



# As More Millennials Seek Homeownership, Credit Unions Should Plan Accordingly



By John Dumonsau  
Black Knight

Credit unions have the unique opportunity to retain members across the complete mortgage lifecycle. As such, it's no surprise that they are highly regarded for their personalized, member-centric service.

But as a new generation of homebuyers moves to the forefront of the mortgage scene, credit unions must be prepared to accommodate a different set of consumer expectations and habits.

An increasing number of Millennials are seeking first-time homeownership, and experts expect this trend to continue intensifying due to built-up,

post-pandemic demand. Millennials, whom Pew Research Center defines as individuals born between 1981 and 1996—currently ages 25 to 40—now

outnumber Baby Boomers as the nation's largest living adult generation.

In turn, credit unions have an invaluable opportunity to earn and retain the business of this new generation of homebuyers by tailoring mortgage experiences to their needs.

Millennials expect instant access to tangible information, digital capabilities and personalized offers that are timely and relevant. Maintaining a comprehensive portfolio of advanced products can help credit unions meet these demands and more, while appealing to

this growing population of homebuyers.

### “GOOD” PRICING NOT ENOUGH

Credit unions are regarded for their member-focused approach throughout the mortgage lifecycle—something that can give them an edge in appealing to Millennial preferences. This opportunity begins with offering prospective members the absolute best pricing for any mortgage financing scenario, down to the last basis point—what the industry refers to as best execution.

Product eligibility and pricing have become exceptionally complex over the past decade, though, as investors have sought to price risk more accurately. Additionally, there has been a growing proliferation of specialized products for niche markets. This has made matching borrowers with the right loan programs increasingly complicated and error-prone.

Therefore, it’s critical that credit unions leverage an advanced and complete product, pricing and eligibility (PPE) engine to deliver the best products at the best rates in real time. In order to effectively compete, this should include access to all leading mortgage products—conforming, non-conforming, jumbo and government products, as well as in-house portfolio products.

The right PPE engine is instrumental to providing the instant offers and locks Millennials expect. An industry-leading PPE engine can help credit unions keep pace with these demands by automating key operational workflows. In particular, lock-desk automation can provide significant efficiencies for credit unions while delivering immediate rate locks to support the Millennial customer experience.

A credit union’s price data and lock-desk functionality must connect seamlessly to a broad network of third-party technology providers to deliver the con-

venience, consistency and transparency that Millennial members value.

The lock desk serves as a vital component in secondary marketing operations and has a major impact on profitability. Every lock desk must deal with a myriad of changes, from switching products to price concessions and complicated policies governing investor modifications. Credit unions can and should automate the management of interest-rate risk associated with rate locks as loans funnel through the manufacturing process.

### DIGITAL CAPABILITIES ARE FUNDAMENTAL

More than any generation preceding them, Millennials expect accurate, real-time information at their fingertips throughout financial transactions. The homebuying process is no exception, and members of the generation embark on the complex journey anticipating digital experiences that mirror those they receive in other industries.

Throughout servicing, Millennial members want continuous engagement and real-time access to loan, home and neighborhood information via mobile apps or the web. It’s essential that member-facing digital applications integrate with a credit union’s servicing system of record to ensure information is available in real-time, and actions can be carried out seamlessly.

This generation of members values intuitive digital dashboards where they can effortlessly make payments, understand their home value and calculate “what-if” scenarios related to refinancing and recasting.

Similarly, digital capabilities can serve an important role in a credit union’s ability to be nimble and serve members through varying regulatory and economic environments. For example, throughout the Covid-19 pandemic, credit unions had to manage a spike in forbearances afforded through the federal CARES Act. Black Knight observed the value of integrating loss

mitigation functionality directly within its Servicing Digital<sup>SM</sup> solution so members could request a forbearance via a self-service prompt within just a few minutes.

### REFINANCE AND EQUITY OFFERS

The mortgage market is highly competitive today, and homeowners receive countless offers from competitors each week. This presents another opportunity for credit unions to cater to members, especially Millennials, by proactively engaging them with personalized refinance and home equity offers at opportune times.

Recognizing that Millennials crave point-in-time information, credit unions can gain an edge by extending detailed offers to them when beneficial opportunities exist. From a member’s perspective, refinancing can be an attractive option in low-rate environments if it reduces monthly payments. Similarly, when members reach 20% equity, it may be beneficial to refinance since they no longer need to pay mortgage insurance.

