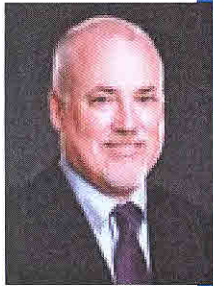


## WHY JOHNNY CAN'T ORIGINATE:

# ONE COMPANY'S INSIGHT: KINECTA FEDERAL CREDIT UNION

by Patricia M Sherlock



Michael  
McCarthy

Kinecta Federal Credit Union had served southern California since 1940. In 2012, Kinecta originated \$3.7 billion in mortgage loans with \$1.3 billion in retail origination. Retail has 90 mortgage originators and 25 Wholesale originators. Michael McCarthy is First VP and Director for retail production and operations. Mr. McCarthy graciously agreed to share his CU specific insights with author Patricia Sherlock and Pipeline readers.

**PL** When Kinecta decided to add mortgage origination to their business was management's view that they could use the credit union's current staff or they knew that they had to go outside the credit union to hire professional originators and install a sales culture?

**MM** "In 2008, we started a third party origination business. In 2010, we expanded to include a retail origination effort trying to take advantage of the opportunity in southern California where we are located."

**PL** Was hiring commission loan officers a hard issue for the credit union since they had not done that before?

**MM** "Since we had hired commission account reps for our third party business, hiring for the retail business was not a big leap for us. We have currently 90 retail loan officers. 60% of the retail loan officers are within our footprint."

**PL** What are the challenges that a credit union has when recruiting originators in your opinion?

**MM** "When we started hiring in 2008, many originators were looking for the stability that a credit union offers, so we were attractive. In the originator's world of employment options, we feel that as a credit union we fit somewhere between the big banks and the broker world."

**PL** What does the hiring process look like at Kinecta and what changes have you made?

**MM** "We realize that not everyone is a match for us. So I am interested in any tools that can help us select who is a better match for us. I believe that the more scientific we are in the selection process, the more we will save in the long run with lower turnover and higher production per loan officer. That is why we were interested in a tool such as QFS's pre hire assessment which helps us to determine who would be more successful in mortgage origination and helps our managers make better hiring decisions."

**PL** Has hiring right made a difference in your business results?

**MM** "We grew our business very fast initially and learned in how important hiring is for our business. With the right tools in place, we feel that our sales performance has improved."

**PL** How has the role of the loan officer changed in originations in the last few years?

**MM** "For us, service is very important for our members. Because of our high service standards, not all loan officers will be a match for our credit union. As a result, we need loan officers that will fit our business model. In many ways, I think that the loan officer needs to be smarter today because of changes in the business, but fundamentally, the building blocks are what they have always been knowledge of the mortgage business coupled with understanding the credit union business model and excellent customer service these are always a winning solution in my opinion."

**PL** With the market switching to purchase money, do you feel that a different type of sales professional is needed by the credit union?

**MM** "I think that realtors want the same thing as members-a loan officer that will service them well; is knowledgeable and able to execute appropriately. We are currently doing 20% of our production in purchase money."

**PL** How has assessment testing helped your sales managers when interviewing candidates for an originator's position?

**MM** "As a senior manager I recognize that not all managers hire well. I think assessment testing helps to ensure that we have a level of consistency in our selection process. With assessment testing, recruits are all going through the same filter and process which is good for all managers."

**PL** How difficult was it to get your managers to use assessment testing because the tests are screening out potential hires, thus causing managers to continue recruiting?

**MM** "I think that with anything managers were initially apprehensive because it is new and different from what they were doing before. After about 30 days, they bought into assessment testing and rely on it not only for its recommendations but also to identify an individual candidate's motivation and training needs."

**PL** Anything else that you think would be interesting for the readers?

**MM** "Credit unions have an excellent opportunity to take advantage of the mortgage upheaval that has occurred in the last few years. I believe that in five years, credit unions will have 20% market share."