



A CASE STUDY

from the
**cuasterisk.com network
Playbook**

**Neighborhood
Mortgage Solutions**

THIS IS A GREAT TIME FOR YOU TO OFFER MORTGAGES

Typical mortgage process

If your credit union does not have its own web application and processing system...

NMS will:*

- Take the application in the name of NMS
- Process and close the loan in the name of NMS, and sell the loan back to your credit union
- If your credit union wishes to sell the loan in the secondary market, NMS will coordinate Fannie Mae approval and will act as your credit union's agent in selling and delivering the loan into the secondary market
- If the loan is sold into the secondary market, NMS will perform all servicing functions with Fannie Mae.
- If the loan is kept in-house, NMS will still provide all servicing functions unless the loan goes into foreclosure

An interview with Donald Mills and Vickie Schmitzer

Alpena Alcona Area CU and Frankenmuth CU

Problem: How do we get more credit unions involved in Mortgage Lending?

No question about it—there's a need for credit unions to provide mortgage services to qualified members. With the banking crisis, members have very few choices for home financing because many credit unions do not offer mortgages and home equity loans. But, members—and potential members—are looking for safe, stable alternatives for their home financing. *Members are seeking a financial institution they can "trust".*

Opportunity: This adds up to great opportunities for credit unions for the foreseeable future.

But how do you get started?

Offering mortgages has been a topic of conversation in the credit union industry for decades. Opportunities do exist, but so do pitfalls—one bad mortgage for a smaller credit union can be fatal. Then there is the development process: hiring experienced people, developing systems, learning new software, developing relationships with service providers and secondary markets, etc., etc. Getting up and fully functional could take a couple of years. Do you really want to "go it alone?" Consider these options:

- **Build a department from scratch.** This will enable you to remain in control, and make sure your members know that you are the service provider. But it can be a complicated, time consuming, costly process, and it will require hiring at least one seasoned mortgage professional to get the department running.
- **Farm everything out to a third party.** This will enable you to provide a much needed service, reasonably quickly, but you will lose the personal contact with the member, and will have little input into how the program is managed.
- **Neighborhood Mortgage Solutions.** NMS offers you a "turnkey system" that will get you up and running quickly, will allow you to help make program decisions, and will strengthen your member relationships. NMS is a 100% credit union owned CUSO with a proven track record of working with CU*Answers clients, and the CU*BASE system.



Who is Neighborhood Mortgage Solutions (NMS)?

The NMS CUSO was formed in 2008 to provide mortgage solutions “that will exceed members’ expectations, and will generate both a current and future stream of income to credit unions bottom lines.” Founding members of the CUSO include Vickie Schmitzer, CEO, Frankenmuth CU, Don Mills, CEO, Alpena Alcona Area CU and Konnie Werner, CEO, Team One CU. The CUSO is managed by William (Bill) Herrick, a veteran of more than 30 years in the secondary mortgage market. Thanks to Vickie and Don, the CUSO is particularly well-suited to providing mortgage services to CU*Answers clients.

Why should you choose NMS as your mortgage processing partner?

NMS offers you a fast start-up, a proven system, and the look and feel of having your own “in-house” mortgage department. You will be able to meet your members’ needs because you will be able to offer virtually any mortgage available on the secondary market, as well as VA, FHA, and Rural Development guaranteed loans. In particular, NMS will provide you:

Professional Management. Your mortgage operation will be managed by William Herrick, a 30 year lending veteran who is familiar with building mortgage operations. Bill and his organization will help you develop your mortgage portfolio, with an eye on minimizing risk.

Quick Market Entry. NMS will be able to get your department running quickly because they understand the mortgage business, and have procedures, processes, and training methods ready for you. They know the CU*BASE system, and have established relationships with outside partners like PrimeVest (servicer) and Fannie Mae.

Great Income Potential. Income potential is unlimited. You not only receive income from the loans you keep, you earn commissions on mortgages you sell to Fannie Mae, and you receive service income. As your portfolio grows, so will your income. Participating credit unions should realize a higher return on assets ratio than the other peer credit unions.

