leverage New Bid Tape Assignment-of-Trade (AOT) Technology: 3-6 BPS

The bid tape process has come a long way in the last five years. Automation and advances in technology have led to the transformation of the loan sale process. One of the biggest innovations has been the development of new bid tape AOT loan sale delivery options by investors.

With this technology, tri-party agreements are executed between the lender (assigner), investor (assignee), and broker/dealer (buyer). The loans are then delivered with the corresponding coupon or product into that trade and then the original price of the initially executed trade (the TBA) that was assigning becomes the basis of the trade price for the loan.

One of the main benefits of AOT execution is the savings on the bid-offer spread. With the new bid tape AOT programs, you don't have to pair off the corresponding security. You're going to assign that security to the investor and deliver the loans against that trade. It

is a common myth that if you've got a \$50,000 pair off on a trade and you assign the trade, the pair off disappears. However, that \$50,000 is actually wrapped into the purchase price. Clients who are leveraging this technology with providers like MCT are saving 3-6 basis points per loan sale.

7. Improve Existing Technology Through Scheduled Training

Rather than a full technology overhaul, it may be best to consider reaching out to your current vendors for additional training to ensure your business flow is incorporating all of their technology functions. In several instances, we have found that there may be recent reporting functionality, software plugins, or customer service additions that can dramatically increase the value to your business but which may have been overlooked or undervalued. This “newer” functionality may help reduce data entry, improve accuracy through automation or integration, and allow for data writeback between platforms. In some cases, Credit unions leveraging this technology can save 8 hours per week.

8. Take Advantage of Investor Platforms & Technologies: Save 8 hours/month

Agency take outs such as Freddie Mac or Fannie Mae provide several tools to reduce expenses using their current technology platforms. For example, Freddie Mac's Loan Product Advisor delivers an enhanced underwriting workflow by automating processes like collateral evaluation, asset and income validation, and assessments for members without credit scores.

9. Review Actionable Secondary Market Analytics

As technology continues to advance, secondary market intelligence software is becoming more valuable and

EXAMPLE: BUSINESS INTELLIGENCE PLATFORM



actionable. Secondary market analytical software can help credit unions aggregate proprietary mortgage pipeline and loan sales data to provide strategic insights in the form of customizable reports and illustrative charts.

These platforms also provide users the opportunity to compare aspects of their secondary market data with peers. For example, in MCT's Business Intelligence Platform, all locked, sold, and capital markets data is aggregated from the diverse MCT mortgage pipeline to give you a client-exclusive view.

10. Evaluate & Improve Loan Origination Software (LOS) or Product & Pricing Engine (PPE)

Evaluating your LOS can identify shortcomings or features you're paying for but not using. First, identify leaders or experts in each department that consistently use the platform. Schedule meetings with these department leaders to reassess their goals for the platform. This meeting can also be used to identify areas of improvement. Next, set up a

'best case scenario' for each department. How would the ideal platform perform, save money, and increase margins? Last, prioritize the wish list from each department. These steps can identify shortcomings within your platform and internal areas of improvement between departments.

Credit unions may also consider the relationship between their LOS platform and product and pricing engine (PPE). Chris Anderson, chief administration officer at MCT, explains that "Over the last year we have seen a migration of clients away from standalone PPEs to native PPEs within their LOS system. Clients have noted that they not only experience significant direct fiscal savings, but the tighter data flows within a native LOS/PPE combination save a dramatic amount of time and have fewer errors, resulting in a more efficient overall workflow."

ANALYZE BUSINESS PROCESSES FOR NEW OPPORTUNITIES

While credit unions are looking for strategies to increase

revenue, they are also considering ideas to reduce expenses. Evaluating your processes from origination to post-closing can help you identify strategies to improve your bottom line.

11. Consider Outsourcing to Save Time & Resources

A review of your business strategy will identify core competencies within your business. For example, loan officers who have just made the jump to mortgage bankers may have a depth of knowledge in handling loans, but may lack in areas such as accounting, payroll, marketing and other functional areas of business.

For these reasons, credit unions may consider outsourcing certain areas to a trusted third party. Credit unions should seek third party solutions that reduce costs, offer continuous support, require minimal supervision, and will protect your company against unseen liabilities.

12. White Label Your Rate Sheets

As markets change and fluctuate so does investor pricing. Daily white label rate sheets help ensure your team is aware of these changes and the margins for each loan type. Passing these rate sheets to your loan officers helps ensure you are optimized for profitability.

A daily white label rate sheet is created after a best execution analysis for each loan type and investor, then adapted to include your unique loan sale preferences. The best execution analysis reviews mandatory and best efforts delivery methods, loan level and bulk bids, as well as GSE's and co-issue. The rate sheet is then sent to your loan officers daily and can be used as a benchmark for the success of your secondary marketing operations.

13. Review Loan Originator Performance & Consider Compensation Structure Changes

Evaluating your loan originators can

help identify weak points. To do this, consider metrics like applications submitted, accuracy of information, percentage of applications that close, new members versus existing members and more. You can then evaluate how loan originators are performing in each area of the loan process. The results will identify patterns of incomplete applications, missing information, or low close rates.

From there, establish standards for loan applications and hold your loan originators accountable for meeting these objectives.

14. Loan Processor Evaluations

Loan processors and the software they use can also be an area of improvement for your business. For example, software can be set up to identify missing information that is still required from

the loan originator. Make sure you are taking advantage of LOS features to identify missing information and set up deadlines.

The order of operations can also affect the processing timeline. If inspections or appraisals need to be completed, it is important to order these processes as soon as possible. Checklists can be used to guarantee incomplete files are not passed along to underwriters. The loan processor and the underwriter should work together to make sure each file is organized and consistent. The effectiveness of each loan processor can be measured in the average time from receipt to submission to underwriter.

15. Referral Process & Tracking

It's important to setup a tracking sys-

tem to discover the source of your new members. Make sure your loan originators are asking "How did you hear about us?" From there, look at your top performing loan officers and identify where their new customers heard about them. Learn what makes that loan officer successful and implement new referral strategies for the rest of the team.



Ian Miller is chief marketing officer for MCT. His core competencies include commercialization strategy, performance analysis, technical copywriting, CRM database development, and event production. He has won multiple awards from mortgage and housing industry publications.



Ian Miller

KEY TAKEAWAYS

In this whitepaper, we've discussed strategies that improve profitability by reducing expenses, increasing revenue, or a combination of both. The power of technology has now given credit unions the leverage needed to analyze business strategy, discover new opportunities for growth, and review your current business processes to identify areas of improvement.





Change Your 'Target-rich' Market

*Adjusting to Non-Conventional Mortgage Products
and Compliance Disciplines*

Amanda Phillips
ACES Quality Management

Borrowing shamelessly from one of hot-shot pilot Maverick's famous lines in the original *Top Gun* film, the sudden and rapid interest rate rise has predictably contracted what had for years been a "target-rich environment" for qualified mortgage lending. But that's not the end of the story. It's just another sequel, as lending veterans can attest.

Although current market conditions challenge their use of traditional, 30-year fixed products, credit union mortgage lenders can serve their housing purchase borrowers with alternatives such as adjustable-rate mortgages (ARMs) and other non-conventional products. Designed to help borrowers during price and interest rate cycles with acceptable lending risk, ARMs and non-conventional products serve a homeownership-supportive role that is especially effective when executed with-in compliance guidelines.

According to a new report by Redfin, the typical homebuyer can save an estimated \$15,582 over five years, or roughly \$260 per month, by using an adjustable-rate mortgage — the largest dollar volume savings for ARM holders since 2015. However, it's important to remember where the compliance complexities lurk and head them off at the pass.

For example, today's convergence of market conditions and increased competitive pressure, increases the likelihood that CU mortgage lenders may originate loans in which a borrower's annual percentage rate (APR) exceeds the average prime offer rate (APOR) by a designated threshold amount, thus triggering a heightened demand for higher-priced and high-cost testing.

These factors assemble a need to increase independent testing and train staff to ensure that quality control and quality assurance practices are up to date, always emphasizing that ARMs and non-qualified mortgage (QM) products have serious, mission-critical compliance obligations. For example, when originated, federal higher-priced mortgage loans (HPMLs) require written appraisals and established escrow accounts. Federal high-cost mortgage loans also demand additional compliance steps and have prohibited loan features.

In addition to federal regulatory requirements governing higher priced and high-cost mortgage originations, several states have their own HPML and high-cost mortgage loan laws. Similar triggers are now embodied in the QM rule, including a rate spread and points and fees test, since the old debt-to-income (DTI) test was abandoned in the new QM rule.

In a rising rate, margin-compressed environment, CU lenders cannot afford compliance mistakes. By reviewing and preparing for these additional compliance obligations, credit unions can avoid mortgage lending regulatory pitfalls.

“Being mindful of the current mortgage lending cycle, CUs should prioritize independent quality control testing and objective reviews of loans.”

Being mindful of the current mortgage lending cycle, CUs should prioritize independent quality control testing and objective reviews of loans. Rate spread is not the only triggering test for federal (and many state) high-cost mortgage loans. Points and fees alone, regardless of rate, can trigger high-cost status. Relying on the HPML or high-cost status established during origination is not sufficient. CU lenders should independently evaluate whether loans are HPML or high-cost mortgage loans since the loans actually close at, or shortly after,

closing. For CUs in rural or other areas with low home prices, evaluating high-cost status for loans is especially imperative, as points and fees on smaller loan amounts can quickly push a loan into high-cost territory. Lenders must actively think beyond rate spread and evaluate the points and fees — including state high-cost tests — to stay ahead of compliance obligations.

Another fundamental line of defense CUs can build to maintain compliance is training staff for greater expertise on

its non-QM and ARM products. From loan officers to frontline staff, knowing the additional steps and disclosures required when borrowers apply for non-

QM or higher-priced mortgage loan products creates more eyes on the moving pieces that accompany what have been for many years not “non-conventional” loans.

In this environment, competition is tough, and that's when mistakes tend to be made. With the rise in rates, loan officers are focused on hunting down every deal. That's why keeping internal checks and balances helps ensure that quality loans are being originated.

We're entering a more complex headwind in the lending cycle that we haven't navigated in a long time, so compliance departments need to be on their toes. Data from the Mortgage Bankers Association show

that ARMs now account for almost 10% of all mortgage applications in the US, compared to just 3% at the start of the year. CUs should conduct independent testing to make sure they're not inadvertently getting sideways of anti-predatory lending laws. Again, with apologies to Top Gun's Maverick, the “need for speed” has been supplanted by the need for a disciplined approach to mortgage lending, where internal checks and balances are a priority. ▲

“With the rise in rates, loan officers are focused on hunting down every deal. That's why keeping internal checks and balances helps ensure that quality loans are being originated.”

Amanda Phillips is the executive vice president of compliance at ACES Quality Management, where she is responsible for expanding the breadth and depth of ACES' compliance and regulatory solutions. She has more than a decade of financial services experience, holding executive-level roles in legal and regulatory compliance



Amanda Phillips

What Have You Done for Me Lately?

Referral Partners Are the Key to Success in a Competitive Purchase Market



By Adam Pickett
Accelergy Consulting

When the “fish were jumping in the boat” during the recent refinance boom, many loan officers were so busy handling the deals flowing to them that they didn’t have extra time to build relationships with key partners who would help them through the inevitable leaner times ahead. With rising prime rates and soaring housing costs, those times may be upon us.

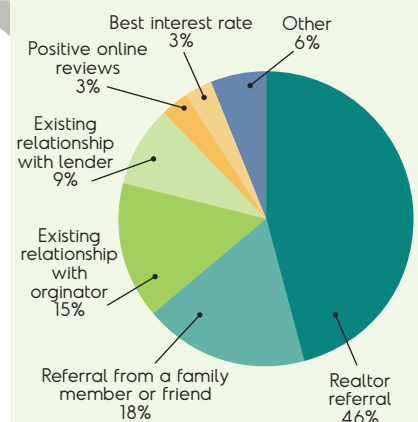
According to Mortgage Bankers Association data, nearly 70% of all future mortgages will come from home purchases in 2022 and 2023. To succeed in this type of market, referral partners, as they’re called, must become critical players in your loan officer’s business growth strategy.

