



Building Member Trust Through Mortgage Lending

By Richard Maxstadt, Senior Vice President/Chief Operating Officer, CUC Mortgage

TODAY'S MORTGAGE MARKET CIRCUMSTANCES ARE THE RESULT of an all-out "positive effort" to push homeownership. Wall Street firms got involved in expanding originations, which led to more liberal underwriting, and loan officers were willing to originate any loan that could be sold into the secondary market. So-called "exotic mortgages," which combined teaser rates and the potential for negative amortization, were sold to borrowers with lower credit scores who were eager to purchase homes. Some borrowers simply overextended themselves financially by purchasing too large a home. Unfortunately, we are now paying the price for such relaxed standards. According to the U.S. Census Bureau, the percentage of Americans who own their homes actually dropped during the first quarter of 2008.

Currently, we are in the midst of a correction that is challenging our nation and even altering global economies. It is anyone's best guess when the current correction will actually end. The only thing we know for certain is that we won't know when the bottom of the market has occurred until it has passed. Mixed news about the housing market makes it difficult for consumers to discern the truth, shaking their confidence about purchasing a home. They need a lender they can trust.

As member-owned, not-for-profit cooperatives, credit unions' lending motivation is designed to be member oriented and appropriately concerned with the suitability and impact on the borrower. Loans continue to be the largest credit union balance sheet item, representing an industry-wide commitment to providing members with a full range of lending products and services. Demand for mortgage loans in credit unions remains high. The majority of credit union mortgage loans underwritten are fixed rate, with almost all of the remainder being standard adjustable rate mortgages. At the end of 2007, net loans represented 69.42 percent of aggregate credit union assets. Unfortunately, credit

union mortgage origination has only been a small piece of the mortgage market. During 2007, the Mortgage Bankers Association estimated first mortgage loan originations in the marketplace as totaling over \$2.33 trillion, with only 2.53 percent, or \$59 billion, originated by credit unions.

Now is the time for credit unions to step forward and educate, inform and enable members to stay in their present homes, purchase a new home or purchase their first home. Credit requirements have tightened, and members are going to their credit unions for mortgage loans they can't get elsewhere. In many cases, these individuals have good credit. By

taking a leadership role, your credit union can help members reach their personal and financial goals through home ownership. Providing educational resources such as home-buying workshops or seminars is one way to build confidence within your members. It is personal for them, as home-owning families are rooted and feel safer, and their children perform better in school. In areas where homeownership rates are high, communities thrive. Conventional wisdom and historical performance provide strong evidence that purchasing a home is the single most important way to build financial wealth.

Mortgage lending is complex, and most members need professional help.

They will look to your credit union to inform them about their options. By operating with your members' interests in mind, determining their ability to repay, offering product solutions that respond to their needs and helping them understand the full costs to sustain homeownership, your credit union can build member trust and distinguish itself as a reliable, consistent source of credit for members. □

To learn more about mortgage lending or other services provided by CUC Mortgage, visit www.cucmortgage.com, or contact Richard Maxstadt at richard.maxstadt@cucmortgage.com or (800) 342-9835, ext. 8115.

*Your credit union
can help members
reach their personal
and financial goals
through home
ownership.*
