2018 SUPPLIER MARKET SHARE GUIDE

CREDIT UNION CORE PROCESSORS

CALLAHAN & ASSOCIATES
the credit union company

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CREDIT UNION CORE PROCESSORS

FEATURES

MARKET DATA

SPONSORED PLATFORM PROFILES

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Dear Credit Union Executive,

Welcome to the *2018 Supplier Market Share Guide: Credit Union Core Processors*. Callahan & Associates is providing this guide as a handy tool for you to explore your needs and resources regarding core processors.

Your core solution touches virtually every interaction you have with your members. It's the heart of your member service, your innovation, your efficiency, and your future. If you aren't investing in the right core provider — one who will be there for you when challenges arise — you run the risk of sacrificing the integrity of your key business drivers.

Converting your data processing system is not something to take on lightly, *but do consider it if your ability to innovate is being stifled*. Today, innovation means survival and growth. According to a recent survey by NTT Data Consulting, 70% of U.S. financial institution executives don't feel their current processes can quickly adapt to market changes.

A processing platform and its provider ought to:

- Simply and inexpensively let you integrate whatever products and capabilities you need.
- Enable you to customize the way your core operates.
- Offer a proven infrastructure for cloud computing, hardware hosting, and outsourcing.
- Serve as a willing, cooperative, long-term partner as you grow and innovate.

I wish you success in finding the resources you need, and I hope you will consider Symitar® for your technology needs.

Sincerely,

Ted Bilke

President, Symitar

TED BILKE

PRESIDENT, SYMITAR

A DIVISION OF JACK HENRY

SAM TAFT,
SENIOR DIRECTOR
OF INDUSTRY ANALYSIS,
CALLAHAN & ASSOCIATES

A POINT OF REFERENCE IN A WORLD OF CHANGE

Welcome to the *2018 Market Share Guide: Credit Union Core Processors* from Callahan & Associates. This is the only publication designed to help credit unions select a core processor that best matches their institution's distinct needs.

In recent years, developments in the core processing space have been moving in lockstep with incremental innovations in the broader financial technology marketplace. As financial institutions become more specialized, so do their needs for increasingly agile and adaptable core processing solutions. Selecting a core processor is a measured process that must account for both the value of the service as well as the ever-changing dynamics of the credit union business model.

For 20 years, Callahan's core processing publications have given credit union leaders a point of reference in a changing world. The credit union company gathers the data in this publication from core processor providers nationwide and then secondarily validates it as needed with the credit unions themselves.

Callahan's *Market Share Guide: Credit Union Core Processors* breaks down the market share rankings at the national level and provides information about firms' experience with the industry, typical asset size of clientele, and a snapshot of differentiating service offerings among other variables. With this guide in hand, credit union professionals can identify the best ally to help them guide their institution into the future.

> "USE THIS GUIDE TO FIND AND ENLIST THE BEST CORE PROCESSOR AVAILABLE — NOT ONLY FOR TECHNOLOGY AND SECURITY-RELATED CONCERNS BUT ALSO FOR ALL THINGS CONCERNING THE MEMBER EXPERIENCE."

This year's guide also features an inside look at the core selection process, as well as additional commentary from leading core processors CUProdigy, CU*SOUTH, Fiserv, and Symitar.

Use the *2018 Market Share Guide: Credit Union Core Processors* to find and enlist the best core processor available — not only for technology and security-related concerns but also for all things concerning the member experience.

As always, Callahan sends a special note of appreciation to all parties whose assistance made this publication possible, and to you, our credit union readers.

WHO'S WHO IN THE CREDIT UNION CORE SPACE?

The robust data contained in Callahan's annual Market Share Guide offers multiple ways to assess the value of core processors.

BY IAN MELHORN

Every year, Callahan & Associates releases the *Supplier Market Share Guide: Credit Union Core Processors* to offer credit unions different angles of analysis for the core processor market. This year is no different.

There are numerous reasons a credit union might want to survey the market and identify stable, secure partners that have a solid standing in the industry. Whether a credit union's core system is functionally constrained or has become too costly for the level of service and utility it's producing, this guide contains all the data leaders need to make an informed decision about this important IT investment.

For the most effective analysis, start with the market share tables and graphs that appear on pages 24 through 36. This market data provides an overview of performance from both the provider and platform perspective. The tables also offer core rankings based on number of credit union clients, by credit union membership, and by credit union assets.

> "THERE ARE NUMEROUS REASONS A CREDIT UNION MIGHT WANT TO SURVEY THE MARKET AND IDENTIFY STABLE, SECURE PARTNERS THAT HAVE A SOLID STANDING IN THE INDUSTRY."

There are numerous reasons a credit union might want to survey the market and identify stable, secure partners that have a solid standing in the industry.

THE GIANTS

Notable statistics to keep an eye out for include the continued growth of the goliaths in the industry, Fiserv and Symitar.

Symitar widened the gap over Fiserv for the total number of credit union clients served greater than $1 billion in assets. It netted nine $1 billion credit unions year-over-year and increased its margin from two to six institutions. Fiserv added five credit unions over $1 billion to its client list.

Although Symitar maintained a competitive advantage with the larger institutions, the reverse is true for credit unions with less than $1 billion in assets. Fiserv continues to dominate all other asset classes, and secured the No. 1 spot for total number of credit union clients served across the industry.

THE RISING STAR

In terms of gains in market penetration, one core processor had a particularly stellar year: Corelation.

Corelation expanded its credit union client base by a net difference of 14 credit unions — representing $9.3 billion in assets — annually. This year's performance helped Corelation achieve a three-year market share change of 0.72%, the second highest of any provider in this guide.

