



## News & Insights Third Quarter 2006

### ● A Case In Point

#### BECU Exemplifies Lending Excellence



Thanks to the fact that they were willing to develop a whole new approach to mortgage lending, BECU is now one of the most efficient lenders operating today. This mid-sized lender, which does approximately \$1 million in mortgage volume, stands out even among the "Low Cost/High Productivity" lenders in Fannie Mae Mortgage Focus™ studies.

#### The Opportunity

With more than 433,000 members and over \$6.1 billion in assets, BECU is the largest credit union in Washington and one of the top ten financial cooperatives in the U.S.

In 1999, BECU (Boeing Employees' Credit Union) was typical. Although they had a loyal customer base, they closed only about 30 percent of loan applications, and they couldn't handle origination peaks. During that year, BECU processed 1,400 loans with 37 full-time employees; each employee handled about three loans a month because it took more than two hours to process a loan.

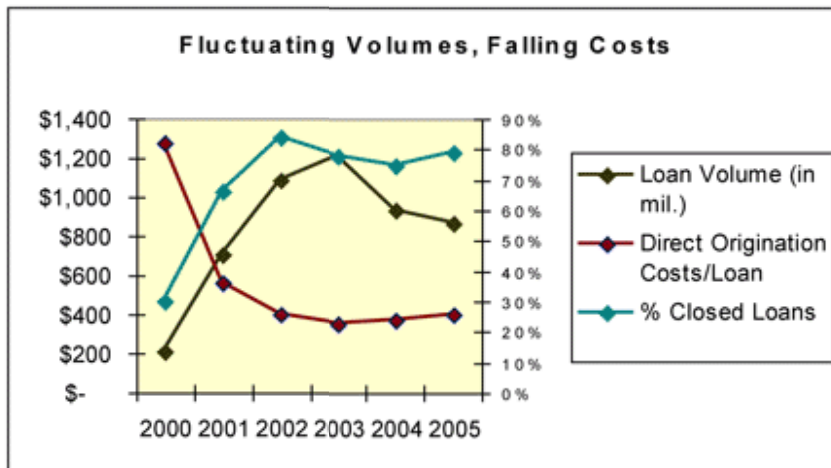
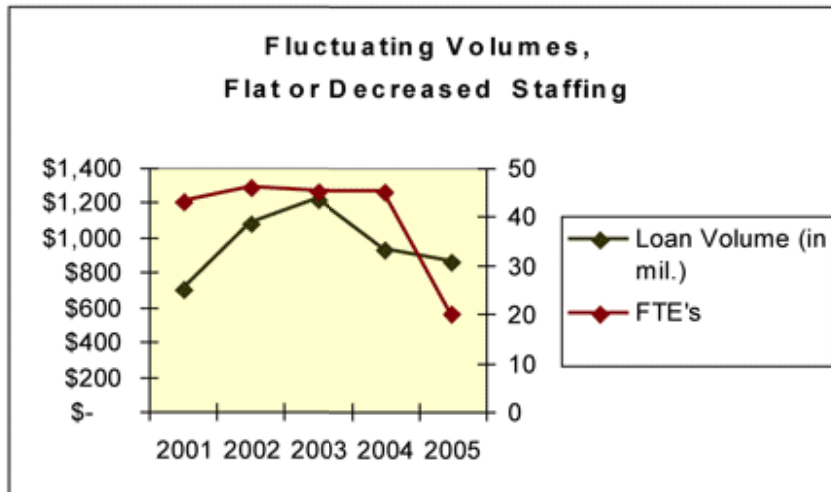
BECU knew the mortgage relationship was key to becoming the member's primary financial institution. "It was apparent if we didn't create a different experience for the borrower, we wouldn't be able to compete," said Joe Brancucci, BECU VP and Chief Lending Officer. "Failing to do so was contrary to our mission to promote homeownership and provide quality member service."

