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Why Teaching Members About Credit Score May Help Grow Mortgages

By Greg Holmes



NCUA figures show that the number of first mortgages grew by just 1.2% during the first six months of 2010. That's a staggeringly small growth rate considering today's historically low interest rates.

One way CUs may be able to spark more interest in their loan products and attract more borrowers is to educate their members about credit scoring and help to ensure that members' credit files are complete and accurate. Every credit score point is important to prospective buyers in today's home mortgage market. The correction of even one piece of outdated or misreported information in a member's credit file can mean the difference in an applicant's credit score qualifying him or her for a mortgage, or for a home loan with a more attractive interest rate.

Several innovative tools and resources recently have been introduced that make it easier for lenders to get a forecast of an applicant's credit-worthiness now and at the time of closing. They also can identify red flags.

A great example of this is a new cover sheet that is automatically generated whenever lenders order a credit report. The cover sheet gives an instant snapshot of an applicant's credit-worthiness to the mortgage professional, even before he or she has started to read through the credit report itself.

The cover sheet displays the applicant's mid-score, and also forecasts what that mid-score will be in 30 days. Having this information early in the process is especially helpful because it gives the lender time to work with the member and take the steps necessary to address the concerns.

The second component is a forecast of potential

mid-score risks. The lender is alerted to the potential of a mid-score reduction if the member's revolving balances were to increase, even by nominal amounts.

It also highlights key indicators that typically require lenders' special attention, even for applicants who have good credit. These indicators also are a tangible way for the mortgage professional to demonstrate the ways the CU is working hard on the member's behalf.

The cover sheet report is just one of the tools available to analyze the factors influencing a member's credit score and offering guidance to help members reach their target scores. Another program allows a CU to forward documents supplied by the member directly to the credit bureaus for expedited rescoring.

The bureau will review and verify the supporting documentation and can remove accounts that were reported in error, delete outdated information, remove late dates, or update an account paid in full and closed. An updated report can be ready in as little as three days.

CUs also can access an in-depth analysis of a member's credit circumstances along with customized, step-by-step recommendations for prequalification. And mortgage professionals now have the ability to quickly compare a credit report that was pulled at origination to a follow-up report pulled at closing.

All these tools enable a credit union to proactively address the questions and concerns its members may have about credit scores and today's mortgage marketplace—reinforcing its image as a valuable, trusted resource.

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