Which begs the question: Is your team ready for the new reality?

REALTORS INFLUENCED 46% OF CLOSED LOANS IN 2019

Artificial intelligence products and targeted marketing campaigns have created a plethora of opportunities to generate new leads. The challenge is most

REASON BORROWERS CHOSE THEIR LENDER





organizations are leveraging similar products and are competing for the same small pool of deals.

While buyers are better informed than ever and being bombarded with information by numerous mortgage providers, the people who influence their buying decision the most are those trusted partners such as realtors, past loan officers, and friends and family.

According to Stratmor Group data from 2019 — the last year before the pandemic — 46% of borrowers identified their realtor as the reason they chose their lender. An additional 18% cited friends and family with another 9% saying they used their previous loan officer.

If similar patterns hold true throughout this purchase environment, 73% of all purchases will be off limits to loan officers who have not been building referral partner relationships.

GENERATING THE FIRST REFERRAL PARTNER LEAD

When we talk with loan officers, especially newer ones, they often tell a similar story when asked about a new referral partner.

They first met at a networking event and then scheduled either coffee or lunch the following week. As they rattled off all the benefits of working with their organization, the potential referral partner nodded in agreement throughout. The loan officer left the meeting feeling energized about a new lead source.

However, it's now a month later and not a single referral has been made. Unfortunately, this tends to be the norm

when referral partners are not continuously nurtured.

When developing a new referral partner there are three key elements that often get overlooked:

- The referral partner likely already has an established relationship with a loan officer
- There are a dozen other loan officers trying to get the business of that same referral partner
- You must build a relationship to become their trusted partner

If done the right way, building a relationship can trump the first two and lead to the first referral. But doing so isn't easy. It takes time, energy and patience to become the trusted advisor to handle their clients and to build their trust for the long-term.

EVEN ESTABLISHED REFERRAL PARTNERS ARE A NEVER-ENDING SALE

Regardless of how long you've been getting leads from someone, all referral partners are a never-ending sale. From the moment you get a lead — whether it be referral number 1 or 100 — you must start nurturing the referral partner to generate the next lead.

Why? Because there are dozens of other loan officers vying to become their trusted advisor. Whether you like it or not, it is a “what have you done for me lately” industry. When you think about it from this perspective, it can seem like a daunting task. That is why creating a systematic approach to managing these partners for your organization is critical.

DEVELOPING A PROCESS TO MANAGE REFERRAL PARTNERS

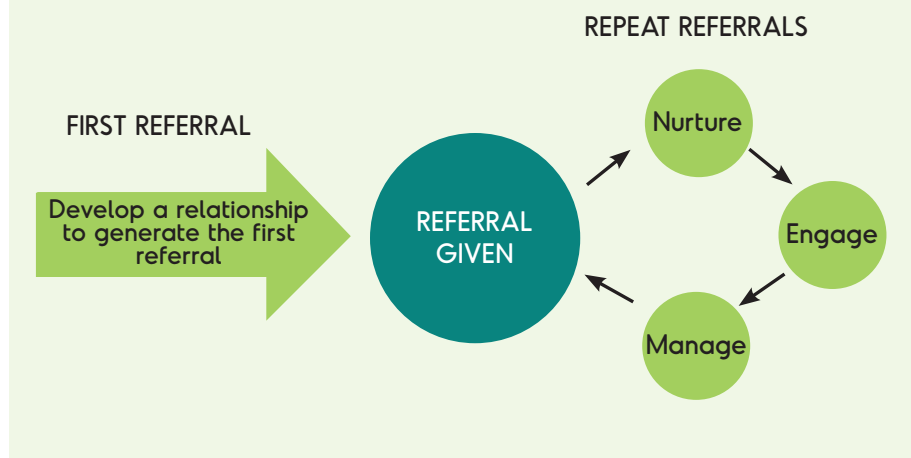
While it may not seem intuitive, it is critical to develop a process to manage all referral partners similar to how you track an application through your loan origination system (LOS.)

“While it may not seem intuitive, it is critical to develop a process to manage all referral partners similar to how you track an application through your loan origination system (LOS.)”

As we just mentioned, there are two critical elements to developing a Referral Partner Sales Process: generating the first lead and driving repeat leads.

When we work with a mortgage team, we start by looking at all the steps it may take to build enough trust to generate the initial lead. This includes the various meetings, talking points, core differentiators, questions, and even follow up articles and information that may contribute to establishing the necessary rapport.

TWO KEY ASPECTS TO REFERRAL PARTNER RELATIONSHIP



For the second part of the process, we coined a phrase called “referral zones.” Simply put, when was the last time the partner referred a deal: 30 days? 90 days? More than 180 days?

The intervals for each zone can be determined by your organization, but the further away they get from providing the last lead, the more communication is needed to ensure you remain their trusted partner. After establishing the zones, you can then determine what happens within each of the phases. Not only does developing a process create a holistic system to manage partners, but it also gives peace of mind to your loan officers who may be trying to develop referral partners for the very first time.

TRACKING REFERRAL PARTNERS IN YOUR CRM

Many mortgage teams tie their CRM into the LOS to develop marketing campaigns for every stage of the application process. Fewer

organizations utilize their platform to manage early-stage / pre-application deals, which is crucial to success in a purchase-dominated market.

Something we rarely see — which should be a staple for every residential team — is utilization of the CRM to track and manage referral partners. After you’ve identified the stages of your referral partner process, you can build out a pipeline within your platform that

aligns with the process and allows your team to track all partners in the same way they manage loan opportunities. This visual representation — especially if you have a Kanban view, which visually allows loan officers to see their deals, what stage they are in, and even the total value of opportunities at any given stage of the sales process — gives leaders and loan officers an evergreen view of the health of their network.

Another great data point is tracking each referral partner’s lifetime value in your CRM. Not only can

you see who the most valuable partners are, you can identify key characteristics of each to ensure the right time and resources are being spent on the right people.

ACCOUNTABILITY BEYOND MERE ACTIVITY

When it comes to referral partners, a natural default for leaders is to talk with their loan officers about activity: how many meetings or calls did you have this week? While general activity is good, the RIGHT activity is what generates results.

Leaders should be helping their team members concentrate on activity that provides the most leads. Understanding which referral partners help generate the most leads and close the most deals allows your loan officers to focus their time appropriately. Tracking the information in a CRM, leaders can easily provide customized coaching to every one of their loan officers.

As opposed to talking generically about activity from the past week, leaders are now able to run through every referral partner and get specific details on each. Conversations can be focused on the needs of each partner, including why it’s been so long since the last referral was given or providing specific messaging around a complex product such as construction perm.

Developing and investing in a referral partner strategy for your organization isn’t just a short-term fix — it will set your organization up for success well into the future. Time and resources must be committed up front to build your process, but in the long run standardizing your referral partner process will give your loan officers a huge advantage in the ever-changing market.



Adam Pickett is the founder and CEO of Accelergy Consulting, which helps credit unions succeed by focusing on critical processes that drive growth.



Adam Pickett

“Developing and investing in a referral partner strategy for your organization isn’t just a short-term fix — it will set your organization up for success well into the future.”





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Leading the Expedition

Helping Members Explore the Purchase Market



*By Bob Sadowski, APR
myCUMortgage*

Whether we're enjoying movies, video games, books, old radio serials or podcasts, we've all imagined what it would be like to be an explorer. Well, you may be more of an explorer than you realize!

As credit union mortgage lenders, you lead expeditions with your members, guiding them on their quest to find the treasure that is homeownership.

To succeed in this service adventure, credit union mortgage lenders need to adapt to the changing and challenging purchase market. That includes creating new strategies and plans that will help you reach more members; utilizing tools and technology that members want and need; offering a good mix of products; and surrounding yourself with a top-notch team. When we think

and act like explorers, we can move forward confidently with a single goal in mind — homeownership!

MANEUVERING WITH MARKETING

As the refinance boom comes to a near stop, make sure your members understand the credit union difference and are aware that your credit union offers mortgage loans for purchases.

Mapping out a marketing plan for purchase loans is a smart strategy for growing your long-term market share, and the best way to do this is to establish a marketing calendar and stay on

course. When creating your calendar, set a pace that you can realistically maintain. Start slow and build upon your marketing efforts as you see what works in your target market.

With the cyclical nature of the mortgage market, a strategic and flexible 12-month marketing calendar is the perfect tool to build awareness throughout the year. Tailoring it by season will help you focus on the peak times for purchasing a home. Keep your credit union in front of your members a combination of digital and print materials such as email, website

banners, newsletters, branch flyers and statement stuffers.

You can also connect with members in real-time and at low cost via social media to strengthen community engagement, increase brand recognition, strengthen brand loyalty and reach new audiences for potential members — and mortgage loans.

A great example comes to us from VacationLand Federal Credit Union in Sandusky, Ohio. They use social media as a tool to reach out to their current members as well as potential members. Chief Lending Officer Jami Risner shared that their primary reason for adding social media to their overall strategy was to educate members, interact with them and share what the credit union is doing for their community.

According to Jami, the credit union creates a variety of content to generate interest and feedback.

“You need to do your research—typically our members respond to 2-3 posts every other day,” Jami said. “For instance, we will generate a post about products, a post acknowledging the local ‘Teacher of the Week’ and a post about promoting mortgages.”

Another marketing tactic that is real-time and low cost is hosting homebuying seminars where you can educate your members about what they need to know before they begin their home search.

Horizon Federal Credit Union in Williamsport, Pa., started the planning process two months prior to the event date and publicized their event through their credit union’s social media channels, digital marketing screens in their branch lobbies and buck slips to share with realtors to help spread the word.

According to Chief Experience Officer Denise Lariviere, Horizon FCU features a panel of experts at their seminars, including local realtors, closing partners and home inspectors, to educate their members. They also offer an incentive to their members who attend



To succeed in this service adventure, credit union mortgage lenders need to adapt to the changing and challenging purchase market.



their event.

“We offer our attendees a \$250 credit off closing costs if they apply for a home loan and close with us,” Denise said.

When it comes to post-event follow-up, the credit union contacts all attendees by phone and email to thank them for attending the seminar and give them an opportunity to ask questions.

TREKKING WITH TECHNOLOGY

In a purchase market, the path to home-ownership may take longer and require more resources. Ac-

cording to the Mortgage Bankers Association, the cost to originate a single loan has grown to \$9,500 at the end of 2021. Part of the equation leading up to that number is team resources, as it takes three times the effort and action to complete a purchase loan versus a refinance.

That’s where technology can smooth the path and even shorten the timeline from application to closing for both your members and your internal mortgage team. This should extend through the life of the loan as well, with loan servicing portals for your members that features user-friendly and flexible interfaces, in-depth loan information access and frequently requested information. Explore these aspects of tech that provide more benefits:

- **Integrated Communications:** Technology designed for a good user experience provides the ability to communicate in an efficient and timely manner with all parties involved in the home loan process, such as internal teams, members, vendor partners, realtors, and the like).
- **Consistent, Automated and Streamlined:** Technology that provides a better user experience for members

and loan officers also helps speed up the process. Tech that takes care of the more routine tasks in the mortgage process enables you to spend more time with your members.

- **Reporting and Scenarios:** We all need to be cognizant of trends and changes throughout the mortgage process to adapt our planned courses. Adding the ability to run scenarios falls right in line with an explorer planning their adventure.

PLOTTING A COURSE WITH PRODUCTS

A successful explorer will offer a comprehensive mix of products and explain the differences to help members determine their best option.

Adjustable rate mortgages (ARMs) are regaining popularity. With the rise in interest rates, the lower initial interest rate of an ARM is very appealing to members and a potential option for them to consider. As a responsible expedition leader, make sure your member understands how the ARM in its entirety works versus a fixed rate mortgage.

Conventional loans are a staple of the loan product mix, offering some of the lowest down payments available—as low as 3% of

the purchase price. These loans also offer flexibility with terms from 10-30 years and can be used to buy primary residences, vacation homes and investment properties.

