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SPECTRUM

AN ELECTRONIC REPORT FROM THE CUNA LENDING COUNCIL

THE BIG BENEFITS OF TECHNOLOGY FOR SMALLER LENDERS

*Rob Reider and Mac Smith, Technology consultants - Fannie Mae
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If you are a small to mid-sized lender, you are facing many challenges in mortgage lending today. Mortgage loan customers are more informed and better educated and demand a higher level of customer service. They often expect low down payments, want more flexible loan programs, and prefer limited demands on their time. In addition, your competition may be offering faster approval and closing times, reduced documentation requirements and increased product flexibility—which all add up to greater profitability.

With the use of technology, mortgage lenders - both large and small - can meet the needs of mortgage customers today and in the future. Mortgage lenders of all sizes are learning that investment in technology, in conjunction with process flow redesign, yields many benefits. Not only are these lenders better able to compete in their markets, they are also often able to lead the market because of their ability to make changes faster, smarter, and more easily.

The benefits of technology

For example, with the addition of Desktop Underwriter to their operations, lenders are able to reduce costs, provide better customer service, increase production capacity, reduce documentation requirements, handle volume swings more efficiently, and offer loan products with greater flexibility and variances.

And Desktop Underwriter used with other products, such as MORNETPlus Guide Express®, and

MortgageLinks gives smaller lenders the opportunity to compete in markets that might not otherwise be accessible.

Guide Express is the automated on-line version of the Fannie Mae Selling and Servicing Guides. But Guide Express is more than a reference tool when used in conjunction with Desktop Underwriter. It takes the user directly to the section being addressed in Desktop Underwriter's Findings Report and eliminates wasted time and energy. It is also an excellent source for training and ensuring product eligibility.

Through Desktop Originator and Desktop Underwriter, lenders have access to underwriting engines for jumbo and subprime loans through agreements with third-party partners. Not only can this expand product offerings, it can further streamline lending processes and level the playing field on which smaller lenders are competing.

Workflow process redesign is important too

With a workflow process redesign, most lenders are able to substantially reduce their approval cycle time down to minutes and their closing cycle time down to two weeks or less on average. The cost per loan is often substantially reduced as well, as credit reports and appraisal charges are usually lower because of the streamlined options provided through Desktop Underwriter. By reducing or eliminating certain documentation requirements, excess hand-offs, and bottlenecks from the process flow, Desktop



Underwriter's efficiencies are greatly enhanced, maximizing the benefits to lenders and their customers. To help you gain greater efficiency through the use of our technology, Fannie Mae provides Business Consulting Services to assist you with implementing process improvement initiatives. Many small-to mid-sized lenders have benefited from Fannie Mae's Business Consulting Services - reducing the cost per loan by over \$500, doubling loan production without hiring additional staff, or implementing point-of-sale loan approvals. Depending on your commitment to technology and business relationship with Fannie Mae, your Fannie Mae regional office Technology Consultants can assist you with:

- reviewing best practices and industry performance measurements,
- performing current process analyses,
- redesigning business processes and

realigning job roles, and

- developing implementation plans.

An investment in your future

Many smaller lenders that once thought they could not afford to add technology to their operations are now discovering that such an investment can help them satisfy their customer's demands for time and cost savings, as well as improved customer service. While customer exceptions and demands continue to rise, Fannie Mae's technology products, in conjunction with workflow process redesign, provide lenders of today - particularly smaller ones - with the opportunity to remain competitive in their market at costs that are very feasible for most lenders. For more information on Fannie Mae's technology products or Business Consulting Services, contact the Technology Consultant in your Fannie Mae regional office. ♦

ON LENDING'S BEHALF

Jack Houseknecht

Executive Committee Member

CUNA Lending Council (CLC)

CEO, SSA Baltimore FCU, Baltimore, MD

Busy - Busy - Busy on Behalf of the CLC

Our very own infamous Jack Houseknecht has been very busy on behalf of our CLC. In 1998 he did many presentations that allowed him to tout the benefits of CLC membership. A few of his accomplishments include:

- Collections & Credit Counseling Schools—Instructor—Foreclosures
- New England League Directors Conference, Maine—Speaker—Risky Based Lending
- Alabama League Fall Educational Conference—Panelist—Bankruptcy
- STAR Module S710—Loan Underwriting—Contributing Author
- Collections & Lending Ready Reference Handbook—Contributing Author
- Various presentations to the Federal Reserve, Government Affairs Conference, Discovery Conference and Credit Union Executives Society

Clearly Jack deserves a round of applause for his contributions to enhancing the value of CUNA Lending Council membership. ♦

BULLETIN BOARD

• **In recent months** more emphasis has been placed relative to ensuring an environment of fair lending. Although many credit unions have procedures and administrative policies that speak to the elements of fair lending, Credit Unions should consider adopting a Board of Directors policy specific to Fair Lending. This will enhance existing policies and underwriting guidelines, increase employees' awareness of the credit union's commitment to fair lending and ensure compliance in the recommended format.

• **PSI Global**, a financial services market research firm in Tampa, conducted a nationwide survey that found credit unions excel over banks at cross-selling. Credit union members indicated they had an average of four products while bank customers had 3.3 products on average. The survey revealed that bank customers prefer term investment accounts, safe-deposit boxes and debit cards while credit union members were interested in loan products. 19% of the 3,100 surveyed listed a credit union as their primary financial services provider, with 72% listing a bank and 9% relied on thrifts and mutual funds companies.

• **The Internal Revenue Service** is dropping the standard mileage reimbursement rate

for business use of a car from 32.5 cents to 31 cents per mile. This was effective April 1, 1999. The IRS states lower gasoline prices and slower depreciation of the value of cars are the primary reasons for the reduction.