Since its inception in 2009, Corelation has proven attractive to many credit unions. Nearly four years ago, the core provider moved into a larger headquarters to accommodate growth and adapt to increasing client demands.

Corelation is one core provider making waves in the marketplace.

THE PLATFORM PLAYERS

From a platform perspective, Episys surpassed FedComp to secure the top spot for total number of credit union clients served on a single platform (642) with a margin of 23 credit unions over FedComp (619).

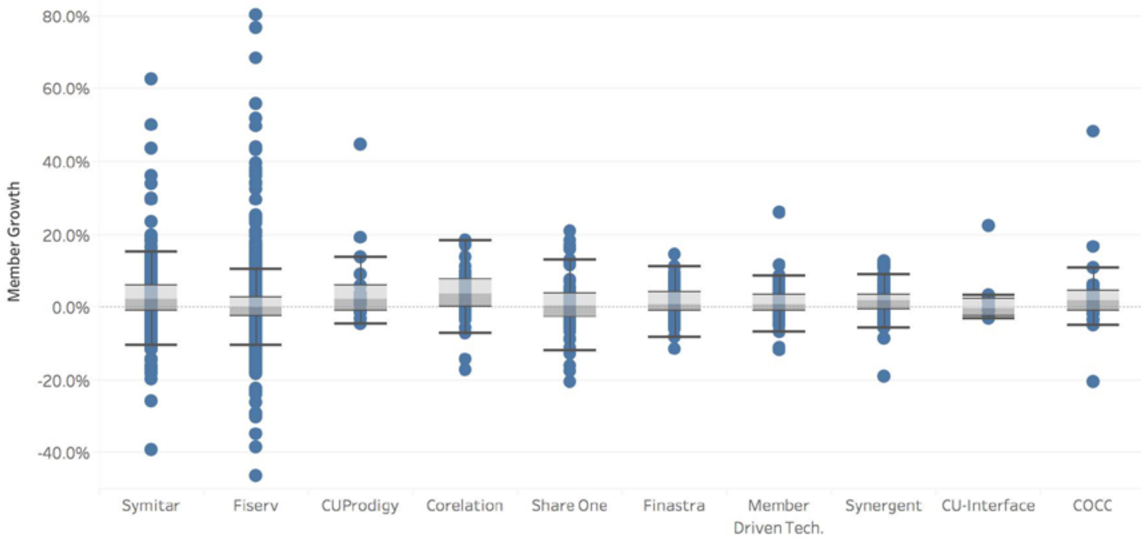
The total number of credit union clients served decreased year-over-year for both Episys and FedComp, and FedComp experienced $23.8 million decline in credit union assets. Episys, on the other hand, saw a $37.4 billion increase in credit union assets. The large variance in assets is partially the result of FedComp's continued focus on small credit unions.

NEW FOR 2018

A new offering for the *2018 Market Share Guide: Credit Union Core Processors* is the Platform Profiles that

TOP 10 CORE PROVIDERS IN AVERAGE ANNUAL MEMBER GROWTH*

FINANCIAL DATA FOR U.S. CREDIT UNIONS | DATA AS OF 06.30.17
CALLAHAN & ASSOCIATES | CREDITUNIONS.COM



*AVERAGE ANNUAL MEMBER GROWTH AS LISTED IN THE PROFILE FINANCIALS SECTION.

appear on pages 39 through 54. This section provides an aggregate overview of select providers along with minimum, average, and maximum financial performance metrics for credit unions on the respective cores.

The box-and-whisker plot graph above sources the raw financials from the Platform Profiles to identify the top 10 core providers according to the average annual member growth of client credit unions. It paints a picture of the aggregate average and distribution among credit unions using a specific core processor.

An array of factors contribute to member growth at credit unions, and this graph isn't intended to suggest other credit unions will achieve comparable results with the listed processors. Rather, the graph provides an alternative view of data that underscores the range of performance that exists among the different providers.

This guide contains numerous statistics meant to capture the interest of credit union leaders and technologists. There are multiple lenses through which to assess the value a core processor brings to credit unions, and this guide offers a robust base of information to evaluate the market. Decision-makers that keep the credit union's distinct challenges and strengths top-of-mind will glean valuable information from this guide.

BY TED BILKE, PRESIDENT, SYMITAR

INNOVATION AND SUCCESS

"Core" strategies for moving ahead.

I'd like to challenge readers to expand their vision. What does it mean to be an innovator in financial technology? It's more than having clever ideas and cool technology. It's more than being among the first to make use of new ideas.

A true innovator is pushing an idea forward because it really benefits the user. It's solving problems, increasing convenience, and speeding customer service. Today's innovators also recognize that customers want to choose how to use their products, so pioneering products must be flexible and customizable. This is true for both credit unions and technology vendors. The end user should call the shots on how to apply what is being offered.

If a technology provider wants to innovate and lead the industry, it will also need the vision, the resources, the research and development clout, and the service philosophy to carry its ideas forward. It's a team effort — and the team needs a "change culture" that's not resistant to new ideas.

THE CORE AND MORE

When looking at innovation in our industry, it's critically important for a core processor to have an open platform. Following the maxim that technology users want choices, the capacity for third-party integration provides opportunities that set credit unions free to pursue their goals.

At the same time, we recognize that the technology provider ought to have *its own cutting-edge software products*, not just a core platform. While openness to third-party vendors is crucial, their products shouldn't be the only option. An innovator will step forward with its own well-developed and integrated products that support lending, risk mitigation, payments, security, document management, and data warehousing and analysis.