Government loans offer more great options:

- **FHA Loans** offer low down payments as little as 3.5% of the purchase price. One major benefit of this program is that members with lower credit scores may qualify. FHA also has shorter waiting periods for significant derogatory events, such as bankruptcy and foreclosure.
- **VA Loans** offer eligible veterans or active-duty service members home



With the rise in interest rates, the lower interest rate of an ARM is very appealing to members and a potential option for them to consider.



financing with no money down and no monthly mortgage insurance premiums. The veteran is also able to increase housing size over time with bonus entitlement.

- **USDA Loans** offer financing for eligible members in certain rural areas with no down payment. The borrower must be within the low to moderate income guidelines to qualify, and the home must be in an eligible area. Many properties that are not assumed to be rural may be eligible.

Please be sure to refer to specific lending guidelines for complete details to help you recommend the best products to each member.

HITTING THE TRAIL WITH TEAMWORK

Another movement affecting the mortgage industry and most others is the ability to find — and keep — valuable team members, so invest in your team.

- **Internal Mortgage Team:** Embrace

the “credit union way” and demonstrate it to potential AND current employees. They are major stakeholders in your team, so be sure to invest in keeping current team members and finding the best new team members. Let current and potential team members know how important they are to the success of your members and credit union.

- **Realtors:** To build relationships with these valuable colleagues, develop realtor outreach programs and partnerships, become part of the local real estate boards and be a collaborator with the realtor’s team as well as your own. You may want to consider programs that connect your members with qualified realtors who agree to keep the loan with your credit union.
- **Partnership:** Taking on an entire expedition can be challenging if your internal resources are limited, so explore external partnerships. Be

it originations or servicing, there are partners and service organizations ready to support your team.

As the saying goes, “It’s a jungle out there.” By setting the right course and planning appropriately for your journey and everything it entails, you will succeed in helping your members find the treasure that is homeownership. Happy exploring!



Bob Sadowski is a Marketing Specialist for myCUMortgage, a position he has held for seven years. Prior to myCUMortgage, Bob was part of the Marketing Communications teams at ACCO Brands, LexisNexis and the Dayton Area Board of Realtors. Bob is accredited in public relations through the Public Relations Society of America.



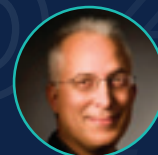
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HONORS, AWARDS AND RECOGNITIONS

Making a Difference

■ LenderClose Nabs Top CUSO Honors

LenderClose, a technology platform for home equity and real estate loan processing automation, has been selected as 2022 CUSO of the Year — Contemporary CUSO Model by the National Association of Credit Union Service Organizations (NACUSO). NACUSO's annual awards program honors CUSOs which contribute to building a strong and vibrant credit union industry through collaboration and innovation. Announced during the NACUSO Network Conference on April 25-28, 2022, in Orlando, Fla., this inaugural award recognizes LenderClose's forward-thinking approach.

"This first-of-its-kind recognition from NACUSO is a tremendous honor and we are humbled to receive this praise from our peers," said LenderClose founder and CEO **Omar Jordan**. "Our team is extremely passionate about elevating people and injecting process enhancements through technology for our credit union and community bank clients. LenderClose's objective is to continue pushing the needle toward a better overall lending experience for both the borrower and lender."

LenderClose's current group of credit union investors include Ardent Federal Credit Union, Ascentra Credit Union, Collins Community Credit Union, Financial Plus Credit Union, Serve Credit Union, Strata Credit Union, and Tucson Federal Credit Union.



■ TELL US ABOUT YOUR NEWS

We publish news of credit union real estate industry honors, awards and recognitions of individuals and organizations. We also publish news of housing-related community recognitions, such as Habitat for Humanity projects and National Association of Realtors cooperative ventures.

Send your news to teamacuma@acuma.org and include who, what (be specific), when, where and, if desired, a head-and-shoulders photo (150 dpi) identifying the person being honored (name, title, organization). Deadlines are November 15 for the Winter Issue and May 15 for the Summer issue.

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By Arleen Scavone
Newbold Advisors



“Excellence is an art won by training and habituation. We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly. We are what we repeatedly do. Excellence, then, is not an act but a habit.”

—Aristotle

Operational excellence is a way of thinking, acting and believing that constantly requires everyone in an organization to hold each other accountable for delivering excellence, whatever it may mean that day, that month and that year. It's creating a mindset and culture of excellence, and delivering such excellence not as a new project, but rather as BAU (Business as Usual). It's how companies adapt and adhere to change introduced both externally and internally. Operational excellence sustainably delivers the highest value at a lower cost, in a consistent fashion to members, employees, and shareholders.

DOES OPERATIONAL EXCELLENCE EXIST IN YOUR ORGANIZATION?

All high performing companies me-

thodically and meticulously define their core processes, align their goals, metrics, and rewards, and adjust their cadence continually as change is introduced. Simply illustrated, a culture of operational excellence has the following common denominators:

1. A clear definition and alignment between employees' success measures, the company's core processes, and their members' experiences.
2. The workplace promotes and rewards problem-solving, teamwork and communications, and leadership, then navigates toward its priorities.
3. Results are measured and publicized, and failed attempts are analyzed, but applauded as lessons learned. Both drive continuous improvement in an organization.

It's largely a mindset held by you and your employees. Now, you're probably thinking, "that sounds nice in theory, but how do I translate this into actionable steps?"

BEGIN WITH PEOPLE

Unlike strategies to transform a company's member experience, market growth, or internal efficiencies, building or deepening a culture of operational excellence is all about timing, commitment, and investment. The latter can begin immediately with C-Suite sponsorship, cost nearly nothing and show immediate rewards starting today.

The first step to adoption is to take inventory of your internal performance management cadence.

Performance management begins with an aligned set of objectives against

which each employee can be measured. It also emphasizes learning and development for a higher-level workplace performance. Statistically, a symmetric bell curve exists whereby high performers represent a small percent of the population with a corresponding percent representing low performers. Performance management in an operational excellence culture shifts the focus away from traditional once-a-year, comprehensive review activity to an ongoing form of employee engagement and accountability. It's the latter continuous improvement focus which positions your organization for growth at a lower cost. The use of new technology, consistent adherence to internal processes and procedures, and the generation of ongoing improvement ideas or quick wins all can be measured and rewarded.

ARE YOU READY TO ADAPT TO CHANGE?

The next step to implementing an operational excellence foundation is to understand the link between performance management excellence and operational excellence. Often, line managers are so caught up in managing the process, product, or project, that they don't show enough involvement in managing the people and their influence in achieving results or not. Diagnosing and managing low performance and rewarding or leveraging high performance will move your bell curve to the right.

Take a few moments to answer these self-assessment questions reflecting on your organization:

DO I HAVE A DEFINITION GAP?

- The first and foremost responsibility of management is to identify and communicate performance expectations.
- A definition gap occurs when, for whatever reason, expectations for performance behavior attitudes and results are not clear. Perhaps they were never stated, stated but not heard, stated but not understood, or stated in terms inconsistent with real management actions.
- Management owns the responsibility

to clearly define the job and expectations for performance, aligning to what is and isn't acceptable behavior.

DO I HAVE A RESOURCE GAP?

- This is another management-owned issue. The organization and the manager need to provide adequate tools or "means" for an employee to accomplish the job.
- Although the goals are clear and understood, resource constraints may limit the employee's ability to achieve the goals.
- Lack of training, experience, authority, supplies, systems, time, or support can all be root causes of a resource gap.

DO I HAVE A MEASUREMENT GAP?

- Central to providing feedback is a sound performance measurement system.
- When the goals are clear and understood, and resources are made available, performance will lag when there is a lack of measurement, or feedback on these measures isn't provided.
- In ever-evolving virtual workplace environments, measurement methods and approaches have become increasingly important as managers are not always able to physically observe employees. Accordingly, managers must rely on data for assessing productivity. These data on quality and effectiveness of virtual employees must be in place, easily understood and accurate.

DO I HAVE AN ACCOUNTABILITY GAP?

- Management must be viewed as making good on its word.
- Consequences, defined as actions, rewards, or responses that happen immediately after a behavior, establish accountability for performance expectations.
- Positive or negative, use of consequences will differentiate the negotiable goals from those that are non-negotiable.

Our final step focuses the entire organization on the business objectives that matter most, translating the big

picture to line-of-sight behaviors and actions to which employees can relate. This step requires passion and commitment from the top, visible and approachable leadership. Visible (even if remote) transformation leadership requires a robust communications and engagement model that feeds a firm's performance management cadence, the definition, resources, measurements, and accountabilities instilled for excellence company wide.

CONTINUOUS IMPROVEMENT AND GOAL ALIGNMENT MUST TAKE PRIORITY!

Deepening operational excellence in your organization, team or project doesn't need to rob you of time demanded by competing priorities. For 2022, consider a goal to establish and meet with fellow managers quarterly to reflect on your human capital, chart progress on moving your team's bell curve to the right, and speak with employees about what they like and don't like in their jobs. All of these traits will quickly reinforce your commitment to continuous improvement and weed out non-value add policies and procedures. Leveraging member and employee focus groups, surveys and town halls are excellent ways to validate alignment of core processes with employee goals. One thing is certain: The investment in transforming internal systems or processes will not produce expected returns unless operational excellence systematically transforms employee behaviors and opens the doors to adopting change. ▲

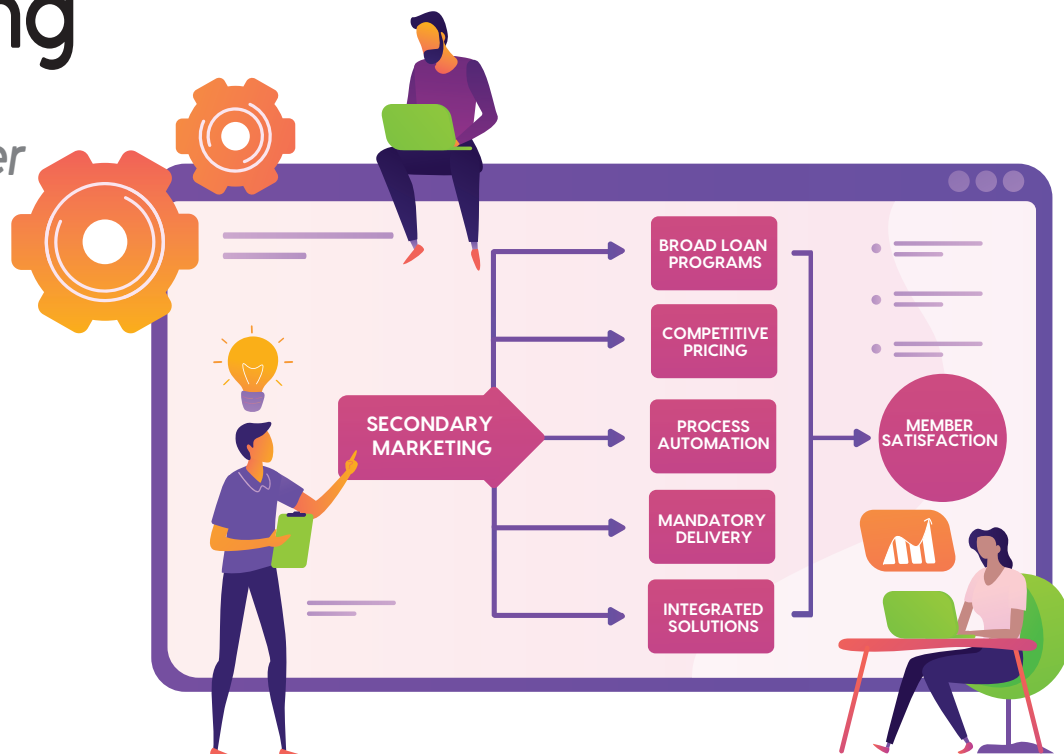
Arleen Scavone founded and was CEO of her former company Operational Excellence, a mortgage consultancy, for nearly a decade.

She continues to lead a consultancy practice with Newbold Advisors, applying a 30-year successful track record of operations, sales and service in both corporate and entrepreneurial roles.