You are part of the decision making process. You retain a voice in the pricing process, like pricing loans into the secondary market, setting late fees, and fees for processing and underwriting.

Enhances member relationships. Members will see you as their mortgage provider, enhancing your credit union’s reputation, and increasing the value of the relationship members have with your staff. And members can be reassured that their personal information will not be sold.

Keeps money in your community.

We all know that the banks and mortgage mills take the vast majority of mortgage dollars out of our communities. Offering “local mortgages” can play a significant role in your mortgage marketing success.

Typical mortgage process

If your credit union does not have its own web application and processing system...

Your credit union will do the following:

- Price the loan into the secondary market in accordance with your desired profit level
- Set your own up-front fees for processing, underwriting, etc.
- Pay to NMS the fees earned for processing and underwriting
- Pay to NMS 50% of the service fees generated
- Retain all late fees collected





About Donald Mills

Don Mills, an 18 year veteran of the credit union industry, has served as CEO at Alpena Alcona Area CU for the past 7 years. A Co-Founder of Neighborhood Mortgage Solutions, Don currently serves as Chairperson of that organization. In addition to the above duties, Don is a Board Member of the Blue Ox Chapter of Credit Unions, and serves on the Board of the Alpena Chamber of Commerce.

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About Vickie Schmitzer

Vickie Schmitzer has been CEO at Frankenmuth CU for the past 31 years. As a CU*Answers Board Member, and staunch CU*Answers supporter, she was delighted to take up Randy's challenge to collaborate with other credit unions to meet market needs. In addition to being a founder of Neighborhood Mortgage Solutions, and a CU*Answers Board Member, Vickie is an Xtend Board Member, serves on the Mid Michigan Chapter Executive Committee, and devotes time to numerous civic organizations.

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Other benefits to you?

The more services a member has with your CU, the more likely they are to consider you for future financial service needs. Members with mortgages are your best source of growth for:

Future mortgages. Happy mortgage holders are your greatest potential for future mortgages. They are also a prime source for referrals to friends, neighbors, and co-workers who are in the market for a mortgage.

Additional services—NOW! Members with mortgages are great candidates for home equity loans, vehicle loans, checking accounts, debit and credit cards. You already have all their information, to include credit history. What a great opportunity to develop the financial relationship further!

New memberships. Use your new relationship to sign up mortgage holder family and friends. **And...advertise!** Brag about your great new capability in your community. In today's market, just about everyone with a mortgage at a bank is on the lookout for a safe, reliable "new home" for their mortgage. You can be that new home!

What's in it for your members?

Members (and non-members) will appreciate having a "home town" option for home financing, a variety of choices, and reasonable fees. They will appreciate having another alternative, especially one backed by credit unions' reputation for safety and reliability. Members will like knowing that their loan supports their community, and they will appreciate working with local people they know and trust.

The bottom line

NMS enables you to provide a critical service to meet member needs, and take advantage of market opportunities. You can ramp up your operation quickly thanks to the experience of the NMS team, and their established relationships with CU*BASE, Fannie Mae and other partners. CFO's and regulators will welcome the fact that you can now offer long-term mortgage products, such as a 30 year mortgage, without assuming the interest rate risk. If you have considered providing mortgage services, NMS offers you a terrific new option.

NMS Fee Schedule

- Securing Fannie Mae approval and set-up of systems..... \$1,000.00 (one time fee)
- Underwriting fee..... \$ 200.00 per loan
- Processing fee..... \$ 250.00 per loan (inc. closing package)
- Servicing function..... 50% of servicing fees generated, (min. \$5/mo)

Case Studies: the power of collaboration

This series of Case Studies demonstrates how CU*Answers credit unions and cuasterisk.com network partners are improving their operations through collaboration. Some are forming CUSOs to take advantage of market opportunities. But, many others are earning their success simply by leveraging the accomplishments of other clients who have shared their ideas. All contributors have agreed to answer your questions. We urge you to contact them.

Tell us about your "great ideas." Regardless of the size of your project, your contribution may be exactly what some other credit union has been looking for. Just put together the major details, and e-mail it to mhaehnel@cuanswers.com.com