A credit union's first choice is often these products the core provider builds to integrate with its processor. In many ways, the core provider's products function as a home base, and institutions branch out from them to third-party applications, depending on their need.

There's more to consider. An innovative IT partner will have:

- Managed IT security.
- A strong infrastructure for cloud computing, disaster avoidance, and hardware hosting.
- Investments in analytics, because this is a key technology in our field.
- Strong vendor management for easy adoption of their products.

INNOVATION MEANS GROWTH

As mentioned above, an IT leader doesn't innovate in order to be the first or to dazzle with fancy gadgets. It does so to solve problems and to get objectives met in a more effortless and economical manner. The result is growth.

A study by PricewaterhouseCoopers (PwC) interviewed 1,757 board-level business executives around the world. 93% of these executives said that organic growth through innovation will create the greatest proportion of future revenue growth. The study, *Breakthrough Innovation and Growth*, also showed that the most innovative companies are growing at a fast rate: an expected 62.2% over five years. When it comes to developing new products and services with external partners, the most innovative companies collaborate over three times more often —34% versus 10%.

One quote from the PwC study above is worth considering. It comes from Maxim Nogotkov, a man who founded retail companies and a financial institution overseas: *"The more powerful and successful a company becomes, the greater the temptation to maintain the status quo … Very often new business models are created by companies that have nothing to lose …"*

It's a timely reminder for everyone, whether from a powerful company or not, that we can't sit back on our laurels and continue to do business as we always have. Innovation is part of the process now. There are too many possibilities and opportunities created by new technologies to continue as before. Companies are innovating not just their products but their own business models so they can better take advantage of change.

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> WE CAN'T SIT BACK ON OUR LAURELS AND CONTINUE TO DO BUSINESS AS WE ALWAYS HAVE. INNOVATION IS PART OF THE PROCESS NOW.

Collaboration with other businesses, such as FinTechs, is one way to stay sharp and keep innovation happening. It's not a surprise that many credit unions and IT providers that are succeeding are also negotiating fruitful partnerships with other technology organizations.

THE LONG HAUL

Innovation is not a one-time thing. One good idea won't cut it. As with any enterprise, long-term commitment, as well as what we might call traditional values, sustain a company. A good example of a long-term innovation starts with Monsignor Pierre Hevey, a priest in New Hampshire early in the 20th century.

Hevey saw that local textile-mill workers needed a safe place to put their money and gain credit. In 1908 he helped organize what became the first credit union in the United States. That credit union, a current Symitar customer named St. Mary's Bank, tells us that its very first safe for keeping valuables was a humble metal box purchased from a local newspaper.

It wasn't the first credit union in the world, but it was an innovation in this country. Since then, the credit union movement has continually rebuilt itself, changed and adapted, and become the great network of institutions we have today. In other words, many additional good ideas were built on top of the first one. Credit unions are in it for the long haul — they persevered and succeeded due to a strong commitment to serve communities.

This is the key factor that we come back to over and over again: *service*. The greatest innovations can fail if not backed by the traditional value of superior customer and member service. It should be an integral part of every innovator and innovation that wants to succeed.

PUTTING IT ALL TOGETHER

In today's environment, everyone must innovate to compete and survive. A core processor and technology provider ought to:

- Innovate to solve problems, and only to solve problems.
- Promote innovation in its customers by offering a core that is flexible and customizable (open platform, good vendor management, customization tools).
- Offer a solid line-up of ancillary products (analytics, risk management) already integrated with the core.
- Provide a large, secure hosting infrastructure.
- Commit to ongoing innovation via R&D investment and collaboration.
- Commit to steadfast, high-level customer service.

Look at any IT company with long-term success and you'll see something like the values listed above.

Ted Bilke *came to Symitar in 2005, as the general manager of Episys Operations and Development, with more than 20 years of technology and financial services experience. He began his career with EDS, where he worked for 12 years. After EDS, he served as director of LAN Management Services for MCI Systemhouse, vice president of Integration Services for Bell & Howell, COO for Ascendant Solutions, and vice president of Lockheed Martin Space Operations. He holds a BSBA degree with a double-major in finance and marketing from Missouri Southern State University. Five years after coming to Symitar, he was appointed president.*

BY CHRIS CHRONIS, DIRECTOR, PRODUCT MARKETING, OUTPUT SOLUTIONS, FISERV

3 WAYS INSTANT ISSUANCE MEETS CONSUMER EXPECTATIONS

Satisfying the need-it-now ethos can help the branch secure the member relationship.

Fueled by consumer expectations, instant card issuance continues to expand to branches throughout the country. In fact, Aite Group recently estimated the number of U.S. branches using the technology will grow from 46,444 this year to 67,075 in 2021. Still, one major bank recently went in the other direction, citing fraud concerns for its decision to stop offering the service.

There are many reasons to believe the bank's decision marks an exception rather than the rule. For evidence, look no further than consumers' heightened expectations for their branch experience. They want the same speed and convenience they get through digital channels, the promise of security, and the technology that matches the speed of their lives.

Giving consumers activated cards when they walk into the branch means people can start using them as soon as they walk out the door.

Those expectations are more than a trend; they're the reality of financial services today. They're also what's behind the growing popularity of instant issuance.

3 REASONS FOR INSTANT ISSUANCE

There are many reasons instant issuance remains a vital offering for financial institutions. Here are three.

1. Consumers demand it.

Services such as instant issuance can be game-changers for financial institutions. For instance, 44% of consumers say getting a debit card at a branch would influence where they bank, according to the *2016 Fiserv Insights: Consumer Preferences and Document Delivery* survey. And 51% said it's very important to get a debit card at a branch.

