A loan origination system carries every loan your credit union makes from the first application screen to the moment it books on the core. Choosing one affects members, lending staff, compliance, the technology team, and the budget for years after the contract is signed, so it helps to run the decision in a deliberate order rather than letting the most polished demo set the agenda. This guide lays out that order for lending, operations, and technology leaders.

The short answer: To choose a loan origination system, a credit union should document its own lending workflows and goals first, then evaluate vendors on core and third-party integration, configurability, decisioning control, member and staff experience, data access, total cost, implementation approach, and vendor stability, and finish with reference checks and the third-party due diligence NCUA expects.

What does a loan origination system do for a credit union?
A loan origination system (LOS) is the software that manages a loan application from intake through decision, documents, and funding. It typically takes applications from online, branch, and call center channels, pulls credit reports, runs the credit union's decision rules, generates disclosures and loan documents, collects signatures, and sends the funded loan to the core banking system, which is the system of record for member accounts.

The LOS also holds much of the data your credit union uses to report on lending and to demonstrate compliance. For that reason, an LOS decision is increasingly a decision about a lending technology platform: the origination system plus the integrations, credit services, analytics, and newer capabilities such as AI-assisted review that surround it. Lending is central to how credit unions serve members. As of June 30, 2026, there were 4,214 federally insured credit unions with 146.1 million members, and total loans outstanding reached $1.76 trillion, according to NCUA's second quarter 2026 data [1].
Start with your own lending before you look at vendors

The evaluation goes better when the credit union knows what it needs before the first demo. Vendors are skilled at showing their strengths, and a team without its own requirements tends to grade the presentation rather than the fit. Before contacting vendors, pull together the following.

- Your workflows by product. Map how an auto loan, a personal loan, a credit card, a HELOC, and any business loans move today, including where staff re-key data or work outside the system.
- Your systems. List everything the LOS must connect to: the core, digital banking, credit bureaus, fraud and identity tools, valuation sources, e-signature, document storage, and member messaging.
- Your goals, with a baseline. Write goals you can measure, such as time from application to decision, pull-through rate, or staff minutes per application, and record where you stand today so you can compare vendors against your own numbers.
- Your decision team and timeline. Name who owns the decision across lending, operations, IT, compliance, and finance, when the board needs to approve, and when your current contract's notice period begins.

What criteria should a credit union use to evaluate LOS vendors?

These eight criteria apply to any vendor and any credit union size. The weight you give each one should reflect your own goals.

1. Core and digital banking integration. Ask which cores the system is live with in production today, whether the integration is real-time or batch, whether data flows in both directions, and who maintains the integration when your core vendor releases an upgrade.
2. 2.Third-party connections and APIs. An application programming interface (API) is the documented way two systems exchange data. Ask which credit bureau, fraud, valuation, and document integrations already exist, whether the APIs are documented and available to your team and partners, and what it costs to add a new connection.
3. Configurability. Find out who changes workflows, product setups, and decision rules, and how long a change takes. A system your lending team can adjust directly behaves very differently from one where every change is a vendor ticket.
4. Decisioning and credit policy control. Automated decisioning should apply your policy, explain each outcome, and route exceptions to a person. Ask how the system records the principal reasons for a denial, because Regulation B requires creditors to notify applicants of action taken within 30 days of a completed application and to give specific reasons for adverse action [2].
5. Member and staff experience. Test the application on a phone, check whether members can save and resume, and see whether they can track their status. Have your own loan officers and underwriters work the staff screens, since they will use them every day.
6. Data access and reporting. Confirm that your credit union owns its data, can export it in a usable format, and can build the reports your lending committee and examiners ask for.
7. Total cost of ownership. Look past the headline price. Ask about the pricing model, implementation and integration fees, pass-through costs for third-party services, change request fees, and what it costs to leave at the end of the term, then add your own staff time.
8. Implementation approach and vendor stability. Ask for a written implementation plan covering data migration, testing, training, and the staff each side commits. Review the vendor's financial condition, ownership, product roadmap, and support model, and speak with credit unions of your size that went live recently.

How to run the evaluation in a practical sequence

A clear sequence keeps the decision grounded and gives the board a record of how the choice was made.

1. Assemble the team and requirements using the internal assessment above.
2. Issue a request for information or proposal to a short list of three or four vendors, using the same requirements for each.
3. Run scripted demos. Give every vendor the same three to five real scenarios from your credit union, such as a joint auto application that needs a counteroffer, a member who starts online and finishes in a branch, and a rate tier change your lending team needs to make. Ask the vendor to make the configuration change live rather than showing a prepared screen.
4. Score each vendor on the same scale. One workable approach is to give each of the eight criteria a weight so the weights total 100. A credit union focused on integration might weight core and digital banking integration at 20, configurability, decisioning, and member and staff experience at 15 each, third-party connections, cost, and implementation at 10 each, and vendor stability at 5, then score each vendor from one to five per criterion.
5. Check references with credit unions that run the same core and similar loan products.
6. Complete due diligence and contract review before final approval, with your compliance team and legal counsel involved.

