

Serving Members during the Housing Shortage

Meet Members' Housing Needs with Construction and Renovation Financing

By Sean Faries
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Credit union members are faced with the worst housing shortage in U.S. history after a decade of not building. With the smallest available inventory on record and aging housing stock that now exceeds 40 years, credit unions must provide solutions to address the housing supply crisis that has not been seen since the end of World War II.

There is a massive opportunity for credit unions to support their members' housing needs with products beyond the traditional mortgage experience.

According to Freddie Mac, we are 3.8 million units short of what is needed to meet the current housing demand. Credit union members are facing one of the most competitive housing markets on record.

Today, the available options are to build more housing and renovate existing homes. Credit unions can provide tremendous value to their members by offering competitive products such as construction and renovation loans.

With many variations of these loan programs available, construction and renovation lending is a safe and simple way for your members to tap into the mortgage product that best suits their needs. These loans are specialized products that can bring credit unions key market differentiation when compared to other mortgage options.

The demand is there, so how should credit unions prepare for offering these loans? With the unique management

and oversight these loans require, credit unions need to make certain they address efficiency in the process and the potential risk, and create an exceptional experience for members.

1. Find Efficiency.

It is important to optimize efficiency so there is no wasted time, unnecessary steps or inconsistency in your processes.

When working with third parties to assess contractor and project acceptability, as well as draw management and inspection capabilities, it is important to work with experienced professionals that understand credit unions and their member needs.

Additionally, third-party vendors can provide fixed expenses and faster time to market to make these programs available. Credit Unions looking to offer construction and renovation loans for the first time can also take advan-

tage of the experience of the vendor and how to overcome operational issues that may arise.

2. Lower Risk.

Being proactive with risk management and pinpointing potential problems early on will help secure project success. Do this by ensuring the right steps and tasks are done when they should be.

Visibility is also important to monitor individual loan performance as well as the overall portfolio health. Avoid working from spreadsheets with the confusion and inefficiencies that stem from working without a system of record.

Make sure the tools in your process provide active alerts and easy reporting so you know any potential risk at all times.

3. Improved Experience.

Paying fast, providing transparency and staying connected to your members will create an experience they won't forget.

Credit unions can incur significant reputational damage by delaying the payment process. Members and their builders and contractors alike will be delighted with a simple and fast draw process that ensures quick payment while assisting the borrower in meeting the obligations of their loan agreement.

Minimize unnecessary steps and manual processes that lead to frustration, errors, loss of time and ultimately a poor experience.

The time is now for credit unions to solve the needs of their members and become a beacon of innovation that delivers the members the mortgage loans they demand. ▲

Sean Faries has deep roots in the mortgage industry and founded Land Gorilla in 2010. Under his leadership, Land Gorilla pioneered technology that makes construction lending safer, faster and more efficient. Faries is passionate about innovative solutions that enable lenders to successfully finance the critical infrastructure necessary to address our national housing shortage.



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