



University Federal Credit Union Enhances Member Service with Optimal Blue's Enterprise Secondary Marketing Solution

OVERVIEW

University Federal Credit Union (UFCU) utilizes the automation gained from Optimal Blue's Enterprise Secondary Marketing Solution to:

- + Fully automate the credit union's secondary marketing operation, including product eligibility, pricing, lock desk management, pipeline risk management, hedging services, and loan delivery
- + Employ industry-leading, best-of-breed mortgage technology and expert advisory services to meet UFCU's expanding mortgage lending requirements
- + Mitigate and manage risks, as well as create transparency with UFCU leadership on the make-up of the credit union's mortgage pipeline
- + Implement a best-execution, mandatory delivery model, improving average loan sale margins by 30 basis points over the prior best efforts delivery model
- + Position the credit union for future growth with innovative technology and operational enhancements to better serve its members and improve margins

LENDER PROFILE

Headquartered in Austin, Texas, University Federal Credit Union (UFCU) was chartered in 1936 by a group of University of Texas professors. As a federally chartered credit union with combined total assets of \$2.24 billion, UFCU proudly serves over 225,000 members in higher education, technology, and healthcare. The credit union reaches over 200 universities, associations, and employers throughout Central Texas and Galveston County.

Since 2005, mortgage lending has been a primary focus of UFCU. Named by Austin Business Journal as Austin's largest local mortgage lender by volume, UFCU's 84 mortgage employees successfully originated over \$870 million in mortgage loans through its retail channel in 2016. Realtors and members alike have come to rely on the credit union's home-buyer friendly, UFCU Mortgage Services 30 Day Close Guarantee™ for purchasing mortgage loans.

CHALLENGES AND PAIN POINTS BEFORE OPTIMAL BLUE

Prior to 2005, UFCU's mortgage staff consisted of six employees that partnered with a third party to manage production and process, underwrite, and close loans. In 2005, UFCU made the decision to significantly expand its mortgage lending operations, bringing functions previously managed by a third party in house. This provided UFCU better control and the ability to further enhance member experience. Following many successful years of mortgage growth, UFCU recognized that its future potential was limited by certain challenges facing the credit union's mortgage lending department. These challenges drove the credit union to rethink its mortgage lending process and seek comprehensive automation to streamline their secondary market operation.

Decentralized Product Eligibility, Pricing and Investor Selection Model

Prior to implementing Optimal Blue, UFCU had a decentralized approach for selecting best efforts investors and determining product eligibility and pricing. UFCU loan officers obtained daily rate sheets from each investor, and they were responsible for staying current on investors' loan product guidelines and calculating member-specific pricing.

Overall, a seemingly straightforward task of quoting mortgage rates for members was painstakingly manual, inefficient, and time consuming for UFCU's loan officers. Kevin Wolfshohl, UFCU's Mortgage Operations Manager, said it best, "Prior to Optimal Blue, UFCU had a very manual process to quote mortgage pricing to a member, a process that often took 5 to 10 minutes for each quote. Loan officers accessed an investor's website, determined loan product eligibility, and calculated the specific pricing for the member. Additionally, with multiple product offerings from each of our investors, requiring our loan officers to stay current on investor guidelines was no easy task."

Decentralized Rate Lock Model

Prior to Optimal Blue, UFCU's rate lock process was decentralized as well, where rate locks were initiated

and completed manually by their loan officers. Especially as volume grew, this time-consuming, manual process became a significant challenge for UFCU and its loan officers. Each day, UFCU loan officers were required to manually enter and process the lock directly on the investor's website, re-key the lock information into UFCU's loan origination system (LOS), and subsequently download the investor confirmation document into the appropriate LOS eFolder connected to the member's loan file when the lock was complete. To finish the work expected of them during busy times, loan officers often chose the path of least resistance by selecting investors they did business with before or using investor websites that were familiar and easy to use. As volumes increased, loan officers found themselves advocating for a result that was easiest to get to, while still trying to do what was best for the member. Furthermore, these manual rate lock processes increased the frequency of errors that lost money for the credit union. According to Wolfshohl, "Rate lock errors were more frequent with our manual, decentralized process. Many times, it wasn't until loan delivery that we realized that we had lost money on a loan because of an error in locking the rate. Those costly errors could have negatively impacted member pricing on future business and our overall competitiveness."

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The Opportunity Cost of Manual Processes – Exceptional Member Service

As business grew, the opportunity cost of manual secondary marketing processes became more and more apparent to UFCU. The UFCU mortgage leadership team saw numerous opportunities to make their loan officers more productive and free up more of their time to spend on higher impact tasks like



member engagement, taking applications, and loan consultation. UFCU loan officers agreed. They wanted to spend more of their time delivering exceptional member service by implementing more efficient processes than signing into investor websites to receive rates and fulfilling locks manually on multiple systems. End-to-end secondary market automation was where they turned their focus to deliver that core mission.

CHOOSING OPTIMAL BLUE AS ITS ENTERPRISE SECONDARY MARKETING SOLUTION

In 2011, UFCU selected Optimal Blue to automate product eligibility, pricing and rate lock processes at the credit union based on Optimal Blue's attractive return-on-investment (ROI) reputation and service levels. The management team selected Optimal Blue after comparing multiple options, finding the other solutions to be more expensive, provide less functionality, or both. Considering Optimal Blue's formidable reputation in the mortgage industry, particularly with many successful credit unions like UFCU, they saw Optimal Blue as the low-risk choice for the credit union. "Optimal Blue's reputation is exceptional and well-known in the mortgage industry – everyone knows how great their products are," said Wolfshohl. "However, with Optimal Blue, we found products we could easily implement to fill our needs today, and a total solution we could draw upon based on how we plan to grow, expand, and develop in the future."

