

Know Thy Members: Creating a Flexible Blueprint for Expanding Homeownership



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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.

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

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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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