Consider Secondary Marketing

Build a Stronger Mortgage Business While Boosting Member Satisfaction



Kevin McMahon
Optimal Blue

Whether it's growth in top-line revenue or savings through added efficiencies, credit unions constantly seek strategies to improve financially while maintaining excellent member service. Add multiple complexities of dynamics largely out of the credit union's control — including regulatory requirements, volatile origination markets and labor force challenges — and the effort to hit financial or profitability targets can become daunting. It's critical, then, for credit unions to evaluate their entire mortgage loan operation, looking for opportunities across the process that can be controlled and improved.

By definition, secondary marketing is a series of functions and processes that heavily influence financial performance. The choices a credit union makes in its approach to pricing, locking, hedging, loan sales, and more can significantly impact overall results. In its effort to improve financial performance and productivity, credit unions should re-evaluate their current approaches in secondary marketing, understand available alternatives, and make data-driven decisions on strate-

gies that drive the right results.

Let's step through several secondary marketing processes and responsibilities, highlighting five specific areas that contribute to optimizing your mortgage operation. For each of the five areas, we'll consider how process efficiencies and financial growth can be positively impacted. You'll also find a simple step-by-step action plan to help you and your team to reevaluate choices and implement strategies that can increase your operation's profit-

ability while still keeping member service front and center.

1. Ensure access to a broad range of loan programs to serve more members.

Acquisition costs remain a significant expense in today's mortgage business. But spending time and money to onboard originators, solicit borrowers, and assess a member's situation only to discover you don't have a loan program that fits their needs is not a recipe for

member satisfaction. If your origination team members are going to be successful, they must have access to a wide array of investors whose loan programs fit the spectrum of borrower scenarios. Expanded credit products and jumbo loans, for example, have grown significantly over the past several years. There are potential borrowers who already exist within your credit union membership that you can help become homeowners if you have access to the right loan programs. Your product and pricing engine solution must be able to search and compare the right products instantly, explain why some products may not be available, and show your borrower steps that could be taken to make a loan program viable. It all comes down to delivering the best execution across all investor and portfolio products in real-time.

2. Confidently deliver a competitive, profitable price.

In our on-demand, search-anytime world, competitive pricing is critical. True, some members will pay for an amazing experience, but they still expect a competitive rate. So, it's important for credit unions to understand the marketplace and offer pricing that's balanced with profitability, all the while ensuring the pricing strategy isn't so aggressive that money is left on the table.

Market pricing transparency for different types of loans or credit characteristics in your specific geographic region is a key ingredient to a sound pricing strategy. Your mortgage team should acquire tools that provide pricing intelligence for loans locked that day to help them determine the pricing they'll extend to the market. Keep in mind that many pricing intelligence tools simply collect rate data through lender surveys. But that's a slow, manual process, and again, it's merely survey data rather than actual locks. To maximize competitiveness, credit unions should seek pricing transparency solutions that

deliver nearly real-time lock activity data to make informed decisions faster.

Mortgage lenders may have accurate data to set a competitive pricing strategy, but they also need flexible tools to manage margins granularly. This is why a robust product and pricing engine is rapidly becoming a necessity, and not just an option. Lenders need tools that enable easy margin management, applying markups, or other adjustments down to the branch, lender and user level. Ease of applying margins is also a consideration with some PPEs allowing for updates via API or file import. In addition, visibility into profitability reporting facilitates clear communication with the finance team and will help ensure a stronger business.

3. Rely on automation for process efficiency, speed and accuracy.

Process automation is all about reducing unnecessary steps and manual touchpoints that slow your business down. In the process-heavy mortgage business, credit unions are smart to periodically examine their enterprise to ensure bottlenecks are eliminated. Let's review two processes that are easy to implement and provide significant returns.

First, a traditional lock desk is a significant portion of the overall expense for mortgage lenders. Historically reliant on manual processes, the lock desk can be automated so your team can move to other, higher-value tasks. Consider the time savings of automatically locking the loan, lock changes and extensions, granting of exceptions and more. Such automation ensures that configured policies are strictly followed, and each scenario



Spending time and money to onboard originators, solicit borrowers, and assess a member's situation only to discover you don't have a loan program that fits their needs is not a recipe for member satisfaction.



is treated consistently. Credit unions that move to lock desk automation wonder why they waited so long to reduce the expense, improve the process, and worry less about compliance.

Second, mortgage insurance (MI) is a key product that helps thousands of members achieve the homeowner-ship dream. As many lenders will attest, the time and effort required to price mortgage insurance can be onerous. While the extra steps ensure the member is getting the best offer, those extra steps take time that cannot be recovered. With the right tools, lenders can enter data once, retrieve pricing from each of their MI partners, and easily compare it. The credit union mortgage team still provides the very best service for members, but without the manual work that only consumes limited resources and effort.

4. Consider a switch from best efforts to mandatory—it's not as daunting as you may think.

Delivering on a best-efforts basis is considered a straightforward, conservative strategy that largely eliminates interest rate risk. Of course, in exchange for transferring interest rate risk to the investor via best-efforts delivery, the pricing investors offer for your loans is naturally lower. So, when considering new paths to profitability within your credit union mortgage operation while also creating improved workflow efficiencies, shifting to mandatory delivery should be considered. The pricing spread credit unions can expect when delivering mandatory ranges generally from 20 bps to 40 bps. Given that the move to mandatory delivery would require hedging, these risks need to be managed by someone with hedging expertise. In many cases, this skill set may not be present within your credit union. Therefore, outsourcing to an experienced hedge advisory firm is highly recommended. The hedge



The choices a credit union makes in its approach to pricing, locking, hedging, loan sales, and more can significantly impact overall results.



advisor will help model risks, hedge your locked pipeline and sell your loans. Leading hedge providers will offer an integrated platform where the PPE is integrated fully with the hedge platform as well as most leading loan origination systems. That means locks made in the pricing engine and locked pipeline data from the LOS flow seamlessly into the hedge pipeline ensuring the position is updated. For credit unions seeking greater profitability from their growing mortgage business, it's clear that a well-supported mandatory delivery strategy is the next logical step, and one to be embraced, rather than feared.

5. Demand an integrated, enterprise-level secondary marketing solution.

The mortgage industry is experiencing digitization at every level as borrowers — and smart originators — continue to demand solutions that reflect their online lifestyle. It's a positive change that has resulted in a wide range of innovative technology solutions that can streamline various parts of the process. That said, credit unions should be mindful of implementing point solutions that solve specific pain points. While one problem area may be solved, the growing tech stack may become harder to integrate, manage and deploy. Credit unions should not accept processes requiring re-keying data or "stare-and-compare" work that has no value. Consider a provider that addresses critical opportunities with a single, integrated solution that can solve immediate pain points and scale as your business grows.

Much like the digital devices in every pocket, credit unions should align with technology vendors committed to open platforms that enable connections with best-of-breed solutions. Think of the mortgage platform as the phone in your pocket equipped with apps that streamline your work and personal life. Expect such platforms to offer a rich set of robust APIs that streamline integrations. After all, technology should be working for you, not causing more work.



■ QUESTIONS AND ACTIONS FOR CREDIT UNION LEADERS TO CONSIDER:

Let's uncover the opportunity that's hiding in the five secondary marketing areas of your mortgage operation. Consider these simple, yet actionable steps you can take to identify opportunities with the support of mortgage technology experts.

■ MARKET ACCESS

Discuss your lead-to-application rates and application-to-close rates with your originators. What portion of that fallout may have been avoided through ready access to more loan options? Are there steps your team is taking to get access to new and different loan programs, and could a single, central tool simplify the way they work?

■ COMPETITIVE INTELLIGENCE

Think about how you assess the competitiveness of your pricing strategies today. Do you rely simply on win rates and anecdotal feedback from your originators? Now think about whether you're comfortable competing with others who have real-time access to the actual pricing on loans being locked in your market. Does that make you feel like you are trying to compete with fewer tools?

■ PROCESS AUTOMATION

Talk to your team and ensure you have a clear view of the current state of locking processes, lock management, concessions and extensions. How much of that time and effort adds value, and would automation enable your team to focus on other tasks? For many, automation has made sense and they've never looked back.

■ DELIVERY STRATEGY

Make sure you have a solid understanding of the basics of best efforts versus mandatory delivery, and why it can boost profitability. If you already deliver on a mandatory basis, are you using market-leading analytics to optimize your delivery strategy? Get a view of different strategies to fully optimize your loan pools for profitability.

■ OVERALL TECH STACK

With originations declining, now might be the right time to revisit your tech stack. As the industry moves toward more digitization, are you evolving your organization to remain relevant? Do you have an integrated industry-leading solution that covers multiple, critical parts of your mortgage business? Or are you deploying point solutions that must be individually managed, contracted, maintained, and integrated?

Kevin McMahon is a VP at Optimal Blue, a division of Black Knight. In this role, he manages Client Services for the Optimal Blue PPE — the industry's most widely used product, pricing and eligibility engine — and also leads the product organization for Optimal Blue's hedging and trading solutions.



Kevin McMahon



Meet the President

Cultivating a Passion for Service

By Michael Muckian

Peter Benjamin, CMB already has a career's worth of experience making mortgage loans and managing mortgage lending departments. In 20 short years he's worked his way up the career ladder at eight different mortgage lending institutions, even serving as mortgage training instructor at \$112 billion Navy Federal Credit Union, the world's largest financial cooperative.

With such an impressive track record, you'd think the Washington, D.C.-area native would sit back, take some time and rest on his laurels. But Benjamin, 42, is just getting started. In March, he became president of the American Credit Union Mortgage Association (ACUMA). It's his dream job, the president says, because it gives him the opportunity to help credit union mortgage lenders focus less on the loans they make and more on the mem-

bers who receive them.

"I learned early that mortgages reach beyond just the printed contract and into the hearts of credit union members," Benjamin says. "Taking out a mortgage will be the most significant financial contract many members will make in a lifetime. Having a home will help them grow their wealth, establish a foothold in a community, and provide a safe and secure place for them to raise their families. In my

mind, there is nothing more important than that."

Those who know Benjamin have heard this mantra before. If an individual can have a mission statement, Benjamin's would stress the sanctity of homeownership and emphasize the goal of putting as many credit union members in their own homes as possible. To him, a mortgage lender's job is simply that.

Benjamin, who was born in D.C. and grew up in and around the city's metro area, was the older of two siblings. He attended school and played sports, eventually becoming an Eagle Scout, the first of numerous leadership positions he would hold. He participated in many different sports, but excelled at lacrosse, playing throughout middle and high school.

It was while in college that he first became exposed to mortgage lending, joining a firm part-time at the invitation of a friend who was employed there. He enjoyed the work and he enjoyed the people. But the more he learned about mortgages, the more he understood their value and power to help borrowers form the foundation of their finances. Soon mortgages became more than just financial transactions to Benjamin, and it also became his life's work.

"I fell in love with the process," Benjamin says. "It was fun, and it was fast-paced. Having waited tables and tended bar, I knew what that was like. As I progressed through my career, I started talking to borrowers and began to see the faces behind the loans. My mindset shifted, and passion for the work carried me forward."

Most of Benjamin's mortgage experience came through institutions in his native D.C. area with the exception of a five-year turn in Dallas, Texas, for Capital One.

"I didn't like the heat," he says, "but that is where I met my lovely wife Danielle and I convinced her to return to D.C. with me." The pair settled in Maryland, where they currently are raising three children — a son Bryce, 4, and identical twin daughters Riley and Harper, who recently turned 2 years old.

Prior to joining ACUMA, Benjamin served as senior vice president of mortgage lending at \$1.4 billion Lafayette Federal Credit Union in Rockville, Maryland, where he was responsible for all aspects of



Peter Benjamin in his at-home brewery.

the mortgage and home equity lending process. He also implemented a first-time home buyer and construction loan programs.

Benjamin also serves as advisory council member for the Transformative Leadership in Disruptive Times Executive Program at George Washington University. He is a certified Six Sigma Black Belt and a Certified Mortgage Banker.

During his limited free time, Benjamin is an avid homebrewer with a 20-gallon setup that's able to brew up to five gallons simultaneously. Hoppy beers are a personal favorite, but his wife enjoys more malt-forward brews, giving him a well-rounded portfolio of types.