Consumers expect the physical branch to match their experience when buying a book online or sending a digital payment to a friend. They want financial institutions to translate click-and-go into a branch experience.

2. The branch still matters.

Self-service channels continue to outpace the branch in terms of frequency of use, but Fiserv consumer research shows that many people value branch and in-person interactions. Branches still are relevant to all generations, with 54% of consumers with a bank account visiting a branch in the preceding month, according to the *2017 Expectations & Experiences: Channels and New Entrants* report from Fiserv.

Those consumers, especially millennials, expect in-person interactions to mirror the convenience of other channels. Those expectations are informing how the branch evolves and highlighting instant issuance's place in that evolution.

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> GIVING CONSUMERS ACTIVATED CARDS WHEN THEY WALK INTO THE BRANCH MEANS PEOPLE CAN START USING THEM AS SOON AS THEY WALK OUT THE DOOR.

3. *Card activation drives revenue.*

The U.S. market's active debit card rate has held steady between 65% and 68% for the past several years, according to multiple industry analysts. If cards aren't activated, they can't affect interchange revenue for financial institutions. The *Consumer Preferences* research highlights the gap between people receiving their cards and activating them. Only 63% of consumers activated their debit card the day it arrived in the mail.

Giving consumers activated cards when they walk into the branch means people can start using them as soon as they walk out the door.

SECURITY AND CONVENIENCE CAN COEXIST

Preventing fraud, providing convenience, and enhancing the consumer experience are all critical. But they don't have to be mutually exclusive.

There are concrete steps financial institutions can take to ensure security and meet consumer expectations for speed and ease. Take, for instance, palm vein authentication, which, when combined with instant card issuance, creates a secure, holistic experience. A consumer who visits a branch for a new debit card can get a palm vein scan in less time than it takes to pull out an ID and walk out minutes later with an activated card.

That's how branches evolve. And that's how financial institutions rise to meet consumer expectations for security, speed, and convenience.


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03 : 12 : 00 PM
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BY ANTHONY W. MONTGOMERY, CEO, CUPRODIGY

CUSOS ARE THE REAL GREAT EQUALIZERS

Credit union service organizations put world-class technology into the reach of even the smallest institutions in the industry.

In the eternal David versus Goliath discussion of American financial institutions, technology has long been called the great equalizer. Deploy the right technology — online, mobile, payments, etc. — and the smallest credit unions can go head to head with the largest banks.

Or so the thinking goes.

There's just one problem. World-class technology — the caliber of technology a credit union needs to do some serious equalizing — is often out of reach for small credit unions. In fact, it often seems out of reach for all but the biggest credit unions.

Every technology vendor has a so-called "sweet spot." That's sales talk for the ideal demographic for a particular product or service. Since larger credit unions arguably have more money to spend, it should come as no surprise that the sweet spot for most technology vendors is credit unions with $250 million or more in assets. In fact, some vendors prefer to stick with only billion-dollar credit unions.

Will these vendors sell to smaller credit unions? Yes … and no.

Sure, if a credit union writes a big enough check, a vendor will fill the order. Unfortunately, most smaller credit unions can't afford to write that check.

For the *ones* that can afford to write the check, good luck trying to attract the attention of one of these vendors in the first place. They'll look on the NCUA website, see you're only $100 million in assets, and summarily ignore you. They won't answer your RFP. They won't come to visit you. They won't even do a WebEx for you. They'll ignore you.

So, how can credit unions compete if they're not allowed to have the necessary tools?

This is where CUSOs come in.

CUSOs aren't there to line the pockets of Wall Street investors; they're there to help credit unions — no matter how big or small — succeed. That means they price their products and services accordingly.

Just as important, the technology available from today's CUSOs is often better — that's right, *better* — than the technology being hustled by these show-me-the-money big corporations.

> "CUSOS AREN'T THERE TO LINE THE POCKETS OF WALL STREET INVESTORS; THEY'RE THERE TO HELP CREDIT UNIONS – NO MATTER HOW BIG OR SMALL – SUCCEED."

Can your credit union really take on Chase or Bank of America? Sure.

Are you likely to do it with the help of some greedy company that only sees your credit union in terms of the profits it can generate? Probably not.

Fortunately, we have CUSOs. And that's a very good thing for all of us.

Anthony W. Montgomery *took the reins as CUProdigy's new CEO on Sept. 1, 2015. Since then, he has implemented a dual product strategy of modern core processing and core-agnostic, cloud-based infrastructure services. He has also implemented a new SaaS pricing model and a forward-thinking business philosophy. Under Montgomery's guidance, the number of credit unions using CUProdigy products and services has doubled.*

CUProdigy™

CUProdigy *is a CUSO that blends the combined power of an adaptable, user-friendly, and modern core architecture, with full-service cloud managed services. The CUProdigy community exists to empower our credit union owners to participate in the direction, evolution, and design of our innovative products and services.*

BY LEO VAULIN, CEO, CU*SOUTH

THE CORE OF THE NEW COLLABORATIVE

Core processing platforms can inspire service that will sustain members and the credit union.

Congratulations!

You're reading this issue of Callahan's *Supplier Market Share Guide: Credit Union Core Processors*, so you're passionate about finding a system that goes beyond the status quo to serve your members. You're a visionary who believes in the future of credit unions as cooperative drivers of economic change.

Every week, CU*SOUTH consults with credit unions who share its mission of enhancing member wealth. Together, we believe in the ideals of the cooperative model, in building our economy through a community focus. The CUSO shares the soul of a builder, aligning software with the business plans of our credit unions. We share the soul of owners, constantly searching for the way forward.

