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2014 Says Goodbye to Refis, Hello to Purchase Mortgages

By Mike Corn

Is Your Credit Union Ready for the 2014 Real Estate Market?

The past year saw many shifts in residential real estate—rebounding home values, rising mortgage rates, upticks in new construction, and declining foreclosure inventories. These shifts have laid the groundwork for resurgence in purchase mortgages and opportunity for credit unions.

According to Freddie Mac, 2014 will mark the end of the refinance boom, as refi activities are expected to drop below 50 percent. The purchase mortgage lending market, the first purchase-dominated market in 14 years, will take much of its place. The Mortgage Bankers Association (MBA) is predicting similar trends, estimating purchase originations will increase nine percent, while refinance originations fall 57 percent.

Many credit unions are already experiencing the shift.

“Increasing interest rates and a decrease in refinance business have created a perfect storm for growing purchase mortgages.”

—Manny Padilla, Jr., Vice President of Marketing,
Los Angeles Federal Credit Union

“In the past, refinancing accounted for about 70 percent of our mortgage activity, but now it’s about a 50-50 split.”

—Jerry Haley, Chief Executive Officer, CU/America

“We anticipated there would be a market shift from refis to purchase mortgages and wanted to stay ahead of the curve.”

—Steve Silva, Vice President of Marketing,
Hanscom FCU

For these credit unions and this CUSO, as well as many others across the country, the strategy to capture more purchase mortgages in 2014 includes CU Realty Services’ HomeAdvantage™, a comprehensive program of real estate services specifically designed to grow purchase mortgage volumes.

“The CU Realty Services program is helping us to make that shift away from refis and toward purchase originations,” said Silva, whose \$1 billion credit union recently signed with the real estate services firm.

To assist credit unions with this shift, the program, which is comprehensive in nature, focuses on helping credit unions earn their members First Point of Contact™ in a real estate transaction. Typically, members who start their search through the credit union also stay for financing.

One Resource for Members

CU Realty Services’ HomeAdvantage helps credit unions provide support to home-buying and home-selling members with the tools needed early in their real estate decision process.

Once enrolled, members will enjoy:

- MLS access for finding the right properties, researching neighborhoods and comparing prices
- Referrals to experienced Realtors approved by the credit union
- Education and resources for home buyers and sellers
- An experienced customer service support team available seven days a week
- Cash rebates or discounts at time of closing

“Our members are savvy and will do their research, so it’s great that we can give them these options,” said Silva. “And with budgets tight, members are looking to maximize dollars, so the rebates are especially attractive.”

Lead Pipeline for Credit Unions

CU Realty Services is a CUSO working hands-on with credit unions in 21 states and 49 metro areas. Not only has the company recruited and trained more than 450 real estate agents to participate in the program, it has delivered \$10 million-plus in member savings since its launch in 2001.

The program’s focus is to capture the interest of homebuyers and sellers early on in the decision cycle—before they are ready to commit to a mortgage. It acts as an active mortgage lead channel, giving credit unions the ability to see which members are considering a home purchase and which will need financing. It also builds loyalty and activity within a credit union’s member base, while growing purchase mortgage volumes significantly. By participating in HomeAdvantage, a credit union can transition from being just a mortgage provider, and instead become members’ First Point of Contact for the entire real estate transaction.

The First Connection

Understanding the value of being the First Point of Contact, CU Realty Services participating credit unions to make this a key objective of the HomeAdvantage program.

The Internet’s influence has changed the role of a Realtor ... and this transition offers great opportunities for credit unions. When today’s homebuyers and sellers are ready to find a home or research the market, they typically start online instead of calling an agent. Yet, too many lenders presume home buyers still seek out a Realtor first. In fact, more than half of all home buyers turn to the Internet as a first step to search for homes, according to the National Association of Realtors 2013 Profile of Home Buyers and Sellers. And throughout the process, the Internet continues to play a critical role, as some 90 percent do online research at some point when buying or selling a home.

CU Realty Services helps credit unions not only capitalize on this change, but go a step further. Instead of having members search through random websites to start their home search, credit unions position themselves as members’ “go to” website for all the information and resources they need.

The real estate program considers the typical homebuyer and what they are thinking of when starting a home search. It’s not about mortgage rates or loan features; it’s about how much an owner can make selling a house and what will it cost to buy a new one. And because the home buyer is looking online for these answers, the realty program equips credit unions to deliver this information via their websites.