"My signature beers are porters and ambers," Benjamin explains. "In my opinion, both are very good, and they're the ones that people request well before they're ready. I also do a very good pale ale and a pumpkin pie porter that I love.

"I once brewed a Lucky Charms cream ale," he admits. "I won't be doing that again."

He also still carries on his lifelong interest in sports, particularly the NFL, maintaining love/hate relationships with the team now called the Washington Commanders. He's also a fan of the Denver Broncos, largely due to past quarterbacks John Elway and Peyton Manning. Good QBs is something the home teams seem to struggle with, he says.

"Yes, D.C. had Theismann, Rypien and Williams, who all won Super Bowls," Benjamin complains. "But look at all the quarterbacks they've had lately. I think it's something like 30."

Well, there's always next season. 

Michael Muckian is the editor of Pipeline.



ACUMA POWER TURN IT ON DEEP-DIVE NASHVILLE WORKSHOP NOTES

A capacity crowd gathered at the Sheraton Grand Downtown in Nashville, Tennessee, May 3-4, for this year's first Deep Dive Workshop. A full brace of hot topics, mortgage experts and motivated students made this one of the liveliest workshops in recent memory. We hope though this collection of candid shots and cogent comments that we can share some of the excitement of this year's event with you.





■ A hearty thanks and appreciation for all that Krista, Peter and the ACUMA Board do for all of us credit unions. I've been a part of ACUMA for more than five years now, and I'm continually blown away by the content and the "real world conversations" that the Roundtable sessions provide.

I really enjoyed Elizabeth Sullivan's "Effective Advocacy for Credit Unions" update, a great way to give a behind-the-scenes look at opportunities for credit union advocacy with our political leaders, as well as understanding potential regulatory changes and how we can influence local lawmakers. And, as usual, the flexible networking schedule always makes it a treat to reconnect with old friends and meet new people!

Todd Lambright
SVP MX and Delivery
Georgia Federal Credit Union
Duluth, GA

■ One of the sessions I enjoyed the most was the Credit Union Roundtable. I always appreciate anytime I can connect with my peers at other credit unions to talk about hot topics. I gained a lot of insight on what other credit unions are doing to grow purchase business. While we have been focused on that at Elements over the last several years, it is always

helpful to hear what others are doing. I took away several new ideas on what our credit union can do to continue to be a dominant lender here in the Indianapolis area.

Julie Bowering
VP and Director of Mortgage Lending
Elements Financial
Indianapolis, IN

■ I really enjoyed the MLO Comp Panel discussion for a few specific reasons:

1) There were four different credit unions of various asset sizes representing different parts of the U.S. No two were exactly the same in how they operated, and to me that really emphasized that there is no one-size-fits-all best model for credit union mortgage shops. Everyone is different, unique, and complex, and what works for one might not work well for another.

2) There was one very large credit union represented that shocked almost everyone with their comp model, in that they really don't pay their MLO's comp! And it was working for them! They pay a mid-level salary and benefits, obviously, but that's it. This showed me that there are ideas and practices not commonly used that can still work if implemented properly.

Finally, it was the willingness of each speaker to share detailed information about each of their credit unions that really hit home with me as far as what ACUMA and really what credit unions are all about. We truly want each other to succeed, and are happy to help out our fellow credit unions. Cooperation with competitors in a competitive industry...coopetition. I'm very thankful for sessions like this, and for ACUMA hosting events like this. I look forward to more events in the future!

Aaron Craig
VP Mortgage and Indirect
Georgia's Own Credit Union
Atlanta, GA

■ The ACUMA Workshops are always in my budget, and are some of my favorite events to attend. The Spring Nashville installment did not



disappoint. I find there is a greater degree of accessibility with other credit union lenders, and I always come away with new friends who I stay in touch with long after for advice and insight.

One of the highlight workshop sessions for me was the "Real Time Economic and Interest Rate Discussion" from Bill Bodnar of Tabrasa, LLC. Having sat through my fair share of economic and market updates, Bill brought a level of energy and insight that is rare around this subject matter. His wealth of knowledge on the mechanics of how the mortgage rate environment works and his ability to convey it made this one of the event's highlights for me.

Andrew Woodman
VP Mortgage Lending
Georgia United Credit Union
Duluth, GA



Pain Beyond the Pump

*High Oil prices Impacting the Economy,
Housing, and the Fed*

*By Bill Bodnar
Tabrasa LLC*

“Pain at the pump” isn’t a new concept for American consumers, but it’s currently what the U.S. economy is dealing with as oil remains above \$100 a barrel for the first time in seven years. Let’s look at what high energy prices are doing to the broader economy and housing as the pain begins to stretch beyond the pump.



THE TALE OF TWO INFLATIONS

You don't have to go far to hear people talking about how inflation is soaring. It is important to remember when the business channels and media outlets talk about inflation there are two types — headline inflation, which includes energy and food costs, and core inflation, which excludes food and energy.

Consumers can't avoid headline or energy-related costs. We all must drive, heat our homes, and eat (although some of us would like to eat less). Diesel prices have also been moving sharply higher, and it's a major input cost in food due to the transportation and distribution needs. Whether it's the mills, plants, tractors, or shipping, higher diesel costs run throughout the food supply chain.

Both higher energy costs and headline inflation are making an impact on consumers and corporations. Best Buy, Target, and Wal-Mart all reported shrinking margins due to higher energy and shipping costs, but also lower sales of larger items like televisions and exercise equipment since people are spending so much on daily essentials that they pass on other items.

PERSONAL SAVINGS RATE DECLINING FAST



There are two types of inflations — headline inflation, which includes energy and food costs, and core inflation, which excludes food and energy.



Look at the right side of the chart above from the St. Louis Federal Reserve. The Personal Savings Rate is falling fast, which means consumers are dipping into savings to help pay the higher costs for everything, including energy and daily essentials. Why is this a concern? Consumer Spending makes up nearly two-thirds of our Gross Domestic Product (GDP). If the consumer retreats, we could see the U.S. slip into a recession, defined as two consecutive quarters of negative growth. With the first quarter GDP contracting by 1.5%, we will be close to a “textbook” recession within the

1st half of 2022.

NEW SINGLE-FAMILY HOMES

April new home sales highlighted the additional costs, due in part to higher energy prices, required to build a home. In all, 591,000 units

were sold, representing a 27% decline from April 2021. Moreover, the 444,000 new homes available for sale represent a 9-month supply at the current sales pace.

The median home price was \$450,600, which is pricing a lot of borrowers out of the market. Expect new single-family home construction and sales to remain under pressure as higher oil and diesel prices, coupled with supply chain and labor issues, make new single-family homes too expensive for a borrower dealing with record gas prices and higher mortgage rates, let alone a 25% decline in stocks through May.

The good news? If home prices remain stable and even decline modestly, it would be healthy for a housing market that was experiencing unsustainable home price gains from 2020 until now.

THE FED'S ROLE IS LIMITED

In the mortgage industry, we've already endured a material increase in mortgage rates as the Fed “jawboned” the financial markets with tough, hawkish rhetoric since November 2021. But can the Fed follow through



Consumer spending makes up nearly two-thirds of our Gross Domestic Product. If the consumer retreats, we could see the U.S. slip into a recession.





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If home prices remain stable and even decline modestly, it would be healthy for a housing market that was experiencing unsustainable home price gains.

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cal environment, today things are quite the opposite.

Look at the Oil/Barrel Rates chart above. We are in uncharted waters. The shaded areas show oil prices above \$100 in the last 20 years. The Federal Reserve has NEVER hiked rates when oil traded above \$100. Until now.

with the expectations they set of multiple rate hikes and shrinking of their balance sheet, and will it help lower oil prices?

Fed rate hikes will not lower oil prices — unless they overdo the hikes and slip the U.S. economy into a recession — which is a distinct threat. Back in 2014 to 2015, oil prices declined sharply due in part to recession fears, but also because our domestic production was soaring, and we had a calmer geopolitical

HIGH OIL DOING FED'S JOB

The additional cost of daily essentials, thanks to those higher oil prices, is doing the job of the Fed. It's slowing demand to get more in balance with supply. It appears the Federal Reserve is acknowledging how fast consumer sentiment and behavior are changing in response to high oil prices. Fed President Raphael Bostic recently suggested .50% rate hikes in June and July and then a pause. St. Louis Fed President James Bullard, who has been the most hawkish of the Fed members, is now saying a .50% hike seems like a “good plan”.

THE BOTTOM LINE

Higher energy costs are an economic threat that the Federal Reserve can't fix with higher rates or selling bonds

“

Fed rate hikes will not lower oil prices — unless they overdo the hikes and slip the U.S. economy into a recession, which is a distinct threat.

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from its balance sheet. Let's hope we experience some relief in energy prices, which would also provide much needed relief in food inflation. In the absence of some sustainable relief, costs could impact housing as the inability to save and lack of confidence to take on new debt could slow demand further.

There is good news. The U.S. Bond market, which the Fed can't control, has already shown signs of rate peaks. The 10-year note recently hit a peak of 3.20%, that is keeping a 40-year trend of the 10-year yield making lower lows and lows highs intact. For now.

Couple stable rates with a tight labor market and we should see housing thrive in the second half of 2022. ▲

Bill Bodnar is currently Chief Revenue Officer of Tabrara LLC, as well as Chief Market Analyst for the Mortgage Market Guide, a market intelligence solution being used by thousands of mortgage lending officers across the country every day. He is also a partner of The Bourbon Room, an '80s themed nightclub, in Hollywood, California.



Bill Bodnar

REVIEW DATA FOR THE TOP 300 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	47,619,509,186	360,391,966,516	15,599,214,282	243,420,781,689	1,354,309,517,087
All Originating CUs (2,773 CUs)*	58,144,298,386	498,274,485,907	17,616,072,467	276,272,803,799	2,076,855,427,343
Top 300 Share	81.9	72.3	88.6	88.1	65.2

*CUs who granted \$10,000 or more 01/22 - 3/22

Top 300 First Mortgage-Granting CUs as of March 31, 2022

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	Pentagon	\$5,983,268,068	\$12,092,208,726	\$4,398,123,895	\$19,523,514,887	\$35,384,958,876
2	VA	Navy	\$5,435,767,381	\$45,093,567,720	\$1,924,432,702	\$34,233,903,863	\$160,440,596,270
3	NC	State Employees'	\$2,062,402,910	\$19,627,458,689	\$0	\$67,834,232	\$53,143,594,783
4	MI	Lake Michigan	\$947,799,802	\$5,176,128,350	\$515,089,444	\$8,554,972,440	\$12,113,181,915
5	ID	Idaho Central	\$847,734,003	\$2,682,769,088	\$268,711,616	\$4,087,259,491	\$8,664,596,407
6	CA	First Tech	\$714,021,856	\$4,557,617,446	\$192,085,425	\$4,375,996,866	\$15,010,950,182
7	CA	SchoolsFirst	\$699,754,913	\$6,762,286,708	\$148,000	\$1,613,459,612	\$27,888,476,138
8	WA	BECU	\$686,745,708	\$5,710,178,204	\$221,871,083	\$4,645,618,213	\$30,443,892,046
9	UT	Mountain America	\$594,905,720	\$2,801,957,080	\$79,558,114	\$2,048,377,813	\$14,586,918,393
10	CA	Golden 1	\$593,603,119	\$4,780,105,704	\$54,675,046	\$956,378,870	\$18,644,189,696
11	CA	San Diego County	\$565,253,476	\$3,687,337,283	\$0	\$209,251,289	\$11,232,051,181
12	CA	Logix	\$531,239,337	\$3,602,539,845	\$31,840,689	\$1,986,505,819	\$9,021,782,737
13	TX	Security Service	\$495,640,292	\$3,481,676,566	\$25,141,067	\$1,249,949,592	\$10,806,907,828
14	OR	OnPoint Community	\$452,414,813	\$2,224,290,203	\$252,941,894	\$4,270,945,728	\$9,385,084,591
15	NY	Bethpage	\$444,816,866	\$2,982,009,218	\$376,737,771	\$6,531,977,029	\$11,542,838,905
16	NY	USAlliance Financial	\$406,047,466	\$942,339,645	\$0	\$191,145,879	\$2,378,489,517
17	TX	Randolph-Brooks	\$376,592,654	\$4,524,739,653	\$15,109,570	\$657,574,014	\$15,363,038,174
18	WI	Summit	\$360,773,976	\$2,019,014,709	\$212,620,447	\$3,073,894,542	\$4,919,299,458
19	CO	Elevations	\$349,493,959	\$1,228,203,280	\$272,558,597	\$4,414,460,417	\$3,406,182,270
20	FL	Suncoast	\$338,968,976	\$4,106,665,486	\$0	\$137,082,665	\$15,330,216,039
21	TX	Amplify	\$321,615,220	\$455,271,586	\$24,269,572	\$1,249,684,688	\$1,328,497,255
22	NY	United Nations	\$320,211,644	\$3,539,354,268	\$4,205,580	\$283,757,680	\$7,655,545,623
23	IN	Evansville Teachers	\$315,161,689	\$1,396,510,610	\$182,721,883	\$2,512,133,668	\$2,965,251,262
24	MN	Affinity Plus	\$309,806,178	\$1,538,177,196	\$36,696,117	\$1,334,176,895	\$3,856,198,215
25	UT	America First	\$279,204,024	\$714,631,963	\$196,516,750	\$3,417,417,466	\$17,571,184,086