CU*SOUTH is tracking the following top three trends and the response of credit unions.

3 KEY TRENDS

1. A shift to a gig economy.

Traditional full-time employment is being replaced by contingent work. In five years, the percentage of contingent or gig economy workers has increased by 36%, to 40.4% of the workforce.

Small businesses are developing their own collaborative networks of contingent workers, minimizing fixed labor costs, and expanding the available talent pool.

As the number of self-employed, personal, and micro-businesses grow, traditional lenders struggle with the classification of gig economy workers with no W-2.

2. The rise of niche consumers and producers.

There is a local, community-built market opportunity with the development of a "barbell" economy — large consolidators on one end, microbusinesses flourishing at the other — at the expense of a shrinking middle.

Credit unions are tailor-made to leverage their member connection to local economies, to promote the growth of these niche producers in the middle.

Might we also serve as aggregators to create a marketplace for gig economy workers — the Taskers?

3. The rise of cooperatives.

As consumers become better informed, and product information becomes more transparent, marketing shifts from push to pull — and cooperatives are positioned to satisfy that demand.

Credit unions are uniquely positioned to become cooperative incubators, combining the culture and experience of living the cooperative principles with the market position and micro-awareness required to nurture the development of new cooperative businesses.

THE CREDIT UNION RESPONSE

1. Demand more from the core.

Today's best core systems include everything you need to operate your credit union. If you're opening one app to serve members, another to work on your budget, and a third to prepare reports for your board — you're wasting time and risk working with incomplete data.

True software integration means all the credit union's data is in one place. If a member changes their address in home banking, their new address should appear immediately on the teller line and should be automatically updated in the credit union's debit card and credit card platforms.

Fintech concepts thrive within this fully integrated data environment, and member-consumers expect it. Today's members demand micro-awareness — think about apps like Digit or Acorn. Holistic personal financial management (PFM) and business financial management (BFM) tools provide feedback on every transactional decision and opportunity.

Is this a disruption of how we think about money? What can we learn from these millennial-friendly models?

2. Demand more, but pay less.

Does your core vendor dictate, "You must afford my operating cost?"

Our market is dominated by vendors who leverage their legacy reputations into asserting unrealistic prices. Here's a simple test: Add up the price your credit union pays each month for member servicing, loan origination and servicing, home banking, imaging, back office, and operations — all the elements of a truly integrated

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CU*SOUTH
This is how we CU

Veterans Day 2017

RVA Financial FCU

Reimagined their credit union for 14,000 member-owners

3 KEY BENEFITS

1. MORE IN OUR CORE

Fully-integrated, cloud-based software – built and owned by credit unions, not banking vendors – with no extra modules to buy

2. MANAGED SERVICES

From back office to compliance, call center to collections, we share our specialists to help you grow - without hiring more FTE's

3. CU OWNED = MEMBER ALIGNED

Our ownership model keeps our CUSO operating in alignment with our credit unions, and preserves 100% of your invoice within the CU movement

We're building a **collaborative**, **peer-to-peer network** of credit unions who support mutual growth through the shared development of technology and service offerings. Together, our CU cooperative model builds our economy through a **values-based community focus**.

A new brand, new products and services, a new culture, a fresh way of interacting with member-owners.

All driven by a new, fully-integrated core system - **CU*BASE** from **CU*SOUTH**.

CU*BASE gave RVA Financial the tools to design their dream system – a single-source technology partnership with $1B+ scalability – at no extra cost.

CU*SOUTH gave RVA Financial FCU the support they needed to grow – on conversion day, our Call Center helped members navigate their new online services, our Money Movement team kept debit cards, credit cards, and ACH flowing smoothly, and our Accounting Services team made sure that everything balanced perfectly.

"CU*SOUTH provides a true partnership with their credit unions. From the first day we spoke, the team at CU*SOUTH showed a genuine interest in our success. Compared to the other five core providers I have used in the past, CU*SOUTH is the only core provider who is more interested in our credit union's vision and growth than selling us additional modules at an additional cost. We are happy to partner with CU*SOUTH."

- Rick Preble, CEO, RVA Financial FCU

CU*SOUTH
A Credit Union Service Organization

> "TODAY'S BEST CORE SYSTEMS INCLUDE EVERYTHING YOU NEED TO OPERATE YOUR CREDIT UNION. TRUE SOFTWARE INTEGRATION MEANS ALL THE CREDIT UNION'S DATA IS IN ONE PLACE."

solution. Add in the cost of a robust disaster recovery plan. If you're paying more than $1.50 per member each month, it would be worth your time to shop.

Does your core vendor use new financial technology as an excuse to sell you more modules?

Many credit unions CU*SOUTH consults with are frustrated that they can't get into the game because of the cost of entry. How long should it take to pay back the upfront cost of remote deposit capture, remote account opening, or 24-hour automated loan decisioning?

Does over-spending on core create a disservice to your owners?

3. *Demand a cooperative solution.*

Does your core vendor make it easy for you to promote collaboration?

A remarkable success story is a Mid-Atlantic CUSO called RekindleGoBig (rkGoBig) – six credit unions averaging 10,000 members each, who agreed to pool their surplus capacity in key service areas like compliance, collections, and contact center.

Each credit union took the lead in doing what it does best and, together, they realized a savings of more than 25% in systems, staff, and facilities.

The critical ingredient? A cooperative core platform — CU*BASE — that allows these six credit unions to do the work for one another without the need to merge.

