

Welcome to the July 2016 issue of the CU Mortgage Services newsletter! The purpose of this newsletter is to share best practices, industry updates, questions from our users (and the answers), upcoming events, and reminders of our services. The newsletter is sent to Correspondent and Retail Lending channel contacts.



CU Companies obtains FHA/VA servicing approval

CU Companies recently received approval to service government loans which includes Federal Housing Administration (FHA) and Veteran Affairs (VA). In addition, we are now able to offer both the FHA and VA loans through our correspondent channel.

As we continue to expand our offerings of services and products – which will include USDA loans in the near future – CU Companies will provide more ways for your borrowers to obtain mortgages. In turn, it will also remove the risk of having your borrowers be back solicited by another servicer/depository institution.

Please contact your account executive with any questions you may have in regards to any of our products or services offered.

CU Companies Lending Conference

In June, CU Companies hosted a free lending conference for its owners and partners in Shoreview, MN. The day was kicked off with an introduction to experts in various CU Companies departments. The afternoon consisted of small group discussions with CU Companies' partners sharing their best practices.

The best practice panelists covering correspondent lending was facilitated by CU Companies National Sales Manager Bruce Goetsch who interviewed Troy Arenz of Firefighters Credit Union in Wisconsin and Cory Stenson of Members Cooperative Credit Union in Minnesota. Jason Groth, CU Companies Retail Mortgage Director, led the retail lending discussion with panelists Angela Mattson of Minnesota Catholic Credit Union and Andrew Rihm of Associated Healthcare Credit Union in Minnesota. Finally, a third breakout session covering commercial lending trends was facilitated by CU Companies Account Executive, Brian Mielke.

The correspondent lending breakout session covered vast ground. Regarding pay structure, Arenz shared their loan officers are 100 percent commission-based while Stenson shared that their originators are paid hourly with the mindset that it best honors work-life balance. To gain new loans, Stenson obtains the majority from referrals by nurturing the borrower relationship. Arenz attends all closings to gain referrals and to establish a relationship with the borrower's real estate agent, "attending the closing is a happy event and a great place to build a positive relationship," he added.

Strategies the correspondent lending experts are focusing on for the future include borrower education, new lending options, and increasing communications during the lending process. Additionally, Arenz specifically noted they will be getting pre-approval letters out immediately as waiting loses those potential home buyers.

During the retail lending breakout session, the experts shared how they promote mortgages. Mattson shared that the credit union uses CU Companies' Marketing Library while consistently communicating to borrowers, "whatever you need, start with us." Rihm shared that he has the majority of all credit union staff educated to talk about mortgages. They gather basic information and use CU Companies' underwriters and loan officers to fill in any gaps during the application process. Rihm adds, "at the end of the day, you're just looking for basic information. Let the CU Companies' loan officers do what they do."

Mattson concluded the breakout by reminding attendees that working with borrowers that are home shopping is a highly emotional experience. "Put on some gentle gloves, it's the most in-depth financial thing in your life. Having this mindset allows the credit union to dive in and understand our borrowers lives," Mattson said.



Compliance Corner

CU Companies has been working on a new division within the CU Title business unit. Quality Control Services has been in beta for the last six months as a solution to managing your repurchase and compliance risk. Our Marketing Intern, Ross Alm, interviewed Joseph Prettnner, QC Services Manager, to share a deeper understanding of the importance of this service to our owners and partners as we prepare to officially launch the program.

Ross: What groups typically use QC vendors? How do these vendors operate?

Joseph: Any credit union or community bank that sells mortgages to GSE investors like Fannie Mae or Freddie Mac.

The credit unions and banks operate by closing loans that they plan to sell in pools to FNMA or another GSE. In order to do this they are required by the GSE to perform QC. Which means they select loans from the pool and have them audited independently to ensure investment quality. The vendors provide the independent audit and have 120 days to complete the process. If they are late with their findings, the lender can be suspended from selling loans to the GSE and then would have to stop providing those loans to the consumer. GSE's like Fannie Mae also put the responsibility of vendor timeliness on the lender and advise the lender to get a new QC vendor if their current vendor is providing final reports later than 120 days.