What due diligence does NCUA expect when choosing an LOS vendor?

Your LOS choice will eventually be reviewed by an examiner, so it helps to run the evaluation with that review in mind. NCUA's 2026 supervisory priorities say that when lending, servicing, or collection functions are outsourced, examiners will also assess how the credit union manages that third-party risk [4]. The expectations behind that review come from NCUA's long-standing third-party guidance (Letter 07-CU-13), which asks for three things: a risk assessment and plan before you sign, thorough due diligence on the vendor, and ongoing monitoring once you are live [3]. A selection process that documents your requirements, scores, and reference calls goes a long way toward the first two, and it gives your board a clear record of why you chose the vendor you did.

The responsibility for that diligence sits with the credit union. NCUA has stated that it does not have authority to examine credit union vendors or credit union service organizations directly [5]. In practice, that means documenting the vendor's financial condition, information security controls and audit reports, business continuity and disaster recovery plans, and contract terms covering data ownership, service levels, and exit. If a vendor uses models or AI in decisioning, ask how it supports your adverse action obligations; the CFPB has said creditors are not excused from those obligations because they rely on complex algorithms [6]. Regulation B was amended in 2026 [7], so confirm current requirements with your compliance team. This section is informational and is not a substitute for your counsel or compliance review.

Questions to ask every LOS vendor

- Which cores are you live with in production, and can we speak with a credit union on ours?
- Can our lending team change a decision rule or workflow without a vendor ticket? Please show us.
- How does the system capture and report the principal reasons for adverse action?
- Which third-party integrations exist today, and what does adding a new one cost?
- What does the full cost look like over the contract term at our current and projected volume?
- Who owns our data, in what format can we export it, and what happens to it if we leave?
- What does your implementation plan require from our staff, and who on your side owns it?
- What security audit reports and disaster recovery testing results can you share?
- What is on your product roadmap for the next two years, and how do credit unions influence it?

The bottom line on choosing a loan origination system

The right LOS is the one that fits how your credit union lends, connects cleanly to your core and partners, lets your team adjust policy without waiting on a vendor, and holds up under the due diligence your board and examiners expect. Defining your own requirements first, scripting demos around your scenarios, and scoring every vendor the same way gives you a decision you can defend. Sync1 Systems builds lending technology for credit unions, anchored by our cloud-based loan origination system and supported by the services, integrations, and emerging capabilities that help credit unions lend more effectively and grow. As a CUSO, we welcome these questions in any evaluation, and you can learn more about our partner ecosystem at sync1systems.com/partners

Frequently asked questions

How long does it take to choose a loan origination system?

It depends on the credit union's size, the number of vendors evaluated, and board schedules. Plan backward from your current contract's notice period so the evaluation, contract review, and implementation planning are not compressed.

Does a small credit union need a formal RFP to choose an LOS?

A formal request for proposal is not required, but a written set of requirements sent to every vendor makes the comparison fair and gives the board a clear record. Smaller credit unions often use a shorter request for information followed by scripted demos.

Can a credit union change its LOS without changing its core?

Yes. The LOS and the core are separate systems connected through an integration, so a credit union can replace one without the other. Confirm that the new LOS has a working, production integration with your specific core before you sign.

What is the difference between an LOS and a lending technology platform?

An LOS manages the application, decision, documents, and funding of a loan. A lending technology platform includes the LOS plus the integrations, credit services, analytics, and other capabilities around it, which is why many credit unions now evaluate the broader platform rather than the origination screens alone.

Who should be on a credit union's LOS selection team?

Include lending leadership, the people who process and underwrite loans, IT, compliance, and finance. Front-line staff are especially useful during demos because they will notice workflow gaps that leaders may miss.

Sources

1. NCUA, Quarterly Credit Union Data Summary, 2026 Q2
2. 12 CFR 1002.9, Notifications (Regulation B), eCFR
3. NCUA Letter to Credit Unions 08-CU-09, Evaluating Third Party Relationships Questionnaire
4. NCUA Letter to Credit Unions 26-CU-01, NCUA's 2026 Supervisory Priorities, January 2026
5. NCUA, Third-Party Vendor Authority, March 2022
6. CFPB, Consumer Financial Protection Circular 2023-03, Federal Register, April 17, 2024
7. CFPB, 12 CFR Part 1002, Equal Credit Opportunity Act (Regulation B)