These are just a few scenarios that credit unions can monitor and leverage for proactive outreach. Credit unions have an advantage over the competition in retaining their existing members because they have the extensive portfolio data it takes to develop personalized offers, and the brand familiarity it takes to be noticed amid competing offers.

Intelligent customer retention technology backed by industry-leading PPE data can help credit unions proactively monitor their servicing portfolio and identify loans that could benefit from refinancing based on a borrower’s equity position or current interest rate. By automating lead generation and calculating near-real-time pricing scenarios, these tools can help credit unions identify the right offers for the right mem-



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bers at the right time—the tri-  
fecta of retention.

Finally, to reach Millennial  
members most effectively with  
personalized offers, it's impor-  
tant to serve them up through  
the same digital channels the  
members are already using to  
manage their loan. Don't expect  
to effectively engage this popu-  
lation of members by phone or  
mail, or efforts may fall flat.

## THE VALUE OF SERVICING

Credit unions inherently re-  
tain mortgage servicing rights  
(MSR), but that doesn't mean  
competitors won't target loans  
with high-value rights and try  
to poach them with refinance  
offers. To combat this, credit  
unions can leverage MSR val-  
uation to understand the value  
of their portfolio, down to the  
loan level.

“  
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”

MSR valuation is a new  
concept for many credit  
unions, and while calculat-  
ing it is complex, it's critical  
to thoroughly understand-  
ing servicing performance.  
Daily, loan-level MSR port-  
folio valuation tools can help  
credit unions not only track  
changes in value, but also  
identify what factors led to  
the changes.

In the case of Millennial  
retention, this granular un-  
derstanding affords credit  
unions the opportunity to  
identify loans with high ser-  
vicing value and take pro-  
active steps to retain them  
through personalized offers  
presented through digital  
channels.

Credit unions already have  
many qualities that align  
with Millennial preferences.  
With the power of advanced

technology, they can further hone these  
characteristics to maximize success in  
earning and retaining this new genera-  
tion of homebuyers through experi-  
ences that are digitally focused, time-  
ly and personalized. ▲

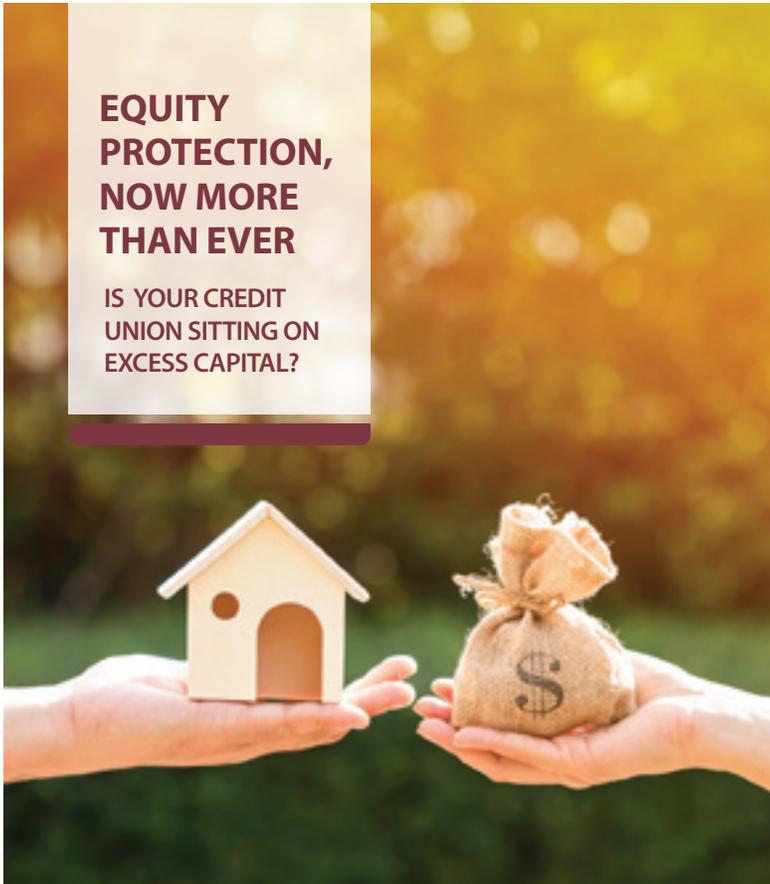
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John Dumonsau

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