- **Einstein's three rules of work:**
- Out of clutter find simplicity
- From discord make harmony
- In the middle of difficulty lies opportunity ♦

TRAINING TIPS

What is the difference between allowance for loan losses and provision for loan losses?

Allowance for Loan Losses

The allowance for loan losses is on the balance sheet. Its purpose is to provide a cushion to absorb losses from both current and delinquent loans. It is used as a reduction of total loans to create net loans receivable which reflects a more accurate asset value of the total loan portfolio.

This account balance represents a valuation allowance showing management's judgment, while keeping within regulatory guidelines, as to probable losses which may be incurred in the normal servicing of outstanding loans, both current and delinquent.

The balance in this account is adjusted

monthly to provide a credit balance at least equal to the credit union's best estimate of probable losses inherent in the total loan portfolio. These monthly adjustments are determined after all charge offs and recoveries for the month have been recorded. The resulting balance of the allowance for loan losses fairly reflects all potential losses from the current loan portfolio and current estimated loan losses from delinquent loans.

Provision for Loan Losses

The provision for loan losses is on the statement of income and expenses. This account is used to record the periodic charge(s) to operating expense necessary to maintain a reasonable allowance for loan losses.

The account is charged only with amounts required to increase or decrease the balance of allowance for loan losses, to the estimated potential and current losses to be sustained on outstanding loans. ♦

FIRST ANNUAL SUMMIT DRAWS NW LENDERS

*Co-Branded by CUNA Lending Council and the Oregon CU League,
Bill Steele, VP WESCOM Credit Union Chairman, CUNA Lending Council*

The Oregon Credit Union League conducted its first annual Lending Summit March 10th and 11th, in Portland, Oregon. Approximately 40 credit union lending professionals from Oregon and Washington were in attendance. About one-fourth of the attendees were CUNA Lending Council (CLC) members. The Lending summit was considered a great success by all that attended.

The Lending Summit was co-branded by CLC and was structured to be a prototype for regional lending conferences. The CLC plans to promote with other state leagues. The agenda of the Oregon Lending Summit was organized similar to the CLC Annual Conference by providing strong anchor speakers, panel presentations, and of course the valuable roundtable (networking) session.

The agenda speaks to the diversity of the information presented as described below:

- Positioning Your Credit Union Against the Banks - Tim Smith, NWA FCU, Bloomington Minnesota
- Alternative Loan Products Panel Discussion
 - Indirect Lending - Toni Davidson, MaPS CU, Salem, Oregon
 - Leasing - Carissa Martin, LEASE Inc.
 - Home Equity - Bill Steele, WESCOM CU
 - Lending Outsourcing/CallCenter - Patti Wahlke, OCUL
- Risk-Based Lending/Credit Scoring Panel Discussion
 - Bill Woods, Wood Products CU, Eugene, Oregon
 - Bob Corwin, First Technology CU



- Experian Representative
- Internet Lending - A New Delivery System
 - Outbound Calling - Increasing Your Bottom Line - Dwaine Canova, CEO Zacson Corporation
 - Lending Roundtable

Danielle Brown of the Oregon League did an outstanding job of organizing, promoting, and conducting the two-day Lending Summit. The CLC was visibly supported by the Oregon League by Bill Steele, chairman of the CUNA

Lending Council and vice president with WESCOM Credit Union, who was invited to share the welcome address and promote the value of the CUNA Lending Council. Several members of the panels are current members of the Lending Council, supporting the value the CLC provides credit union lending professionals. It is the goal of the CUNA Lending Council to provide more support by members for future lending summits. ♦

TOM DECKER: PASSIONATE ABOUT CREDIT UNIONS

from April, 1999 CUNA Mutual's Lending Resource newsletter

When Tom Decker, executive director of CUNA Mutual's Lending Lab, died unexpectedly on Friday, March 12, it saddened people throughout the movement.

"Tom had just returned home to Peoria before heading out again to meet with credit union people and share with them his passion for lending," said Kevin Shea, CUNA Mutual senior executive.

Decker's next presentation was to be at Mather FCU in Sacramento, Calif. Chris Oldag, a lending executive at Patelco CU in San Francisco, planned to see him there. "Over the years, Tom helped hundreds of credit unions and thousands of people," Oldag said.

"We sometimes shared the podium, and the level of excitement he brought to the audience never wavered. He reminded them that credit union lenders have a great job, because lending is about potential, about making dreams come true."

Another of Decker's upcoming presentations was to be in Alaska, the only state he hadn't visited in his quest to make credit unions the best at lending.

His experience in all facets of lending and collections made him a nationally known expert. He was instrumental in creating the

Lending Lab's well known consumer lending schools. Decker addressed numerous credit union league functions across the United States and shared his expertise with individual credit unions as well.

"Tom's personality, his excitement about credit unions and lending and his willingness to spend time with credit union people were important ingredients in his success," Shea said. "His ability to make people change the way they thought about how they served their members made him a respected voice for credit union change."

CUNA Mutual Lending Enterprise Senior Executive Bill Klewin said that people "loved to hear Tom speak. He was funny, opinionated and blunt. He engaged his audience like no other speaker I've ever seen. Working with Tom was an honor."

Decker, 53, who joined CUNA Mutual in 1996, had previously served as vice president of lending services with the Texas Credit Union League and as vice president and general manager of the finance and collection division of Lending Solutions, Inc. Decker established lending call centers at both organizations that now operate nationally.

Decker also served as vice president of Citizen's Equity Federal Credit Union (CEFCU) in Peoria for 28 years, where he was responsible for the lending and collection areas of the credit union. During his tenure with CEFCU, Decker implemented several lending innovations that benefited the credit union for many years. ♦



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