YOUR CORE PROCESSOR, YOUR CORE VALUES

Shared ownership is at the heart of who we are as credit unions. The barbell economy is driving the differentiation of those financial institutions who retain a micro-awareness of their owner-members and their communities from those who chase growth for growth's sake. Your core processor should be aligned with your core values to thrive in the new economy.

YOUR CORE IS A PROJECTION OF YOUR BRAND — SO ENGAGE IN THE DESIGN

Every morning, I'm excited to read tech journals and trades to figure out how our world has shifted overnight and plan how to engage with it.

That "ah-ha!" moment is precious. Don't let it get lost in the work. Let your own CEO vision add a little more to your credit union's system, every day.

That passion to build is something we're all born with, and those of us who are blessed to work in credit unions can continue to indulge in this creative process throughout our careers.

BUILD YOUR NETWORK TO THRIVE

If you feel overwhelmed by how quickly the world moves, think like a collaborator. Build a network! It can start with just two credit unions sharing their surplus resources to get the work done.

CU*SOUTH is working with consultants, CUSOs, and leagues from Texas to Florida, Nebraska to New Jersey, to design resource-sharing networks to help credit unions reduce operating costs, implement new products and services for members, and return a higher dividend to their owners.

Collaborate, develop, and stay true to your owner-members.

That's how to thrive in changing times.

*Since 1983, **Leo Vaulin** has worked with credit unions as a software developer, business founder, consultant, teacher, and student. Please reach out and start a conversation at leo@cusouth.com*

CU*SOUTH
A CREDIT UNION SERVICE ORGANIZATION

***CU*SOUTH** is building a collaborative, peer-to-peer network of credit unions who support one another's growth through the shared development of technology and service offerings, powered by the CU*BASE integrated core platform.*

What's Next?

Are you wondering how to give your business plan a lift, to find a new bubble of opportunity? Something to prove to your board and stakeholders you have not reached the outer limit of your value prop? Then activate a network building strategy. You need to participate in a community, not sell one off. Organizing, fostering, and driving community value is a whole lot more fun. Join cuasterisk.com, our community might need you. Licensing arrangements that help your community participants bulk up, exchange value, and innovate not through consolidation, but through aggregation. One off sales are never fun -- being the catalyst to spontaneous community development is!

COOPERATIVE BUSINESS CHARTERS ROCK
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A Credit Union Service Organization

2 JOURNEYS TO A NEW CORE PROVIDER

How two credit unions found truth and happiness in their search for a new core processing partner.

BY MARC RAPPORT

Every journey begins with one small step. In the case of picking a new core processor, it's one big document.

When credit unions are looking for a new provider of crucial infrastructure, they typically send a request for proposal (RFP). The RFP is just one part of a larger process that pushes a credit union to think deeply about strategy and tactics, the path ahead, and what will serve the best interest of the member-owners.

Selecting a new core processor is a weighty decision for credit union management teams. The choice isn't just about functionality or bits and bytes, it's about providing services that define the credit union and determine its future.

All cores provide the basics, but after that, there's a wide array of considerations around integrating or buying built-in digital services like mobile banking and RDC, about technical support, about training and timing.

It goes beyond cost and seeps into culture. The depth and breadth of the credit union-core processor relationship is unmatched. And choosing a new one is rarely an easy feat.

In 2015, Andigo Credit Union ($873.1M, Schaumburg, IL) simultaneously changed charters, expanded its FOM, changed names, and built a new headquarters and a new remote data center. It was an ambitious undertaking, and the former Motorola Employees Credit Union knew it needed a flexible, scalable, adaptable core system to meet its new vision for the future.

Andigo had been with the same core provider since 2001. So, the first step the credit union took was to clarify what, exactly, it was looking for in a new core.

"We needed a comprehensive, member-centric view with enhanced contact and relationship management to support our culture of cross-selling," says Sean Bowers, executive vice president and chief information officer at Andigo. "Plus, business lending and deposit products."

WENDY CLEVELAND,
SVP/COO,
ALTAONE FCU

SEAN BOWERS,
EVP/CIO,
ANDIGO CREDIT UNION

AltaOne Federal Credit Union ($636.0M, Ridgecrest, CA) began its search for a new core processing partner approximately one year earlier than Andigo. Although

4 For Core Conversions

Wendy Cleveland, SVP/COO at AltaOne FCU, says four things in particular helped her credit union undertake a technology transformation.

- **Start early.** There are many "unknowns" along the way, and the process sometimes requires custom programs or a change in third-party systems to make something work as the credit union planned.
- **Have fun.** A committee at AltaOne engaged all employees through fun activities and newsletter updates.
- **Budget more.** Make sure there's enough in the contingency fund for additional overtime and inter-office travel and food.
- **Clean up.** Do as much front-end data work as possible. It's painful, ugly, and essential. And expect more post-conversion.

> WE DETERMINED STRENGTHS, WEAKNESSES, AND GAPS, AND THEN WENT BACK TO THE CORE PROCESSORS TO IDENTIFY HOW THEY COULD FILL THOSE GAPS.
>
> — SEAN BOWERS, EVP/CIO, ANDIGO CREDIT UNION

AltaOne didn't change names and places as well as technology, it still had some ambitious goals of its own.

"Our core didn't support our growth needs," says Wendy Cleveland, AltaOne's senior vice president and chief operating officer. "It didn't give us the flexibility we needed for integration and new product development."

At the same time, the credit union wanted to convert all its digital channels, a strategic opportunity it had been discussing for more than 10 years. So, AltaOne undertook a parallel RFP process.

"We opted to convert our digital channels before the core to minimize the scope of member and employee impact," Cleveland says.

Still, there was plenty of scope with online, mobile, bill pay, and P2P solutions from three different suppliers going live in October 2016, nine months before the new core from yet a fourth enterprise.

