Podcast 147 Omar Jordan Coviance

By Omar Jordan

Lisa Hochgraf 00:03
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Lisa Hochgraf 00:08
Welcome to the CUES Podcast, where leaders and experts discuss the top topics in credit unions today. I'm Lisa Hochgraf, senior editor at CUES and your host for this episode.

Lisa Hochgraf 00:19
In this show, Omar Jordan and I talk about the trends in home equity lines of credit. But perhaps more importantly, we also talk about the importance of staying positive, thinking about what your credit union can do, and taking risks with the idea of creating opportunity for your organization and its members.

Lisa Hochgraf 00:38
Omar is the founder and CEO of the fintech CUSO Coviance, based in Des Moines, Iowa. You might remember it as LenderClose. In today's show, Omar talks about the difference between lending automation tools and loan origination systems and how credit unions can benefit from having both. He explains what the Coviance system offers. In particular, he shares big picture thoughts on how credit unions can best partner with fintechs plus shares ideas worth considering regarding digital transformation, digital optimization,and innovation. Omar has a lot of passion for helping credit unions better serve their members. And that shines through in his comments. There's nothing like some positive influence on our thinking about what's possible.

Lisa Hochgraf 01:25
So let's get started.

Lisa Hochgraf 01:29
Welcome to the show, Omar.

Omar Jordan 01:31
Thank you for having me. So excited to be here.

Lisa Hochgraf 01:34
Glad to have you. Before we jump into talking about home equity lines of credit, I'd like to help our listeners get to know you a little bit. So would you have a professional mantra or a quote that you live by that you could share?

Omar Jordan 01:48

There's a couple that I use all the time. I use them on my kids; I use them on my team, when I'm in meetings when somebody says, "We can't do that." You know, the one that I live by is stop being afraid of what could go wrong and just get excited about what could go right. I don't know who said that. Maybe it was Tony Robbins. Because to me, success happens when your dreams and actions towards your dreams get bigger than the excuses we make.

Omar Jordan 02:14
It's easy to say can't and I just want to know. Don't tell me why you can't do something, tell me, tell me how I can do it and that's really what drives me every day. In this industry, as you know, we're you know, we're good at managing risk. And that's primarily what I hear. We manage risk, we manage risk. And to that I say, well, everything is scary until it's not. And so it's okay to take risks every now and then as long as we're not putting one out of business. Let's just continue on the path of innovation.

Lisa Hochgraf 02:43
Manage the risk for sure. But don't be afraid to take any at all right?

Omar Jordan 02:47
You've got to.

Lisa Hochgraf 02:48
Yeah, so let's jump into the topic at hand. At CUES, we're always studying the lending market a lot since lending is so foundational for credit unions. But home equity lines of credit or HELOCs go beyond meat and potatoes. We think of mortgage loans and car loans always. But how do you see HELOCs fitting into credit unions loan offerings? And are there particular groups of members that these loans most appeal to?

Omar Jordan 03:16
Well, they do appeal to No. 1, the member has to be a homeowner as you can imagine. But what's interesting is what's happening in the market today. First, I'd like to start and just focus on emphasis of why credit unions exist. Our No. 1 focus has always been our members. And that's a driving factor for why we do what we do. Housing, real estate is to us and I'm sure everyone on the call believes that it's not a right. It's a privilege. And real estate ownership and the mortgage system are one of the main factors that determine our members' financial well-being and so that said, not offering home equity loan products in fear of market trends towards a negative way. We've heard that in the last couple of weeks where some credit unions were thinking, well, we're not offering home equity loans just yet at scale because we might be afraid of any potential borrower default that will cause a credit union member to be at risk. To that I say well, think about the fintechs that are actually offering your credit union members access to home equity loans, and some of those are less favorable terms than a member can get with that specific credit union. And so we're champions of the home equity loan products.