#### The Solution

In 1999, Dexma helped BECU create a "member-centric" origination system. The beauty of this system is that it's not only easy for members, it's also much easier for BECU's loan officers. Today, almost half of all loan applications to BECU are received outside of normal business hours, and most members receive commitment letters without human intervention.

In Fannie Mae's Mortgage Focus™ 2005 study, BECU had the lowest direct origination costs per closed loan in the Internet/call-center channel – \$402 per loan (the average was \$798). In 2005, BECU closed nearly 4,000 loans with 20 full-time employees – an average of nearly 200 loans per FTE. The industry average is 53 in the typical Internet/call center channel and 125 in the credit union Internet/call center channel.

Plus, they're closing 79 percent of all applications. "The results exceeded all expectations," Brancucci said.



BECU is not atypical among lenders in Prime Alliance, a partnership between BECU and Dexma. In their Mortgage Focus™ 2004 study, Fannie Mae created a new category of lender called Low Cost/High Productivity or LCHP to account for dramatic differences in results between lenders. Several Prime Alliance credit unions fell into this new category of lenders that outperformed 75 percent of their peers.

LCHP retail credit unions reported that technology tools were the most significant contributor to their cost and efficiency gains.

Technology delivered through application service providers (ASP) was preferred due to:

- Lower startup and maintenance costs with less reliance on internal IT infrastructure and support;
- Greater scalability;
- Simplified deployment with end-users;
- A more consistent experience for members and employees, which lowers training costs and simplifies adoption.

Fannie Mae's Mortgage Focus™ 2005 study found that LCHP credit unions dramatically outperformed their peers again during 2004. LCHP credit unions' average cost per closed loan was \$469 – nearly one-third the average origination cost (\$1,206) in other retail credit unions and less than one-fifth of the average cost (\$2,703) in the typical retail lender. Direct personnel costs in LCHP credit unions were 62 percent lower than those in credit unions overall.

### **LFC Lives Up to its Promise**

At the end of 2004, BECU implemented Dexma's Loan Fulfillment Center, enabling them to complete the loan process from their origination platform. Using the same set of data that's collected during origination, the LFC incorporates investor and individual lender guidelines into the system to drive intelligent workflow.

"I think it's an extraordinarily good system," said Debbie Toepfer, BECU production manager. "The enhancements have been good, and we're looking forward to the next release." Toepfer said BECU does a lot of "80-20" loans (the home buyer takes out two loans – one at 80 percent and the second for 20 percent of the purchase price), so they're eagerly anticipating this new capability.

BECU is rapidly moving toward a paperless environment; currently, about 200 loans are going through a paperless process from origination through document preparation. This was made possible thanks to the LFC's electronic file cabinet; all documents are faxed or e-mailed and uploaded electronically to the individual member's loan file. Auditors also use the LFC to audit those loans.

By the end of the year, at least half of all eligible loans will be paperless, according to Toepfer, and the majority will be paperless within another year or so (more complex loans like new construction, sub-prime and loans for self-employed borrowers will be the exception). Toepfer will be getting additional monitors for BECU's 18 processors so they can work on loans on one screen while viewing documents on the second monitor. No paper is produced until the very end, when the member signs the note and deed of trust.

BECU is also using a number of services through Prime Alliance Services Co., that has created a network of mortgage service companies offering volume pricing on appraisal, flood, title, document and other services. These service providers are integrated into the LFC and offered preferred rates to Dexma customers and Prime Alliance members. BECU uses Prime Valuation Services for traditional appraisals, Online Documents for initial disclosures and Digital Doc's for closing document packages.

### **Tip of the Iceberg**

Currently, over 1,300 credit unions have access to the front-end origination platform, through the implementations Dexma has completed with 73 credit unions and credit union servicing organizations or CUSO's, many of which serve dozens of small credit unions. In addition to BECU, 12 credit unions, including Addison Avenue, Bellco, Bethpage, Ent, GTE, Lockheed, Mid Minnesota, Midwest Financial, Municipal, Patelco, Tower and Wright-Patt, have implemented the Loan Fulfillment Center.

At least a dozen more will be implementing the LFC during 2006.

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