That kind of integration requires in-house planning to ensure third parties are up to the challenge. And that means due diligence and a good map.

Andigo Credit Union started its conversion journey with Callahan & Associations. Using the *Market Share Guide: Credit Union Core Processors* and Peer-to-Peer, Andigo identified 38 platforms serving 3,500 credit unions, then filtered that list to cores serving credit unions of $1 billion or more in assets. Learn more at Callahan.com/Core.

RFPS AND DUE DILIGENCE

After a full-scale needs assessment, each credit union worked with a consultant to develop a request for proposal (RFP), which then served as the map for much of the journey ahead.

Three core processing platforms responded to Andigo. The credit union requested a demonstration from two. Department managers and subject matter experts hosted visits from promising platforms as well as paid on-site visits to other clients.

"We determined strengths, weaknesses, and gaps, and then went back to the core processors to identify how they could fill those gaps," Bowers says. "Then we did deeper dive demos. We got hands-on, so our people could touch the system."

The process took 12 months and 2,800 total staff hours.

AltaOne also went through multiple demonstrations, phone calls, and visits to core vendors' headquarters and client credit unions. With an eye toward integration ease, that included a trip to the eventual winner's imaging center to see how a teller capture solution worked in real life. The credit union then selected two finalists and asked for more demos.

"We had all the critical stakeholders on the team and each area's perspective was critical in the final vote to select the winner," Cleveland says.

Senior management and board buy-in obtained, it was time to get down to brass tacks.

CONTRACTUALLY SPEAKING

Negotiating the contract is a critical piece of the conversion pie. And although negotiations can be delicate — with considerations for long-term and short-term costs as well as performance standards — they also set expectations for what needs to be a productive working relationship.

An attorney and core consultant handled the contract at AltaOne, but they had support.

"Our three-person executive team was at the table for immediate decision-making," Cleveland says.

For Andigo, outside of a few red lines, solidifying the contract

CU QUICK FACTS

Altaone FCU
RIDGECREST, CA
DATA AS OF 09.30.17

$636.0M
ASSETS

53,734
MEMBERS

11
BRANCHES

-1.7%
12-MO SHARE GROWTH

-2.9%
12-MO LOAN GROWTH

0.35%
ROA

CU QUICK FACTS

Andigo Credit Union
SCHAUMBURG, IL
DATA AS OF 09.30.17

$873.1M
ASSETS

35,163
MEMBERS

6
BRANCHES

-3.6%
12-MO SHARE GROWTH

13.9%
12-MO LOAN GROWTH

0.33%
ROA

3 Steps To Identify Core A-Players

Narrow the playing field and find a vendor that fits your credit union's business model and needs.

Step 1: Build A List Of Core Providers

- Make a list of credit unions that have recently switched core providers. Conversion announcements in industry media is a good place to start.
- Use Search & Analyze on CreditUnions.com to determine credit union assets and other key information, such as number of branches or location.
- Identify credit unions similar to yours. Consider, things like business model, field of membership, and size.
- Note which core processors these credit unions use.

Step 2: Analyze Credit Union Performance

- Use 5300 Call Report data to evaluate the performance of credit unions. Consider things like efficiency as well as loan and member growth.
- In Callahan's Peer-to-Peer tool, filter based on criteria such as asset range, membership size, and branch footprint to identify institutions with comparable operating expenses.
- Filter by vendor to further refine selections and compare the performances of credit union groupings against one another.
- Identify the core processors that appear to best support similar credit unions.

Step 3: Gather Feedback

- Make a list of executive contacts for credit unions that use the providers identified above.
- Ask those contacts about their conversion experience. How was it? What do they wish they knew before the conversion? Are they satisfied? Do they have advice to share?
- Find credit unions that have been with the core provider for several years to get a better understanding of what a long-term relationship will look like.

Learn more at www.Callahan.com/Core

was similar to any other price negotiation, according to Bowers.

"Cost was important but was not a decision-making criterion," he says. "This was a long-term decision. It was imperative that we find the best strategic partner."

THE FINAL STOP. EXCEPT IT ISN'T.

After the ink dries, the real fun starts. Converting to a new core processor is a notoriously complex endeavor that calls for teamwork and cooperation from the front line through the C-suite and on to the multiple suppliers involved.

Cleveland says the conversion went smoothly at her California credit union, and it's continuing to build on to the system and add functionalities.

A month after Andigo went live with its new core, technologists and business users at the Illinois credit union were immersed in building workflow improvements using their new activity and document management solutions.

"The journey never ends," Bowers says.

A PERFECT PAIRING

Andigo Credit Union went live on the Fiserv DNA platform in October 2017. AltaOne Federal Credit Union went live with Symitar Episys in July 2017. Both used Next Step consultants during the process. Find your next partner with Callahan Buyer's Guide, available at CreditUnions.com/connect/buyers-guide.

WANT TO ENSURE A MATCH MADE IN HEAVEN? START WITH THE PERFECT PROPOSAL.

Core processors share best practices for crafting a truly useful RFP.

BY MARC RAPPORT

Creating a request for proposal for a new core processing system is no small matter. There's no one right way to do it, but there are lots of better ways. Suppliers see hundreds of proposals every year. Here, they share the "do" and "do more" tips that are sure to get any new relationship off to a great start.

Start From The Beginning. Know what problems the credit union wants to solve. Outline business challenges and why changing core providers is critical for future success.

Think Comprehensively. Include system requirements, five to 10 "must have" and "nice to have" functionality and features, and desired deliverables such as pricing and service expectations, culture and value alignment, etc.