Research shows the best way to capture members’ mortgage business is to help them find their dream homes, not just finance them. If credit unions play a role in the earliest stages of the home-buying cycle, they will be members’ resource when it’s time to buy. This timing, and a credit union’s online presence, is critical.

By becoming the First Point of Contact and capturing members’ interest before anyone else—and then providing the tools that will keep members coming back—credit unions can meet consumer needs during the process of buying or selling a home, not just when they need a mortgage.

According to CU Realty Services, credit unions able to capture members’ interest *before they connect with an agent* have seen their mortgage loan volumes increase substantially. Those participating in the CU Realty Services program average a 20 percent increase in year one, with a 40 percent average increase overall.

Steps to Success

The CU Realty Services program embraces a member-centric approach. To change the traditional role of credit unions as a mortgage provider to that of a primary resource for members buying or selling a home, there are several key steps:

- **Create a significant Internet presence**
Credit unions that capture a member’s interest online—where nearly all home buyers start their process—can see substantial increases in their mortgage loan volumes. They attract members to their websites by providing home and neighborhood MLS search capabilities, online real estate tools, and free registration to educational seminars or events, as well as providing online loan applications.
- **Offer financial incentive options**
In today’s lending environment, competitive rates and a wide range of convenient options no longer set credit

a much greater chance of winning the loan, providing streamlined service and helping the member buy the home of his or her dreams. This, in turn, grows the credit union's mortgage loan portfolio while making a sale for the Realtor. And with satisfied members/customers, everyone wins.

The Power of Partnership

CU Realty Services has worked with more than 100 credit unions nationwide to establish Realtor relationships that help grow their mortgage volumes. These credit unions acknowledge the value in these partnerships, and offer the following tips for Realtor relations:

Prescreen and identify realtors who see the value— Most often, the best agents are those who have made real estate sales a full-time career. They are good at networking, professional in their dealings and spend time investing in their business. And their “ears work.” Choose Realtors who are willing to listen and understand your business values and priorities. Then make sure you understand theirs.

Meet regularly and often — Credit unions and Realtors should hold regular meetings to provide product and service updates, as well as exchange information and air concerns of both parties. Invite agents to the credit union to meet the mortgage department team and introduce them to members looking to take out a mortgage.

Be committed — Credit unions offering real estate programs must be prepared for and dedicated to ongoing relationship management. Relationships are seldom spontaneous; instead, they take time to develop. Spend time getting to know the agents, as well as their concerns and issues. And talk about your own apprehensions. Building a dynamic partnership requires honesty, an investment in the other person's business and, ultimately, mutual trust.

Agree on ground rules — Expectations between the credit union and Realtor must be clearly understood by both parties and each should agree on the value the other brings to the partnership.

As 2014 arrives, many industry watchers agree the housing market will show more frequent and positive signs of improvement.

Provide marketing support — Make sure to offer adequate marketing and promotional support to inform and engage members with the program, and connect them with participating agents.

Track progress — To ensure that the relationships are working, install a tracking system that monitors the relationships between members and Realtors, file progression, and the satisfaction levels of all parties.

Learn from others — Credit unions traditionally enjoy sharing ideas and collaborating where they can. Talk to colleagues who have effectively launched real estate programs and take advantage of their lessons learned.

The Opportunity Ahead

As 2014 arrives, many industry watchers agree the housing market will show more frequent and positive signs of improvement, along with a shift from refis to purchase originations. And credit unions that take heed—and advantage—of these market changes will likely find their efforts successful, like many working in partnership with CU Realty Services.

“HomeAdvantage helps credit unions build stronger purchase mortgage programs by providing the tools their members need to buy or sell a home from start to finish,” said Haley, whose Illinois-based CUSO anticipates growing interest in purchase mortgages among credit unions throughout the state. “Now, our client credit unions can help their members in every aspect of the process, from finding a home to financing one.” For credit unions, the purchase mortgage market in 2014 is an opportunity knocking.

Mike Corn is CEO for CU Realty Services, a CUSO helping credit unions increase their purchase-mortgage business by becoming their members' First Point of Contact when buying or selling a home. For more information, visit www.curealty.com