



NEWSLETTER

Guessing is more fun than knowing, or is it?

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I recently finished a book entitled, "The World in a Phrase: a Brief History of the Aphorism" by James Geary. For those unfamiliar with aphorisms, they're 'short, sharp shocks of forgotten truths'. Ever hear, "'a penny saved is a penny earned?"

"Guessing is more fun than knowing," another forgotten truth, is a contribution from the poet W.H. Auden. It came to mind as I read a series of e-mails about on-line lending. Chock full of best practices, information about credit unions and statistics about how lending technologies will make your mortgage program better, faster, less expensive and more attractive to your members, the e-mails weren't so much wrong as they were guesswork. We thought you ought to have more complete information. Because after all, lending is an area where knowing is not only more fun than guessing, it's essential.

Let's start with the statistics. A recent edition of National Mortgage News highlighted Prime Alliance's 2005 performance. It's true that over 140,000 loans --about \$25 billion in loan volume - - were originated using the Prime Alliance lending solution last year, a 34% increase over 2004. Within that number are all types of first mortgage loans: FHA, VA, jumbo, interest-first, MyCommunity™, Expanded Approval, HLPR, construction and second and home equity loans. Prime Alliance's customers can originate either, and, both at the same time: the platform will cross-sell a home equity loan at the time of first mortgage approval, a unique feature.

The same article provided facts on lending performance. According to the Fannie Mae 2005 Mortgage Focus Study, the average cost per closed loan among low-cost/high-productivity credit unions within Prime Alliance stood at \$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

W.H. Auden was not entirely wrong. Sometimes it's much more fun to guess. Benjamin Franklin, on the other hand, was completely right. Greater lending efficiency - - pennies saved - - are pennies earned. These pennies translate to real dollars that drop the cost of mortgage origination while simultaneously lowering the cost of homeownership. That's Prime Alliance's primary objective. Has been from the start, always will be.

How about best practices? Prime Alliance's low-cost / high productivity credit unions originate at one-third the cost of the average lender. How? Simple: these credit unions know that technology is but one piece of the puzzle. The other pieces aren't a secret. First there's institutional commitment and passion. Lowering the cost of homeownership for all members has to be an organization objective. Second, focus on the member experience takes precedent over traditional processes. Members want a home, they don't want a mortgage. Then there's product. Thirty-year fixed rate loans are fine for some members, yet may not meet the needs of today's first-time and affordable buyers. Finally it takes partnership. Even the largest lenders hit new performance highs when they work with a combination of organizations that share these commitments.

Interested in a more tactical treatment of best practices? There's a number of ways to learn more. One of the best is to participate in Fannie Mae's Annual Mortgage Focus Study. Registration is open until March 3, 2006. By participating, you'll gain valuable insight. Only then will you really know how your credit union's performance compares to all others. No more guessing.

National Mortgage News also reported that the Alliance now includes more than 1,300 credit unions. While it's true that some have left Prime Alliance, the truth is that far more have joined. And more do so each month They're coming to us from other mortgage companies, as a result of changes in the market and, yes, from other technology companies.

Prime Alliance is an Alliance of credit unions. Formed originally by BECU and Dexma, it now has 17 additional credit union shareholders. Dexma may not be a familiar name, yet it's a powerful partner. It built Desktop Underwriter™ on the web working with Fannie Mae. It connects to every major mortgage system in the country. In terms of size, one in ten mortgage transactions each year flows through Dexma's technology.

Guessing about some things is fun, great sport even. But guessing ought to be left for things like which movie will win the most Oscars or who wins the downhill skiing gold medal during this year's Olympics. Knowing, on the other hand, is essential when making business decisions. When it comes to Prime Alliance, now you know.