Continued →

Top 300 First Mortgage-Granting CUs as of March 31, 2022

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	CO	Ent	\$278,145,062	\$3,402,377,638	\$241,049,886	\$1,745,200,016	\$8,816,571,773
27	CA	Star One	\$273,528,362	\$4,164,838,041	\$0	\$3,617,678	\$11,056,981,736
28	MA	Digital	\$265,226,662	\$1,882,058,797	\$117,168,576	\$2,615,351,010	\$9,859,329,508
29	AK	Alaska USA	\$261,880,200	\$1,695,045,650	\$129,096,548	\$4,833,910,453	\$10,863,108,333
30	WI	University Of Wisconsin	\$256,061,524	\$1,145,463,796	\$194,377,899	\$3,657,687,751	\$4,968,131,584
31	CA	Travis	\$254,025,269	\$1,686,976,758	\$26,958,037	\$693,170,708	\$4,779,243,142
32	DC	Bank-Fund Staff	\$253,732,756	\$3,035,989,505	\$0	\$106,412,632	\$6,593,281,832
33	CA	Kinecta	\$249,740,464	\$2,385,167,122	\$159,469,520	\$2,325,164,771	\$6,749,597,650
34	TX	University	\$245,348,598	\$887,990,253	\$213,813,796	\$2,355,331,259	\$4,157,393,513
35	MN	Wings Financial	\$231,087,039	\$2,753,463,045	\$0	\$727,793,365	\$7,918,571,163
36	TX	American Airlines	\$230,884,630	\$3,133,986,806	\$0	\$0	\$9,384,847,156
37	MD	NASA	\$228,822,360	\$1,312,115,991	\$26,656,646	\$79,539,468	\$3,749,184,346
38	TN	Eastman	\$217,683,819	\$3,056,242,397	\$0	\$1,076,839	\$7,517,641,553
39	UT	Utah Community	\$215,678,954	\$459,050,253	\$81,976,266	\$1,126,157,639	\$2,533,512,878
40	IA	GreenState	\$215,019,591	\$2,500,368,869	\$189,816,691	\$59,161,088	\$9,479,596,073
41	IL	BCU	\$213,327,497	\$2,037,200,863	\$88,575,081	\$2,604,727,403	\$5,402,322,226
42	NC	Truliant	\$211,423,896	\$475,891,228	\$773,234	\$366,887,527	\$3,987,747,415
43	IA	Veridian	\$206,980,944	\$1,179,814,421	\$74,406,533	\$3,032,240	\$5,975,034,709
44	FL	VyStar	\$204,990,213	\$3,195,224,328	\$0	\$319,708,222	\$12,394,489,962
45	NC	Local Government	\$200,313,596	\$1,631,344,657	\$0	\$0	\$3,496,308,195
46	NY	State Employees	\$199,637,421	\$1,149,766,189	\$110,066,129	\$2,635,362,067	\$5,587,845,522
47	WI	Landmark	\$193,401,026	\$1,151,612,317	\$140,282,366	\$2,907,530,567	\$6,059,560,919
48	CA	Premier America	\$191,972,350	\$1,821,271,172	\$4,813,521	\$135,388,069	\$3,436,154,202
49	KS	CommunityAmerica	\$191,698,591	\$738,900,596	\$319,710,384	\$2,742,361,205	\$4,608,264,051
50	CA	Patelco	\$188,302,587	\$2,875,822,112	\$80,979,868	\$1,248,181,572	\$9,022,016,251
51	CA	Mission	\$184,596,150	\$1,198,026,445	\$0	\$1,176,632,413	\$5,449,314,283
52	SC	Founders	\$181,292,576	\$1,504,120,741	\$0	\$0	\$3,921,322,119
53	CA	Redwood	\$174,980,350	\$2,139,017,310	\$11,547,600	\$907,168,205	\$7,597,268,127
54	NC	Coastal	\$173,326,147	\$653,553,755	\$92,296,145	\$1,958,716,053	\$4,770,505,482
55	GA	Delta Community	\$173,157,337	\$2,001,550,885	\$60,619,495	\$782,490,471	\$9,181,736,706
56	CA	Financial Partners	\$173,130,500	\$662,578,571	\$79,229,263	\$1,590,333,239	\$1,949,732,341
57	MD	State Employees Credit Union of Maryland	\$169,661,437	\$2,186,355,345	\$14,500,046	\$0	\$4,908,707,726
58	WI	Altra	\$166,186,268	\$786,002,580	\$64,780,282	\$1,427,088,751	\$2,258,239,915
59	VA	Apple	\$162,930,083	\$1,055,724,848	\$53,007,206	\$773,455,920	\$3,909,441,216
60	AZ	Desert Financial	\$160,739,951	\$491,151,435	\$0	\$667,622,400	\$8,374,092,799
61	CO	Credit Union Of Colorado	\$158,152,284	\$486,507,435	\$11,751,416	\$299,702,349	\$2,365,183,656
62	OH	Wright-Patt	\$157,819,898	\$1,661,799,018	\$40,884,350	\$3,912,240,642	\$7,203,832,472
63	FL	Space Coast	\$156,458,582	\$1,877,520,198	\$0	\$635,751,280	\$7,098,426,141
64	CA	Partners	\$155,578,134	\$746,214,986	\$19,415,125	\$976,576,884	\$2,513,033,344
65	CA	Chevron	\$155,109,648	\$2,799,176,471	\$0	\$4,855,539	\$4,895,186,555
66	MN	TruStone Financial	\$153,999,320	\$917,409,560	\$113,559,457	\$1,493,143,329	\$4,037,384,828
67	MI	United	\$151,866,674	\$1,084,902,228	\$96,081,550	\$1,079,279,567	\$3,885,454,747
68	PA	Police And Fire	\$151,472,118	\$3,268,300,950	\$44,279,568	\$611,974,394	\$7,793,088,715
69	NY	CAP COM	\$143,386,828	\$1,161,701,680	\$51,766,935	\$1,293,746,873	\$2,774,491,450
70	WI	Royal	\$141,465,669	\$465,474,905	\$99,007,184	\$2,063,261,133	\$4,132,945,702
71	TX	TDECU	\$140,045,067	\$1,503,783,383	\$52,893,739	\$939,673,237	\$4,735,068,018
72	RI	Navigant	\$136,209,600	\$1,493,928,223	\$1,697,500	\$259,682,054	\$3,218,866,921
73	CA	Stanford	\$133,143,499	\$1,675,013,508	\$565,500	\$475,592,283	\$3,952,289,716
74	RI	Coastal	\$132,569,415	\$1,581,988,565	\$694,000	\$129,947,386	\$2,890,130,554
75	MI	Genisys	\$131,893,571	\$724,430,966	\$40,246,896	\$40,163,137	\$4,116,393,228
76	CA	Provident	\$131,509,123	\$1,125,574,790	\$48,415,593	\$1,691,984,908	\$3,574,012,348
77	WA	STCU	\$129,710,180	\$1,451,013,201	\$14,690,850	\$463,176,195	\$5,009,602,487
78	TX	Texas Tech	\$128,573,887	\$26,777,160	\$78,573,631	\$0	\$339,305,787
79	IL	Alliant	\$127,239,487	\$4,408,380,716	\$33,110,802	\$760,041,597	\$15,439,540,743
80	FL	IThink	\$124,823,363	\$969,365,280	\$4,335,550	\$312,802,057	\$1,983,203,014