Omar Jordan 04:33
So, but to answer your question more specifically as to what's happening today, we're seeing a tremendous amount of credit card debt that's more so than we've ever seen before and that credit card debt has now went from 16% to maybe about 22%. That's about a car payment, if not a half a car

payment, at least for most of your members. That's financial pressure members are feeling today. From a cash flow perspective, and only credit unions can truly step up like they did, once again in the financial crisis to save the members, to help them responsibly. So that's why we strongly encourage credit unions to continue to look at home equity lending as a product of members need. Because it's not a privilege, it's a right for them. And there's $18 trillion in lendable equity right now, for United States homeowners. Credit unions are the ones that can do it the right way. And do it responsibly and do it with a focus on the member and not from a dataset perspective, as most of the big box banks would do on a national level.

Lisa Hochgraf 05:43
Credit unions, small but mighty, they can really serve those members in special ways. And I just learned that there is advice out in the marketplace, and you can tell me if this is good advice or bad advice, but that when people retire, actually establishing a home equity line of credit can be a reasonable thing to do because they have so typically so much value in their home. But if they needed to suddenly come up with a medical expense or a moving expense, heaven forbid, they need to move to assisted living or something get out of their home, that can help them make the transition.

Omar Jordan 06:13
I think having access to the line of credit that's attached to a secured asset is not a terrible idea. And and to your point, you don't necessarily have to leverage it entirely all at once. It's why not have access to it so that you can, in the event of emergency, leverage that relationship that you have with your local credit union. Beyond that, I mean, we're seeing student debt, credit card loans, we're seeing consolidation loan take more effect than maybe a year or two ago, it was more on the home improvement side of things. So the trends of where consumer are leveraging their equity are interesting to watch. But it's no surprise to any of us. We've been through this process 20 years ago. We're going through it again, with interest rates being higher than they were in the last decade. And I think it's really a responsibility that we have as credit unions to focus on what our members needs are today.

Lisa Hochgraf 07:10
So we're kind of touching on marketplace trends here, Omar. Tell me a little bit more. What trends are you seeing in HELOCs in recent years and at the present?

07:19
Well, we've been seeing this since 2021 2022. And now we've been actually predicting home equity lending demand to rise, and our predictions became reality. So we're seeing industry headwinds such as high interest rates, home values being on the rise, lack of demand for refinance and purchase mortgage, turn into opportunity or tailwinds for credit unions, and especially credit unions who are looking to expand on their TAM, their total addressable market and their member share of wallet. And so, we saw a study years ago about two, three years ago that less than 5% of credit union members have a real estate loan with their credit union. That's mind boggling. The opportunity is massive for credit unions right now, especially in home equity area to come in and capture a lot of that market because that then turns into a real estate loan at some point or first mortgage or refinance. So it's a big focus for credit unions that are looking to grow their membership size. And even here where I'm from, I'm seeing a lot of advertisement on the side of the road billboards related to home equity loans offered

by a credit union, I love seeing that I want to see more of that on a digital front. It's not just credit unions that are focused on this product. There are fintechs that are coming aggressively after credit union members. And that's what really drives us. At Coviance, we want to continue to give credit unions the tool they need in order for them to compete against these competing fintechs

Lisa Hochgraf 08:46
I heard a really interesting description of thinking about whether to partner with a fintech recently, and one thought was, do you want to partner with a fintech that does what you do. So in other words, it has essentially the same business model as your credit union, or do you want to partner with a fintech that will help you enhance what you do. So they supplement it, they add to it, they give you an expansion by the partnership. So that leads me to a two-part question. First, what does Coviance do for its credit union customers? And second, where do you see Coviance on that fintech core business competitor or core business improver spectrum?

Omar Jordan 09:25
Well, great question. So Coviance is a technology platform that focuses on automating the process of processing a home equity loan transaction and/or a real estate transaction, but primarily home equity loans. We leverage our fully automated customizable automation engine to build custom automated workflows for our customers, and our customers happen to be credit unions right, primarily, with some banks on our platform.

