



# Industry Change Is Accelerating

*Are You Prepared to Transform with Mortgage Lending?*



*By Wallace Jones  
Member First Mortgage*

Over the next five years we will see a dramatic change in all aspects of mortgage lending. The changes have been occurring for some time, but the shift in the way the country does business since March of 2020 have only increased the speed of the changes.

The mortgage industry is moving toward a full digital experience, utilizing automated intelligence (AI) and other system automation designed to streamline the process.

Couple that with new and potentially powerful non-traditional mortgage competition and a shift from a refinance to a purchase market, and you can see how expanding or even maintaining your current mortgage production may be difficult.

The good news is you can compete, and credit unions have some unique opportunities to excel and be the leading mortgage lender in their communities.

How can credit unions compete and thrive in the years to come? Let's talk about the first two items, digital lending and system automation in tandem.

## **DIGITAL TRANSFORMATION**

To shorten the mortgage process (and improve the member experience) and drive down the cost to originate a loan you will need a complete digital experience—from leads to closing and servicing. Many lenders have a digital application process, and

a way for members to sign disclosures and upload documents electronically, but those that add AI efficiencies during the mortgage process and digital closings and servicing will thrive.

Decreasing human touch points during the mortgage process will shorten the time from application to closing and lower the cost. (Don't worry, human touch points are still important as we will discuss.)

System automated ordering of third-party services and even requesting payment for appraisals automatically will reduce time and costs. Using automated underwriting and documentation (like Fannie Mae Form Free) will be critical to improving underwriting turn times as well.

According to a KPMG White Paper<sup>1</sup>, transforming to a digital mortgage process can increase sales productivity 50% to 75%, increase pull through by 25%, decrease origination costs by 25% to 50% and decrease servicing costs by 25% to 40%.

Clearly, efficiency and shorter closings will also help improve the member experience. Fully digital systems and processes can be expensive to purchase and implement, but the return on investment will be high.

You might consider reaching out to a mortgage aggregator or CUSO to see if you can leverage their systems at a lesser cost and easier implementation process than purchasing your own system.

## MOVING TO PURCHASE LOANS

Hopefully, you are well on your way to shifting from refi business to purchase business. For credit unions the three keys to obtaining business from Realtors, builders, financial planners, etc. are:

- Start with your originators and business development person or staff.
- Include all credit union employees.
- Depend on your product offering, espe-

cially any unique portfolio products.

Originators need to be challenged to network and reach out regularly with a defined plan and well researched list of which Realtors and other potential referral sources to target. Hold them accountable to provide management with their activities and results at least monthly.

Consider a position that is responsible for community development. That employee would join community organizations, as well as Realtor and builder associations. The goal would be to broaden the credit union's networking and develop referral mortgage business. It could also draw new membership for the credit union.

Utilize your entire mortgage staff to increase purchase business. How many on your staff know of, or are maybe even related to, a Realtor but haven't shared the ways that Realtor can increase business by using the credit union's mortgage program? Encourage them to share the credit union experience and talk to your originators. Perhaps incentivize your employees who refer members or Realtors to the credit union. (You may want to limit financial incentives to successful referrals.)

A huge competitive advantage for credit unions is the ability to offer unique products in addition to secondary market Fannie/Freddie/Jumbos and government loans. Maybe it is interest rate, or first-time homebuyer, or greater than 80% LTV with no MI. Perhaps it is a type of home customary to your area that is not eligible for sale in the secondary market.

Putting together that type of product (obviously with credit requirements that meet the Ability to Repay standards) can set you apart from other lenders and gain you an audience with Realtors and other industry referral partners.

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## FACING COMPETITION

Finally, while some banks appear to be less interested in mortgages, there is new competition appearing regularly. Non-traditional or non-bank lenders such as Quicken and Loan Depot continue to gain market share. Better.com, a 2016 startup, has already funded more than \$4 billion in mortgage loans.<sup>2</sup> Zillow is now in the mortgage game, as well as other fintech companies. There are even rumors that Amazon may begin originating loans!

The key for credit unions to compete is to work toward having a complete digital experience. Every credit union needs a well-planned and metrically measured ongoing purchase strategy, as well as complete secondary market and strategic portfolio product offerings. Combine that with what credit unions are known to do very well: Provide an excellent member experience and timely communication to all parties involved, especially Realtors.

Putting all of this together will put you in a good position to be a community leader in real estate lending. ▲

Wallace Jones is the Vice President of Training & Business Development for Member First Mortgage, a position he has held for a year. Jones has worked in a similar capacity over the last 25



Wallace Jones years. His background as a construction loan officer, appraiser, mortgage loan originator and trainer provide the perfect experience to assist credit unions improve and expand their home loan offering to their members. Jones holds a Bachelor's Degree in finance from the University of North Texas. He is married with four children and enjoys spending time with family and playing golf.

### Footnotes

<sup>1</sup> <https://advisory.kpmg.us/content/dam/advisory/en/pdfs/digital-mortgage-whitepaper.pdf>

<sup>2</sup> <https://www.businessinsider.com/alternative-nonbank-mortgage-lending?op=1>