Focus On Success. Canned consultant RFPs can ask for a lot of information or about products and services the credit union doesn't need or has no interest in. When using a template, be sure to focus on how the solution will help the credit union be successful in the areas it outlined above.

Ask The Right Questions. To make sure a new processor can accommodate a credit union's growing needs, ask things like: How often do you update/upgrade? How do you address compliance? How long does it take to implement programming changes? How much do such changes cost? Is help available 24/7? How many clients have you lost in the past two or three years?

Provide Examples. Examples provide useful context and help the processor understand the real question at hand.

Share The Love. Form a committee, with a point person, to prepare the proposal. Make sure the parties involved understand the whole organization and its needs and are looking toward the future.

Thank you to Robin Kolvek, CEO of EPL; Tony Montgomery, CEO of CUProdigy; Don Conrad, senior vice president at Share One; Mary Lou Naso, sales manager of FedComp; and David Mitchell, president of NYMBUS, for sharing the above tips. This is only an excerpt. Read the full piece on CreditUnions.com.

NO NEED FOR AN RFP?

Desert Schools limits paperwork and focuses on the future in selecting a new core processing partner.

BY MARC RAPPORT

Desert Schools Federal Credit Union ($4.3B, Phoenix, AZ) doesn't believe in sending lengthy Requests for Proposals. In fact, the Grand Canyon State credit union hasn't used an RFP at all for any major project since 2012.

"We prefer a more conversational approach with vendor partners to discuss what we're trying to accomplish and what they can offer instead of creating a huge document with hundreds of questions," says Ron Amstutz, executive vice president at the four-billion-dollar cooperative.

Indeed, it was a conversation at the GAC a few years ago that prompted Desert Schools to consider a startup when it was time for the credit union to update its technology and operational infrastructure.

In this Q&A, Amstutz outlines how Desert School determined it was time to forgo the formal proposal and what it did instead to select a new core processor.

RON AMSTUTZ,
EVP,
DESERT SCHOOLS FCU

WHY DID DESERT SCHOOLS QUIT USING FORMAL RFPS? WHAT MAJOR TECH BUYS HAVE YOU COMPLETED WITHOUT THEM?

RON AMSTUTZ: There's a lot of unnecessary work that both the credit union and the perspective vendors must complete with an RFP. We had already replaced our online/mobile banking and audio response systems without RFPs, and that gave us confidence when it came time to convert to a new core.

HOW DID YOU KNOW YOU WERE READY TO ESCHEW RFPS?

RA: When we realized that sending a document with hundreds of questions and requiring multiple vendors to answer the same questions just didn't make sense any longer. Even with an RFP, because systems are different, the answers to questions had exceptions and it really wasn't comparing apples to apples. We felt we were wasting a lot of time when all we really needed were answers to a smaller subset of questions.

WITHOUT AN RFP, WHAT DOES YOUR DUE DILIGENCE LOOK LIKE? DOES IT DIFFER FROM A FORMAL RFP PROCESS?

RA: We invited our final two choices into Phoenix for three-day demonstration sessions with our team. We made multiple site visits to other credit unions running those two systems and met with their leadership teams. We did significantly more due diligence on Corelation to create risk mitigation because we were 10 times larger than any other client running the system at the time.

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WHAT KINDS OF QUESTIONS DID YOU ASK? HOW DID YOU DOCUMENT ALL THIS?

RA: We knew what our pain points were on the system we had, so we created spreadsheets to list the must-haves, gaps, and game changers we wanted our new system to be able to do for us. We used those spreadsheets to manage the selection process.

TALK MORE ABOUT THE SPREADSHEETS.

RA: The must-haves are just what they sound like: the system must have normal operations capabilities for processing deposits, loans, certificates, checking accounts, debit cards, etc.

The gaps were items that we had in the current system or through a third-party that Corelation did not offer at the time of our selection. These were contracted to be developed by Corelation to be ready by the time we converted. Part of our partnership with them was to help advance their new system significantly through our conversion. Two examples were safe deposit box and skip-a-pay functionality.

The game-changers were items we believed would change our business in a significantly positive way and that the system already had or would need to be developed for us by the time we converted. Two examples were relationship pricing and digitizing new account workflow.

DID YOU DO THIS ON YOUR OWN?

RA: No. It's important to have an outside voice to navigate the change. We chose a consultant who had significant industry experience to guide us through the selection and implementation process. He focused on helping us design our future and was not married to a cumbersome process.

DOES DOING IT THIS WAY REQUIRE GOING OUT OF THE COMFORT ZONE OF USING A FORMAL RFP?

RA: Only if you're tied to the same old regimented process that has been used for years.

WHAT ADVICE OR BEST PRACTICES WOULD YOU OFFER OTHER CREDIT UNIONS IN THIS REGARD?

RA: Have a good understanding of what your pain points are with your current system. Document them and define them with the business lines involved. Then, do your research. Read about vendors, ask your peers at other credit unions about their systems and what they like and don't like.

Find a partner that fits your culture. Create a list of what you dream a system could do and how that would benefit your credit union and make you more efficient and relevant to your members.

Finally, don't settle on the easy decision. Every decision has risk. The key is to identify the risk and create an acceptable plan to mitigate it.

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$4.3B
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317,969
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10.1%
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11.1%
12-MO LOAN GROWTH

1.61%
ROA

CALLAHAN & ASSOCIATES
the credit union company

We hope you enjoyed this preview of Callahan’s *Market Share Guide: Credit Union Core Processors*. The full version is available to Callahan subscribers. Learn more about unlocking this and more at www.creditunions.com