



# Mixing Things Up

## Diversity Begins with Your Mortgage Product Mix

By Bob Sadowski  
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When we talk about the “credit union way” of doing business, we’re talking about people helping people, which is the very foundation of the modern-day credit union.

It’s about helping members establish, maintain and exceed their financial goals through various products and excellent service. And most importantly, it’s about helping ALL members.

Much like we sometimes refer to the United States as the Great Melting Pot, credit unions typically have a very diverse membership base. While the members may share the credit union’s field of membership and an appreciation for the numerous benefits of a financial cooperative, each member has a set of unique financial needs, including mortgages.

With this in mind, how can a credit union assist its diverse membership who have diverse mortgage wants and needs? Simply put, a credit union needs to offer a diverse mortgage product mix.

Credit Union Service Organization (CUSOs) help their credit union partners provide products and services that best serve each CU’s unique situation and membership.

Recognized as experts in the credit union mortgage industry for nearly 20 years, myCUMortgage has always focused on the need to provide a diverse mix of products and continues to help its partner credit unions establish various mortgage offerings and services. One way this is encouraged is through government lending.

Often overshadowed by more con-

ventional lending options, government lending presents an ideal opportunity for credit unions to help their diverse membership base become homeowners through flexible credit requirements and low or no downpayments.

### TRIO OF GOVERNMENT LOANS

The three types of government loans from which your members are most likely to benefit include FHA, VA and USDA:

**Federal Housing Administration (FHA) loans**



offer low down payments that are 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. If the member has a reasonably higher credit score, they may be able to qualify with a higher debt-to-income ratio than they could on a conventional loan.

FHA financing is available for one- to two-unit primary residences.

**U.S. Department of Veterans Affairs (VA) loans** offer eligible veterans or active duty service members home financing with no money down and no monthly mortgage insurance premiums. This can only be used to purchase or refinance primary residences.



The veteran is also able to increase housing size over time with bonus entitlement.

**U.S. Department of Agriculture (USDA) loans** offer financing for eligible members in certain rural areas with no down





offerings, credit unions have a lot of potential with government lending. Unfortunately, most have yet to seize this opportunity.

While the overall mortgage market share of credit unions continues to hover around the 9% mark, according to 2019 data from the Callahan Mortgage Analyzer, credit unions' use of government loans for first-lien purchase transactions was only 3.6%. That number decreases to 2.8% when refinances are factored in.

So why aren't more credit unions using government lending as a logical tool to assist their diverse memberships in meeting their home ownership needs?

The team at myCUMortgage often asks credit unions that very question, and the answers are consistent:

- "We don't understand how we can offer government loans."
- "Isn't it a big hassle to provide these to members?"
- "We simply don't have the staffing to

add these to our mortgage product offerings."

All those reasons make sense, but they're not insurmountable.

Navigating the red tape involved in providing FHA, VA and USDA loans can seem like an epic undertaking. But it doesn't have to be.

Many credit unions are already eligible to offer secondary market loans like these, including those with 30-year terms. Find a mortgage partner who can assist, and you'll soon see your mortgage product mix becoming more diversified.



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## OTHER MORTGAGE PRODUCTS

In addition, there are other mortgage products available to diversify your mix. One example is HomeReady®, a product of Fannie Mae. The HomeReady mortgage is designed to help credit unions and other mortgage lenders confidently serve today's

credit-worthy low-income borrowers.

According to Fannie Mae, the benefits of this program include downpayments as low as 3%, flexible funding and competitive pricing. Again, a mortgage partner can help explore diversifying your product mix with a HomeReady Mortgage.

## INFORM AND EDUCATE

Another factor that must be considered when trying to reach a diversified membership is the need to inform and educate your members about these products. You can't simply build up your mortgage offerings and expect members to start filing applications.

You need to market your diversified product mix, both as a whole and as individual products. Consider incorporating this information into homebuying seminars and other member communications.

From a member's perspective, seeing that there are programs available to suit their individual needs speaks volumes on the practice of people helping people. Making this major financial decision with assistance from the credit union they already know and trust will also be appeal to members.

The bottom line is that having diversity in your credit union mortgage product mix will help you reach diverse segments of your membership and meet their financial housing needs.

By truly living the credit union way and offering products for ALL members, you'll reach the ultimate goal of any credit union mortgage provider: Getting more members into homes.



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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. This program can be used for primary residences only.

## LOAN ADVANTAGES

As is readily evident, there are advantages for a credit union to offer government loans to its membership base. These loans are quietly gaining in popularity with homebuyers—in 2019, one in four mortgages were FHA, VA and USDA loans, and one-third of Millennials chose FHA loans to purchase their homes.

With these types of results and the need to continually diversify mortgage