Ross: What are the main concerns when receiving late reports from these vendors?

Joseph: The main concern is getting suspended by a GSE or losing the ability to sell loans on the secondary market. The financial institution would not have enough deposits to write many portfolio loans so they would have to turn down a lot of business. This dries up the pipeline and you lose business. You also run the risk of making repeat mistakes for months because you don't have the QC reports to identify what issues need to be remediated in your origination process. Another very big concern is limiting GSE repurchase requests. QC helps the lender identify underwriting and/or documentation errors that may prevent the lender from having to buy back a loan that was sold on the secondary market.

Ross: What other options are available to use instead of QC vendors?

Joseph: There are typically not many options as the logistics and resources it takes for a credit union or community bank to develop their own QC department are often too high for the loan volume they close. They could also purchase audit software but then would still have to assign separate staff to use the software, implement processes, and perform the audits. So their cheapest, most convenient, and best option is using a vendor.

Ross: What do you think is the best option for businesses involving QC and its departments?

Joseph: For our owners and partners there is no better option than using CU Companies' QC Services. As our users, they would receive internal business solutions and not a vendor relationship. We also have a .net platform software that allows real time exception remediation and will allow the lender to see what issues they have in their production process as soon as 30 days after the audit selections. Additionally, we have automated missing document recognition and data extraction. This is advanced technology that not many QC vendors use. This means we can identify missing documents before we even audit the file. Preventing the lender from getting a final report that shows the loan is defective because a document got caught in a scanner or missed four months prior. Simply put, we offer the level of service CU Companies is known for as well as the most advanced QC auditing and reporting capabilities in the nation.



Ask the Underwriter

Q: Can proceeds from a loan be used for closing costs/down payment?

A: Yes, as long as the loan is secured against something titled, like a vehicle, boat, or departure residence. The value of the collateral must be documented, as well as the new payment. An unsecured or personal loan is not acceptable.

Q: Does CU Mortgage Service have a minimum required contribution for down payment?

A: On conventional, we follow Fannie Mae guidelines. At this time, if you are purchasing an owner occupied, single family residence there is not a minimum required contribution. All funds may be gift funds.

Q: Is a boyfriend/girlfriend an acceptable gift donor?

A: No, acceptable gift donors on conventional loans are: fiancé, fiancée or domestic partner OR borrower's spouse, child or other dependent, or by any other individual who is related to the borrower by blood, marriage, adoption or legal guardianship.

Do you have a question for our underwriters? Feel free to email: underwriting@cucompanies.com for answers.



New Partners

CU Mortgage Services added the following partners as users of its Retail Lending channel:

- **Gas & Electric Credit Union** (Rock Island, IL)
- **UAW MO-KAN Federal Credit Union** (Kansas City, KS)
- **Greater Abbeville Federal Credit Union** (Abbeville, SC)
- **Highway Alliance Credit Union** (Jefferson City, MO)
- **Heartland Community Credit Union** (Kansas City, MO)
- **Menominee Area Credit Union** (Menominee, MI)
- **Fox Valley Credit Union** (Aurora, IL)
- **Farmer's State Bank** (Bolivar, MO)

New Correspondent Lending Channel Partner:

- **Great River Federal Credit Union** (St. Cloud, MN)



CU Companies Blogs and Marketing Library

Need a boost in your marketing communications? Look no further than our [CU Realty blog](#) to fill your newsletter or other media with content. This blog contains articles with tips for buyers and sellers, current market trends, and more. Advertise this blog to your marketplace, or simply copy and paste an article. Be sure to subscribe to the blog to receive new article updates.

Don't forget about the [Marketing Library](#) for collateral to reach your borrowers. If you need help placing an order or need to be set up with a username and password, contact Kayla Hinseth at khinseth@cucompanies.com or 651-787-9521.