In late 2016, the credit union took another significant step forward when they decided to make a concerted effort to expand loan sale margins by facilitating a change from best efforts to mandatory delivery. UFCU explored different vendor alternatives, but found Optimal Blue's Enterprise Secondary Marketing Solution as the compelling choice. Since they were already using the product eligibility, pricing and lock automation capabilities of Optimal Blue's end-to-end solution, they found implementing the additional pipeline risk management and hedging capabilities to be a very straightforward process. Furthermore, UFCU's desire to self-manage its hedging capabilities was a service offering not found with other vendors they considered.

In Optimal Blue, they discovered self-service, full-service, and hybrid service offerings, bringing the credit union more choice and flexibility. With several recommendations from successful credit union users, as well as years of outstanding support with Optimal Blue, UFCU's selection of Optimal Blue's pipeline risk management and hedging capabilities was an easy decision.

Lindsey Record, UFCU's Secondary Market Manager, pointed out, "We already liked Optimal Blue's product eligibility and pricing solution, so we knew what service levels we would receive when we selected their pipeline risk management and hedging solution. Optimal Blue delivered for our credit union. The implementation was completed in just six weeks and the support provided by their team during implementation was excellent, something that has continued through today. Optimal Blue always makes me feel like the top priority when I ask questions."

THE GAINS

UFCU has experienced dramatic gains with Optimal Blue's Enterprise Secondary Marketing Solution. The entire secondary marketing process is now streamlined and automated with tangible benefits in the particular areas of focus by UFCU's mortgage leadership team.

Product Eligibility, Pricing and Lock Automation

Time savings and new efficiencies in the field directly translate into delivering better service to the member. Product eligibility, pricing, and the lock desk all operate in concert at the credit union. Loan officers know immediately whether a loan product is eligible and can quote accurate, compliant pricing in real time. With Optimal Blue's secondary market automation, costly pricing and lock errors have been dramatically reduced and UFCU has experienced loan officer time savings of locking loans by over 60 percent.

Pipeline Risk Management and Hedging

Comprehensive pipeline risk management and hedging capabilities directly translate into transparency, visibility and better strategic decision-making at the credit union. According to Lindsey Record, UFCU's Secondary Market

Manager, "We prefer the self-managed model, not just for its cost advantage but for the fact that we fully understand the pipeline. We can solve problems that arise and are completely focused on the pipeline each day. We also fully understand each stage of the process, including hedging, best-execution assessment, and mandatory delivery." Armed with robust automation and tools from Optimal Blue, UFCU's secondary marketing team can easily demonstrate a solid grasp of the loan delivery process and communicate related risks to UFCU's auditors, board and executive management team.

"The move to mandatory delivery improved our margins by about 30 basis points. This increase has allowed us to improve pricing and fund other strategic initiatives with increased revenues. Further, Optimal Blue's integration with Fannie Mae enables commitments to be made without leaving the Optimal Blue system, making loan sales to Fannie Mae easy, efficient, and more accurate."

Commitments and Mandatory Loan Sales

Higher margins from commitment automation and mandatory delivery directly translate into growth, an improved competitive position, and the ability to fund additional strategic projects. With Optimal Blue, UFCU has streamlined the commitment process and successfully enabled the credit union to convert from best efforts to mandatory delivery. Record states, "The move to mandatory delivery improved our margins by about 30 basis points. This increase has allowed us to improve pricing and fund other strategic initiatives with increased revenues. Further, Optimal Blue's integration with Fannie Mae enables commitments to be made without leaving the Optimal Blue system, making loan sales to FannieMae easy, efficient, and more accurate."

SUMMARY

With Optimal Blue's Enterprise Secondary Marketing Solution, UFCU has greatly benefited from end-to-end automation that has streamlined its mortgage process. Interest rate risk has been mitigated by faster direct sales to Fannie Mae. Errors are now eliminated at time of application, ensuring pricing is accurate and increasing conversion rates. There are a fewer number of conditions to be cleared and loans close faster. Faster, accurate, closings have improved member service and enabled UFCU to avoid delays that could impact its UFCU Mortgage Services 30 Day Close Guarantee™ program. Gain on sale and margins have been increased with a mandatory delivery model, while creating the transparency and visibility expected by the credit union's leadership team and regulators.

Most importantly, UFCU has gained a trusted partner in Optimal Blue. By delivering a comprehensive platform that grows with the credit union and continuously adapts to the expanding requirements of its mortgage lending division, Optimal Blue is relied upon by UFCU to deliver new efficiencies, margin gains, improved member service, and more competitive pricing. Partnered with Optimal Blue, UFCU is now well positioned to leverage technology and value-added services to continue to meet its members' needs in a high-growth Texas housing market.

ABOUT THE AUTHOR

Optimal Blue engaged award winning, professional services firm First Wellesley Consulting Group, Inc. to conduct detailed research and gauge client success. Founded in 1991, First Wellesley delivers consulting, strategic planning, speaking, polling and industry research-specializing in the financial services and mortgage industries. Optimal Blue operates the mortgage industry's digital marketplace, connecting originators, investors, and providers with comprehensive secondary marketing solutions, market-leading capabilities and value-added services that deliver results. For more information, visit www.optimalblue.com.