Top 300 First Mortgage-Granting CUs as of March 31, 2022

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	PA	Members 1st	\$124,729,762	\$679,618,008	\$55,985,876	\$874,369,820	\$6,513,067,608
82	WI	Community First	\$123,198,090	\$1,760,405,771	\$349,850	\$629,462	\$5,101,890,922
83	CA	SAFE	\$122,898,950	\$1,158,210,615	\$0	\$756,893,558	\$4,544,517,319
84	UT	Goldenwest	\$120,603,176	\$285,593,923	\$93,396,551	\$0	\$2,611,270,740
85	CA	California	\$119,553,992	\$836,770,855	\$0	\$684,954,218	\$4,321,416,962
86	ME	Maine Savings	\$119,358,081	\$154,972,308	\$0	\$0	\$568,537,171
87	FL	Fairwinds	\$118,484,226	\$1,218,049,744	\$13,498,417	\$569,345,621	\$4,158,984,200
88	CA	Wescom	\$118,458,236	\$1,516,102,756	\$2,992,442	\$593,563,314	\$5,892,739,579
89	VA	Virginia	\$116,628,109	\$823,332,562	\$91,489,490	\$1,302,715,983	\$5,044,803,867
90	VT	New England	\$116,269,979	\$1,052,957,577	\$38,352,966	\$1,604,937,099	\$1,960,999,655
91	PA	Citadel	\$111,520,177	\$2,229,907,822	\$9,432,364	\$328,797,958	\$4,826,658,381
92	NY	ESL	\$111,059,555	\$866,476,702	\$58,674,339	\$1,349,964,584	\$9,243,670,494
93	CA	Valley Strong	\$110,294,506	\$1,108,739,770	\$0	\$126,522,427	\$3,623,895,023
94	MI	Michigan State University	\$110,132,378	\$1,799,073,846	\$1,121,280	\$28,232,575	\$6,840,936,011
95	IN	3Rivers	\$109,669,565	\$547,669,644	\$94,378,070	\$1,082,203,491	\$1,969,523,098
96	FL	MidFlorida	\$108,348,364	\$1,126,916,979	\$42,913,884	\$789,598,138	\$6,522,702,828
97	WA	Washington State Employees	\$107,286,117	\$1,127,381,093	\$8,503,150	\$791,650,664	\$4,705,925,522
98	TX	A+	\$105,810,920	\$759,779,838	\$0	\$45,847,861	\$2,506,185,256
99	CA	Technology	\$102,924,880	\$867,657,457	\$0	\$7,160,354	\$4,155,260,685
100	DC	Department Of Commerce	\$100,983,873	\$374,606,346	\$0	\$38,065,283	\$666,448,102
101	WA	Gesa	\$100,436,537	\$818,793,935	\$8,799,369	\$674,942,004	\$5,095,270,332
102	IA	Collins Community	\$99,939,361	\$421,942,837	\$7,084,881	\$34,466,747	\$1,484,405,524
103	IL	CEFCU	\$99,749,685	\$2,322,928,498	\$0	\$57,685,742	\$7,984,473,602
104	AR	Arkansas	\$99,634,943	\$356,502,328	\$25,328,341	\$407,303,223	\$1,854,898,019
105	PA	Pennsylvania State Employees	\$99,468,423	\$1,760,997,548	\$0	\$81,464,869	\$8,334,003,468
106	IL	Deere Employees	\$99,345,934	\$781,230,341	\$24,010,655	\$474,984,956	\$1,808,617,269
107	IN	Teachers	\$98,079,756	\$1,117,763,736	\$13,674,793	\$269,797,706	\$4,533,078,202
108	CO	Bellco	\$94,573,336	\$1,306,411,660	\$57,000,000	\$596,501,313	\$6,651,181,145
109	MI	Michigan Schools and Government	\$94,320,941	\$1,101,537,322	\$9,572,430	\$123,315,530	\$3,149,423,711
110	WI	Educators	\$94,273,586	\$972,546,298	\$23,709,819	\$785,808,212	\$3,122,836,517
111	TN	ORNL	\$92,915,446	\$1,234,105,467	\$2,627,955	\$259,254,319	\$3,152,375,158
112	VA	Northwest	\$91,253,300	\$770,934,678	\$15,217,433	\$1,519,080,066	\$4,315,358,694
113	IA	Dupaco Community	\$89,716,557	\$482,093,676	\$44,553,075	\$861,247,584	\$2,713,480,746
114	MA	Jeanne D'Arc	\$89,425,584	\$829,511,208	\$9,395,200	\$124,152,433	\$1,837,810,519
115	AZ	OneAZ	\$87,342,614	\$474,609,979	\$6,784,140	\$713,578,365	\$3,139,353,649
116	VA	Langley	\$86,915,735	\$890,839,943	\$0	\$241,342,661	\$4,459,708,048
117	AL	Redstone	\$84,126,864	\$949,147,604	\$6,557,663	\$617,550,325	\$7,926,043,123
118	MI	Safe Harbor	\$83,800,534	\$37,973,834	\$650,454	\$36,094,178	\$119,595,360
119	CA	Orange County's	\$81,039,574	\$705,293,813	\$16,546,461	\$557,216,137	\$2,406,801,621
120	TX	Credit Union of Texas	\$80,255,434	\$343,836,173	\$13,427,307	\$0	\$1,915,020,398
121	NY	Visions	\$80,031,755	\$1,541,148,198	\$0	\$40,879,660	\$5,627,088,751
122	CA	UNIFY Financial	\$78,307,691	\$825,645,745	\$0	\$755,385,680	\$4,088,893,020
123	IN	Elements Financial	\$78,114,375	\$762,974,153	\$20,740,118	\$0	\$2,173,675,244
124	WA	Numerica	\$77,517,346	\$462,986,136	\$43,995,555	\$786,138,389	\$3,526,958,254
125	NJ	Affinity	\$77,295,544	\$1,779,908,517	\$0	\$126,270,980	\$3,884,853,655
126	CA	Firefighters First	\$75,880,361	\$692,485,273	\$14,128,744	\$223,929,388	\$2,100,457,208
127	MA	Metro	\$75,525,355	\$945,606,427	\$25,123,017	\$1,064,427,609	\$2,644,497,821
128	SC	South Carolina	\$75,388,150	\$746,648,299	\$15,274,953	\$474,086,107	\$2,494,870,871
129	MI	DFCU Financial	\$74,506,056	\$465,057,461	\$60,680,709	\$874,882,624	\$6,403,962,422
130	NY	Sunmark	\$71,680,696	\$264,753,326	\$26,461,621	\$10,453,427	\$999,393,342
131	OR	Oregon Community	\$71,674,187	\$590,759,766	\$0	\$556,262,491	\$2,924,495,518
132	TX	Navy Army Community	\$71,350,170	\$1,052,980,218	\$0	\$151,855,053	\$4,179,051,421
133	CA	Meriwest	\$71,291,100	\$574,374,625	\$4,042,792	\$602,881,683	\$2,070,378,327
134	MT	Whitefish	\$71,276,655	\$757,953,917	\$0	\$0	\$2,137,884,655
135	OH	General Electric	\$70,517,672	\$812,241,534	\$0	\$20,652,006	\$3,874,801,184

Top 300 First Mortgage-Granting CUs as of March 31, 2022

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	GA	Atlanta Postal	\$70,278,267	\$569,577,224	\$0	\$0	\$2,589,075,792
137	TX	Advancial	\$69,722,021	\$463,805,591	\$11,798,242	\$421,165,769	\$2,257,626,494
138	TN	Ascend	\$69,696,170	\$927,745,901	\$0	\$0	\$3,788,102,545
139	MI	Advia	\$69,358,555	\$679,124,364	\$2,689,778	\$0	\$2,734,394,194
140	PA	Clearview	\$68,572,536	\$318,798,450	\$0	\$0	\$1,720,904,144
141	CO	Premier Members	\$68,269,158	\$572,964,528	\$0	\$304,927,709	\$1,632,166,614
142	MA	St. Anne's Of Fall River	\$67,933,975	\$411,249,137	\$0	\$273,606,891	\$1,284,510,415
143	NV	One Nevada	\$66,488,910	\$116,521,022	\$55,715,556	\$60,812,253	\$1,360,470,642
144	MO	Together	\$66,211,090	\$571,730,978	\$26,723,787	\$737,747,139	\$2,384,825,488
145	WA	Salal	\$66,053,204	\$320,659,881	\$5,545,300	\$230,893,330	\$1,095,934,076
146	CA	San Mateo	\$65,868,483	\$693,486,234	\$0	\$258,527,410	\$1,701,205,065
147	FL	Campus USA	\$65,805,227	\$672,065,797	\$0	\$23,607,241	\$2,803,664,340
148	MI	Honor	\$65,410,381	\$323,200,912	\$25,264,718	\$606,842,712	\$1,472,228,308
149	MI	Arbor Financial	\$64,969,339	\$356,111,205	\$9,881,188	\$357,661,936	\$833,776,958
150	TN	Knoxville TVA Employees	\$64,652,733	\$715,311,986	\$3,365,183	\$0	\$3,626,986,288
151	IL	Great Lakes	\$64,374,878	\$411,192,369	\$7,780,310	\$314,983,479	\$1,088,664,210
152	TN	Y-12	\$64,054,569	\$531,585,723	\$0	\$52,919,838	\$1,650,323,303
153	WI	CoVantage	\$63,933,606	\$902,995,821	\$64,721,056	\$659,362,271	\$2,723,053,354
154	WI	Fox Communities	\$63,341,160	\$825,098,002	\$10,254,338	\$206,729,809	\$2,490,317,429
155	NY	Empower	\$62,732,286	\$530,795,502	\$0	\$564,945,498	\$2,926,946,188
156	PA	American Heritage	\$62,509,663	\$615,295,971	\$59,431,492	\$1,148,198,463	\$4,054,035,880
157	MO	First Community	\$61,788,669	\$555,914,203	\$30,910,579	\$707,274,100	\$3,936,337,628
158	MA	Hanscom	\$61,735,624	\$469,722,451	\$49,295,963	\$486,251,054	\$1,864,276,713
159	NY	Corning	\$61,693,926	\$418,367,899	\$18,631,624	\$624,583,265	\$2,302,531,229
160	NY	AmeriCU	\$61,326,429	\$854,977,779	\$0	\$179,403,642	\$2,565,330,588
161	CA	American First	\$60,816,838	\$149,248,085	\$27,079,216	\$582,934,773	\$863,978,264
162	GA	Georgia United	\$60,601,268	\$542,449,932	\$341,400	\$288,320,318	\$1,941,991,370
163	NH	St. Mary's Bank	\$60,590,167	\$416,478,037	\$9,211,450	\$619,642,721	\$1,453,539,469
164	MD	Tower	\$60,583,241	\$817,540,867	\$0	\$588,794,606	\$4,329,775,715
165	MD	Andrews	\$60,459,782	\$941,150,165	\$0	\$573,611,952	\$2,334,296,804
166	NY	Polish & Slavic	\$60,119,329	\$901,852,514	\$0	\$30,482,891	\$2,586,889,238
167	IN	Purdue	\$59,256,894	\$688,345,968	\$26,718,884	\$451,951,929	\$1,829,415,526
168	MA	Direct	\$59,103,950	\$333,727,622	\$758,250	\$212,826,599	\$749,775,450
169	NY	Teachers	\$58,981,874	\$1,628,804,978	\$99,391,565	\$2,228,301,792	\$8,873,701,716
170	CA	SF Fire	\$58,747,635	\$580,969,350	\$1,389,163	\$247,193,865	\$1,753,120,704
171	NY	Jovia Financial	\$58,747,250	\$863,926,377	\$0	\$580,323,731	\$3,977,791,744
172	TX	Austin Telco	\$58,439,513	\$731,829,968	\$0	\$0	\$2,384,591,265
173	IN	Forum	\$58,235,722	\$281,186,954	\$47,267,336	\$997,932,994	\$1,928,078,616
174	CO	Westerra	\$57,947,725	\$428,416,057	\$318,911	\$893,716,927	\$1,998,522,964
175	OR	Advantis	\$57,454,479	\$268,582,269	\$24,417,400	\$799,325,686	\$2,003,571,559
176	IN	Notre Dame	\$57,191,273	\$300,190,444	\$11,154,165	\$490,534,107	\$936,620,683
177	OR	Rivermark Community	\$57,113,418	\$214,103,439	\$0	\$552,607,571	\$1,305,844,997
178	FL	Community First Credit Union of Florida	\$56,853,056	\$633,853,415	\$0	\$109,421,520	\$2,532,301,075
179	TX	GECU	\$56,255,744	\$517,664,658	\$26,624,767	\$763,921,409	\$3,858,283,777
180	TX	United Heritage	\$56,187,054	\$395,327,204	\$24,272,513	\$0	\$1,441,549,569
181	PA	TruMark Financial	\$55,861,338	\$711,195,060	\$12,691,971	\$571,988,738	\$2,781,231,484
182	HI	Hawaii State	\$55,790,164	\$317,315,584	\$19,733,572	\$651,768,831	\$2,292,976,216
183	MI	Michigan First	\$55,776,459	\$321,334,884	\$39,585,405	\$551,833,589	\$1,501,550,963
184	MI	Lake Trust	\$55,724,722	\$614,139,256	\$0	\$2,534,196	\$2,571,414,334
185	TN	Tennessee Valley	\$55,665,834	\$424,137,881	\$8,969,595	\$0	\$2,407,660,446
186	CA	F & A	\$55,028,092	\$493,600,235	\$0	\$20,915,493	\$2,342,094,311
187	AZ	TruWest	\$54,771,824	\$310,422,267	\$2,478,950	\$364,457,098	\$1,557,370,532
188	CT	American Eagle Financial	\$54,448,233	\$857,613,095	\$0	\$242,644,406	\$2,445,924,667
189	SC	Sharonview	\$54,319,611	\$493,993,520	\$18,900,812	\$538,818,242	\$1,838,749,030
190	ID	Westmark	\$54,167,440	\$335,532,418	\$1,637,870	\$53,637,061	\$1,246,705,345

