THE ABCs of HELOCs

It's Time to Evaluate Your Readiness to Meet Borrowers' Home Equity Demands.

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Credit unions often offer the best mortgage rates, yet the typical credit union finances the homes of fewer than 6% of its members. Your membership deserves better.

Amidst a lull in mortgage activity, credit unions are dusting off HELOCs to meet the members' needs in today's market.

While high home prices and elevated interest rates have put a damper on purchase activity, demand for HELOCs is surging as homeowners look to put steep equity gains of recent years to work. The New York Fed Household Debit and Credit Report for Q3 2022 noted that HELOC balances have increased by $3 billion, and TransUnion reported that HELOC originations increased by 41% in Q2 2022.

The numbers are clear — consumers want HELOCs. This pivot spells opportunity for credit unions, who can use the slower pace of a down market to perfect HELOC lending service while building a scalable foundation for future products and services.

To develop and refine a top-tier HELOC financing experience that can be replicated across other mortgage offerings, credit unions should evaluate their tech stacks and processes for efficiency, scalability and member experience by asking themselves the following questions:

A. Can you bring new loan programs to market quickly?

Whether you are launching a HELOC product for the first time or have been originating HELOCs on an infrequent basis, you should develop a streamlined application and processing workflow that supports customer satisfaction and optimizes the loan production process.

Physical paperwork, process redundancies, confusing user interfaces and insufficient staff training are all hitches to rolling out a HELOC or new lending program. It is especially important to iron out process snags before marketing campaigns kick in, because an uptick in volume can turn a speed bump into a full-blown traffic jam.

As the past few years have revealed, market conditions can change rapidly and mortgage departments need tools that support a rapid pivot to new programs and priorities. A flexible tech stack goes a long way in capturing early market opportunities while meeting member expectations for speed and service.

If your point-of-sale solution is too limiting, it's time to explore alternatives. A down market represents a unique window in which your staff has more bandwidth for the evaluation and training that a new solution would require. Your credit union could approach a change in tech stack through the limited lens of your HELOC program, at least in the beginning, and apply process and technology gains to other programs quickly.

B. What is the impact on internal controls and processes?

While your lending team may be ready to take on new technology, such decisions should not be made in a vacuum. An improved HELOC experience should be more than taking your current process "online." Instead, you should reimagine a digital workflow that includes application data collection, milestone updates and intelligent task completion notifications.

You need to ensure that your credit union has the processes in place to support digital and remote lending, including electronic disclosures, electronic signatures and identity verification.

An internal legal or compliance team may want to review the digital workflows, including disclosure timing and documentation delivery, to customers. Some solutions can automatically build task lists for lending teams, but these should be reviewed to ensure they comply with all internal and regulatory requirements.

A new vendor should be a partner, providing both domain expertise and industry best practices. If you're looking to support your internal team further, you can also elicit consulting services, from the vendor or from a third party, to help install, test and train your workforce. This type of consulting, especially if provided by someone certified or trained in your chosen solution, can create a smoother delivery process.

C. Does your solution elevate the member experience?

While creating an efficient and scalable process for your credit union is certainly a high priority, your members' experience should carry equal weight. After all, the impression you leave will impact your ability to grow the relationship in the future.

While HELOCs are certainly far less complex than a purchase or a refinance, members may be less familiar with them. You'll still have several moving parts in the process, including underwriting, appraisal and closing.

The right digital solution can help you nurture member relationships. While online portals are convenient, people want "on-the-go" access. Mobile app usage is up 70% across all generations and 85% of consumers favor a mobile app over a mobile-friendly website.

Though email is still a common form of communication, it doesn't grab a person's attention in the same way. Mobile notifications and alerts can give your members real-time updates. With a higher level of communication and service, your members will feel well taken care of.

A mobile app has become a conduit for customer communication — your credit union is literally in the customer's back pocket, at all times. Look for white-labeled mobile app technology that can also provide flexible workflow configuration.

D. Can you support remote lending with integrations?

In the rush to automate and reduce costs, critical data and processing needs can often take a backseat. However, a lack of data integration can be a costly misstep. You risk errors when duplicate data entry is required and each loan will take longer to process with less integration.

Bi-directional data is both "pushed" and "pulled" between different platforms. These may include your core provider, your LOS, a data warehouse, document engines, and other repositories. Modern API technology means that credit unions no longer need to find an end-to-end solution since bi-directional connections can create a seamless experience on the back end.

For the member, this also improves ease of use. Single sign-on technology can pass a member from one platform (such as the core) to the mortgage lending application, without needing to sign-in to another system.

That frictionless experience should extend through closing so that members have the option for a remote closing. With eSigned documents and remote online notarization (RON), you can offer a HELOC experience where members aren't required set foot in a branch. Knowing this is an option, you can serve members who would otherwise be deterred by in-branch visits.

E. Prioritize change management to meet HELOC demand

Within your loan department, you likely have lenders or support staff that are eager for modern technology to compete in the marketplace. These individuals can become your change agents, driving a successful rollout.

If you can identify potential product cheerleaders early, include them in your vendor evaluation. They should identify pain points within the current solution and sit in on demos. Ask any potential vendors for references early in the process and let your change agents ask those references pointed questions about the product and implementation experience.

Even within a HELOC-specific rollout, you can use your change agents as a pilot program. They can firm up internal processes and make configuration changes before a company-wide rollout. Their excitement can spur others to embrace the new technology.

As the demand for HELOCs continues to rise, you need to act quickly to maximize this additional revenue stream. And to successfully compete in the market, your technology solution should support the delivery of outstanding home financing services.

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