Omar Jordan 09:52
What we do is we help our credit union customers scale their home equity loan volume without the need to scale their human capital to process the volume that's coming their way today. So that's our efficiency and scalability approach. And by doing so, leveraging our automation engine, leveraging the tools that we put in front of our customer base, including our excellent customer support and vendor management solutions that we offer, we learned that we're able to provide a loan pull-through rate ... so less borrower may abandonment ... by 30%, for most of our credit unions. And that's a survey that we've actually conducted by via third party outside third party that we brought in. All of that resulted into a five time ROI for our credit unions on each loan originated by leveraging our automation tools.

Omar Jordan 10:44
And so in a nutshell, we're an automation engine that helps you process home equity loans, much efficiently allows you to scale it and there's an ROI with a study that comes behind it. So we've done white papers and case studies with credit unions, such as All In Credit Union out there. Reach out to us, we're happy to share that with you. But we can provide an evidence that your LOS isn't the answer to increase efficiencies and partnering with the right fintech is.

Omar Jordan 11:14
To your point, there are competing fintechs and they that are going after our credit union members. And not just on the lending side. But nearly every product that credit union offers. And there are fintechs, such as Coviance, and we happen to be a CUSO funded by credit unions are primarily focused on providing credit unions the technology solutions, the product that they need in order to lend at will we

say at the speed of today's borrower or because your members expectations today aren't what your members expectations were five years ago.

Lisa Hochgraf 11:48
That's for sure. It's amazing how much things have changed in a short time. Now, before the show started, we talked a little bit about how the Coviance solution might dovetail with a loan origination solution and that Coviance is not exactly a loan origination solution. So can you tell me a little bit more about that for our listeners?

12:08
Well, it's funny, we have a saying at Coviance, that everyone's favorite loan originating system or solution is their next one. And we learned as we go in discovery calls with our clients and meeting with our clients is that they're trying to solve three simple problems. They want to be faster, speed. They want to be more efficient. and they want the ultimate borrower experience or member experience. And it turns out that the LOS is not the answer to that.

Omar Jordan 12:35
It starts with No. 1, understanding the desired business outcome. What is it that we're trying to accomplish? What is the goal that the board, the leadership team is going to rally around and from there, we can start to dissect: Do we need an LOS? Do we need a fintech partner and so on? But Coviance is absolutely not an LOS. We have no desire to be called one. In fact, I feel like the idea of an LOS and the definition of it will change over time. And we absolutely are an automation engine today that's looking to provide efficiencies, scalability and improve the bar experience.

Lisa Hochgraf 13:14
Another way to look at it, and I always said this, if your back office operation as a credit union lack efficiency, scalability, then what do you expect your member experience to be if your processor and loan officers are, you know, working on Excel spreadsheets, sticky notes and 1982 technology? But yeah, you have the best point-of-sale application in the world. It doesn't matter, because the borrower at some point will feel that lack of coordination.

Lisa Hochgraf 13:48
They'll feel some drag in the process. Yeah, for sure.

Lisa Hochgraf 13:51
Can you give me an example of like the timeframe to process a HELOC before a client added Coviance. And after what's the range of shortening?

14:01
Multiple examples. So the typical thing that we hear across the industry is that it takes us three to four weeks to process a home equity loan, sometimes even 90 days. And there are some that are far more aggressive. They, you know, one or two weeks. We strive and we call it a clear to close because there are some governmental, CFPB-required cooling off periods that you must follow. But we provide our customers a clear to close within 72 hours versus having to go weeks, right. That's what I love about

the ability and injecting automation into the process and relying on technology and data--the right way to modernize the lending process at every credit union.

Lisa Hochgraf 14:46
Yeah, and that leads really well into another thing I was thinking about, which is how Coviance can be part of a credit union's,digital transformation and optimization. Can you say a little bit more about that for our listeners as well?