Top 300 First Mortgage-Granting CUs as of March 31, 2022

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	CA	Nuvision	\$53,998,162	\$746,879,796	\$8,576,006	\$392,240,700	\$2,866,971,032
192	WA	iQ	\$53,433,290	\$447,793,395	\$684,098	\$302,083,178	\$1,844,479,742
193	CA	CBC	\$52,940,072	\$277,245,798	\$19,303,551	\$168,428,603	\$749,498,896
194	WA	Kitsap	\$52,891,243	\$339,166,486	\$590,000	\$0	\$2,059,410,391
195	CA	California Coast	\$52,806,089	\$567,422,013	\$0	\$0	\$3,598,567,302
196	NC	Allegacy	\$52,423,009	\$313,405,792	\$14,973,361	\$196,459,527	\$2,094,265,791
197	IL	IH Mississippi Valley	\$52,422,627	\$295,653,807	\$18,934,466	\$632,202,034	\$1,888,863,957
198	TX	Texans	\$52,397,565	\$519,106,487	\$0	\$0	\$2,198,733,812
199	HI	HawaiiUSA	\$51,678,381	\$456,312,646	\$0	\$1,110,939	\$2,334,204,553
200	OH	Superior	\$51,547,649	\$534,019,993	\$46,326,566	\$883,914,537	\$1,486,691,303
201	IA	Community Choice	\$51,309,695	\$202,270,743	\$28,405,422	\$0	\$772,450,969
202	MA	Harvard University Employees	\$51,123,992	\$565,938,070	\$15,232,888	\$501,551,670	\$1,052,254,997
203	AL	Listerhill	\$50,980,687	\$297,237,088	\$686,595	\$0	\$1,166,930,834
204	MA	Rockland	\$49,905,599	\$540,911,371	\$0	\$263,967,218	\$2,582,804,412
205	OR	Selco Community	\$49,249,942	\$362,341,169	\$0	\$0	\$2,618,043,734
206	VA	Freedom First	\$48,533,397	\$196,533,608	\$10,505,456	\$0	\$925,830,894
207	GA	Georgia's Own	\$48,178,105	\$352,566,933	\$23,271,718	\$493,320,000	\$3,542,681,071
208	CO	Canvas	\$48,172,812	\$491,285,500	\$42,849,583	\$735,683,472	\$3,864,256,056
209	IN	Indiana Members	\$48,073,325	\$528,516,601	\$25,224,316	\$422,028,726	\$3,024,732,860
210	NY	Suffolk	\$47,551,929	\$413,292,608	\$6,227,825	\$0	\$1,571,504,645
211	HI	Hawaiian Financial	\$47,150,600	\$291,473,701	\$20,894,600	\$0	\$915,083,386
212	CA	KeyPoint	\$47,038,214	\$572,180,791	\$38,473,948	\$413,431,963	\$1,676,360,370
213	WI	Capital	\$46,277,397	\$691,100,352	\$6,756,120	\$261,227,436	\$2,246,713,037
214	CA	University	\$45,848,673	\$410,295,031	\$2,498,340	\$76,782,312	\$1,069,252,587
215	NM	Nusenda	\$45,712,597	\$301,134,337	\$32,618,137	\$612,039,858	\$3,887,988,896
216	TX	Firstmark	\$45,020,319	\$236,010,523	\$0	\$0	\$1,279,906,056
217	UT	University	\$44,956,635	\$109,933,680	\$29,126,403	\$712,803,210	\$1,794,474,575
218	TX	InTouch	\$44,572,768	\$260,331,255	\$0	\$2,326,084	\$1,044,157,612
219	OH	Kemba	\$44,529,302	\$365,423,939	\$7,112,034	\$227,211,080	\$1,453,549,370
220	OR	First Community	\$44,257,597	\$393,266,239	\$25,613,500	\$399,485,244	\$1,791,882,593
221	ID	Beehive	\$43,689,164	\$130,723,384	\$13,397,759	\$36,191,957	\$506,438,559
222	RI	People's	\$43,455,456	\$303,544,675	\$0	\$66,788,127	\$646,382,345
223	MN	Magnifi Financial	\$42,735,580	\$98,484,907	\$25,415,150	\$590,913,823	\$1,655,170,443
224	WA	Columbia	\$42,555,848	\$348,559,506	\$23,871,100	\$453,353,203	\$2,347,088,665
225	FL	GTE Financial	\$42,543,175	\$456,602,751	\$43,380,212	\$807,396,264	\$2,858,942,617
226	MN	Spire	\$42,495,608	\$479,406,091	\$11,312,079	\$291,321,309	\$2,006,134,967
227	NY	Hudson Valley	\$42,343,174	\$867,132,815	\$31,344,180	\$1,195,743,984	\$6,405,269,590
228	WA	Sound	\$42,336,994	\$435,960,240	\$7,009,444	\$0	\$2,622,652,756
229	NH	Service	\$42,173,174	\$962,494,690	\$406,686	\$80,546,627	\$5,366,353,537
230	ID	Potlatch No 1 Financial	\$42,151,887	\$362,830,730	\$0	\$431,022,759	\$2,041,596,088
231	TN	Orion	\$42,129,963	\$249,334,631	\$14,257,070	\$29,987,552	\$1,074,661,687
232	DC	IDB Global	\$41,769,146	\$457,834,188	\$0	\$2,301,526	\$736,281,576
233	WA	Seattle	\$41,644,533	\$223,389,272	\$13,426,400	\$31,481,937	\$1,079,820,014
234	SD	Black Hills	\$41,520,597	\$506,240,967	\$6,455,881	\$0	\$1,934,795,259
235	TN	Leaders	\$41,250,244	\$127,535,921	\$27,457,238	\$0	\$697,473,496
236	CT	Charter Oak	\$40,793,221	\$393,889,303	\$5,977,902	\$187,888,994	\$1,571,075,084
237	VA	Dupont Community	\$40,655,942	\$491,470,171	\$9,675,436	\$198,567,854	\$1,798,686,299
238	PA	Franklin Mint	\$40,335,401	\$405,516,695	\$16,299,985	\$494,543,289	\$1,643,655,018
239	CA	First Entertainment	\$40,154,209	\$683,233,678	\$0	\$9,846,215	\$2,128,434,310
240	NY	Municipal	\$39,312,047	\$1,017,979,751	\$0	\$0	\$4,338,754,187
241	MD	SecurityPlus	\$38,647,320	\$89,863,798	\$1,584,020	\$0	\$520,031,327
242	NV	Silver State Schools	\$38,360,817	\$277,431,599	\$0	\$164,993,414	\$1,144,793,448
243	TX	Shell	\$38,218,605	\$394,159,164	\$0	\$200,829,190	\$1,680,356,413
244	OK	Truity	\$38,200,343	\$140,049,424	\$25,924,803	\$749,408,054	\$1,070,837,377
245	VT	Vermont State Employees	\$37,699,059	\$579,894,403	\$0	\$160,907,069	\$1,098,863,902

Top 300 First Mortgage-Granting CUs as of March 31, 2022

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	KY	L & N	\$37,632,172	\$690,696,365	\$0	\$233,321,942	\$1,922,395,011
247	WI	Thrivent	\$37,570,055	\$179,401,224	\$18,900,060	\$444,049,916	\$889,787,610
248	IL	Consumers	\$37,377,037	\$363,541,884	\$23,063,250	\$709,245,155	\$3,113,879,130
249	IN	Interra	\$37,203,518	\$332,816,794	\$0	\$119,060,171	\$1,632,698,240
250	WI	Marine	\$37,149,288	\$443,181,043	\$0	\$87,827	\$1,072,357,138
251	NC	Self-Help	\$36,984,049	\$931,998,112	\$0	\$0	\$1,796,936,195
252	IN	Centra	\$36,843,668	\$418,135,065	\$13,205,988	\$257,634,868	\$2,028,252,891
253	NY	ServU	\$36,780,370	\$80,538,358	\$0	\$0	\$435,072,810
254	CA	Foothill	\$36,764,124	\$162,904,044	\$14,253,650	\$261,667,996	\$718,515,832
255	MI	Dow	\$36,756,593	\$595,963,539	\$85,500	\$60,218,963	\$2,229,649,436
256	AL	Legacy Community	\$36,454,689	\$129,419,908	\$0	\$0	\$607,982,569
257	CA	Frontwave	\$36,160,075	\$369,484,994	\$0	\$5,847,970	\$1,213,939,527
258	OR	Rogue	\$35,966,723	\$356,665,018	\$53,401,605	\$591,110,804	\$3,065,863,310
259	NM	Sandia Laboratory	\$35,807,005	\$502,891,593	\$2,973,920	\$125,589,963	\$3,610,066,339
260	NY	First Source	\$35,609,811	\$281,077,237	\$7,277,555	\$15,491,725	\$836,620,795
261	TX	First Community	\$35,397,336	\$419,512,814	\$556,210	\$59,201,605	\$2,021,807,380
262	MD	First Financial of Maryland	\$35,136,388	\$352,579,465	\$0	\$0	\$1,271,250,504
263	CA	Water and Power Community	\$34,988,385	\$206,711,533	\$0	\$0	\$954,716,805
264	CT	Connecticut State Employees	\$34,570,981	\$326,032,684	\$0	\$0	\$2,533,828,074
265	TX	EECU	\$34,416,659	\$368,953,986	\$17,076,008	\$295,359,340	\$3,446,567,852
266	MI	Frankenmuth	\$34,044,228	\$219,422,771	\$26,530,868	\$567,238,332	\$1,111,675,534
267	OK	TTCU	\$33,670,456	\$173,603,952	\$23,586,391	\$568,377,152	\$2,614,943,754
268	FL	Tyndall	\$33,614,753	\$414,579,718	\$4,966,548	\$221,090,953	\$2,056,193,350
269	CA	Credit Union of Southern California	\$33,445,389	\$509,777,356	\$463,000	\$193,775,659	\$2,347,690,887
270	ND	Town and Country	\$33,386,100	\$40,412,569	\$35,918,109	\$17,088,379	\$650,894,035
271	FL	Achieva	\$33,144,722	\$255,023,984	\$12,551,150	\$299,483,356	\$2,601,566,910
272	MA	Massachusetts Institute Of Technology	\$33,085,708	\$354,111,461	\$2,032,350	\$390,208,155	\$754,270,255
273	TX	Texas Trust	\$32,885,554	\$448,348,410	\$0	\$17,939,460	\$1,885,629,206
274	IL	Scott	\$32,791,171	\$291,067,956	\$14,021,497	\$184,196,134	\$1,672,875,875
275	KS	Meritrust	\$32,710,068	\$392,910,697	\$20,421,127	\$392,643,187	\$1,715,577,134
276	MA	Greylock	\$32,679,689	\$560,553,849	\$7,508,609	\$291,868,782	\$1,585,729,217
277	NC	Telco Community	\$32,515,346	\$82,917,942	\$477,000	\$0	\$358,588,526
278	IN	Midwest America	\$32,482,133	\$109,661,233	\$4,764,943	\$111,877,167	\$824,489,565
279	AZ	Vantage West	\$32,208,066	\$377,082,936	\$0	\$165,137,202	\$2,606,155,041
280	CA	Caltech Employees	\$32,128,275	\$365,892,259	\$0	\$4,348,934	\$2,112,449,603
281	FL	Educational	\$32,075,102	\$404,329,254	\$981,700	\$61,105,893	\$1,619,798,908
282	DC	Congressional	\$32,009,675	\$440,158,588	\$0	\$192,803,999	\$1,316,194,303
283	IL	Credit Union 1	\$31,947,373	\$255,337,738	\$106,339,944	\$725,294,231	\$1,237,601,473
284	MI	Dort Financial	\$31,844,554	\$307,896,955	\$225,627	\$72,015,388	\$1,431,121,014
285	OH	KEMBA Financial	\$31,808,297	\$319,582,512	\$6,910,464	\$15,236,536	\$1,923,300,742
286	NE	Centris	\$31,133,351	\$298,824,205	\$8,793,239	\$394,540,636	\$1,062,581,325
287	TX	Neches	\$31,044,916	\$169,084,108	\$0	\$0	\$859,502,310
288	TX	AMOCO	\$30,975,841	\$247,483,250	\$568,920	\$0	\$1,310,636,299
289	ID	Freedom Northwest	\$30,942,583	\$241,057,688	\$0	\$0	\$421,399,676
290	SD	Dakotaland	\$30,832,395	\$116,551,228	\$11,755,813	\$322,425,433	\$572,611,935
291	MI	Consumers	\$30,747,038	\$546,497,804	\$0	\$780,334,142	\$1,884,767,910
292	CA	SESLOC	\$30,597,914	\$377,306,778	\$0	\$0	\$1,229,821,377
293	GA	LGE Community	\$30,510,750	\$517,033,328	\$613,000	\$10,917,435	\$2,116,543,485
294	WA	Verity	\$30,348,900	\$185,828,240	\$26,187,100	\$476,305,403	\$794,738,279
295	FL	Grow Financial	\$30,218,745	\$751,638,469	\$0	\$76,234,896	\$3,512,027,459
296	WA	TwinStar	\$30,046,902	\$227,932,682	\$4,427,700	\$335,191,184	\$2,210,781,041
297	MN	Hiway	\$30,014,550	\$445,650,034	\$13,472,645	\$323,900,741	\$1,689,254,335
298	MS	Keesler	\$29,923,382	\$920,255,160	\$0	\$9,126,544	\$4,328,042,975
299	CA	Operating Engineers Local Union #3	\$29,794,414	\$367,182,612	\$0	\$0	\$1,425,930,155
300	IL	Vibrant	\$29,789,153	\$397,503,934	\$7,398,115	\$162,496,959	\$1,054,956,431



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