Omar Jordan 14:58
Well, I love saying this and then every time we're in a meeting, my team stops me when I ask a question and the question for us in every way, in every meeting we have, in every problem we're trying to solve: What is the desired business outcome that we're after. From there for us the definition of digital transformation and optimization starts to make sense. I am, for example, a huge advocate and passionate and believer in less branches or more access to a technology. I find it mind boggling when I talk to a credit union CEO, for example, and they're putting in $5 million branch and somewhere in order to increase their their TAM. I feel like there's a, there's a there's a way we can do that digitally, right. Think about Chime, a $14 billion bank. Think about Apple: launched the savings account. In less than four days, they captured $1 billion in deposits. What credit union has done that in recent years?

Omar Jordan 15:57
So it doesn't start and stop at the branch. It's no longer popcorn at the lobby or coffee at the lobby. You know, it's truly a humanless, touchless process. Consumer behavior favors innovation and product through innovation versus brick and mortar. So I'm passionate about digital transformation and optimization of it. The way that we do marketing and credit unions. It's not something that a fintech would do. So we must change the way we think about the world around us. And we must stop trying to understand or divorce sort of our definition of what member experience used to be.

Lisa Hochgraf 16:34
I love your passion for what you do Omar. It is ... It is, right, the entrepreneurial idea of what you were saying earlier, which is take some risks and see what good can come of it. And then this too. Credit unions can really do a lot of good to have the right people and the right tools.

16:50
I think I do it because I love the industry and they've been so good to me. And I said this on multiple occasions and onstage multiple times. If it wasn't for credit unions, I wouldn't be here today on a personal level and a professional level. Credit unions gave me my first mortgage for my first home. They lent me my first auto loan. Credit unions got me out of debt back when I was getting out of college with you know, back then I had $8,000 in credit card debt. And it was the end of the world. Credit unions got me to this level on a personal level and we're a CUSO. If it wasn't credit unions' investments, my company wouldn't be here. We wouldn't have 400-plus credit unions on our platform, 80 employees that are working hard to innovate on behalf of our customers.

Lisa Hochgraf 17:31

That's fantastic Omar. I really appreciate your time today. And I want to be respectful of it. But before we would close the show, is there something that I haven't asked you about that you would like to tell our listeners about?

17:44
Maybe a question or like where do we start right as an industry and for me, it starts with CEOs' leadership to recognize that we must start to invest in things that we won't be able to see the ROI out of until we retire, right? We need to invest in what the next generation of members are looking for. And that starts with surrounding yourselves with the brightest minds that are hungry, the most diverse group you can get around you as from a leadership team perspective. Ask your board to step it up and push you to allow you to innovate. Create an R&D budget for credit union, to invest in fintechs or innovate internally. I don't know that many credit unions have R&D budgets. Well, why not? Let's start to create one. And then triple marketing and sales budget. Marketing matters. You've got to start to reach your members where they're at. And that is the biggest thing is how can we expect to connect with our members if we're not reaching them where they're at? And lastly, and I say this all the time, divorce the word can't. From our vocabulary, the most relevant credit unions in the future are the ones that are building for the next generation of members.

Lisa Hochgraf 18:54
Thanks for being on the show Omar.

Lisa Hochgraf 18:56
Thank you so much for having me. This was a lot of fun. I hope we're able to motivate some folks to continue to innovate on behalf of this industry. This is an amazing industry in the most amazing time and our credit union members need us now more than ever.

Lisa Hochgraf 19:13
I would like to thank you, our listeners, for taking time out of your busy schedules to listen to today's episode of the CUES Podcast.

Lisa Hochgraf 19:21
And many thanks to Omar for sharing his expertise about so many important topics. Learn more about Coviance on its website coviance.com. That's c-o-v-i-a-n-c-e.com.

Lisa Hochgraf 19:32
Find a full transcript of this episode at CUmanagement.com/podcast 147. You can also find more great credit union specific content at CEU management.com.

Lisa Hochgraf 19:48
Thanks again for listening today.

Lisa Hochgraf 19:50
CUES is an international credit union association that champions and delivers effective talent development solutions for executives, staff and boards to do drive organizational success