

# WHAT TO CONSIDER WHEN CHANGING CORE PROVIDERS

Presented by Scott Collins  
EVP of Marketplace Development

**CU<sup>\*</sup>ANSWERS**

Presented to the VIZO Community  
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# Thank you for joining me!

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## **A Little Information About Me:**

- Currently reside in Grand Rapids, Michigan
- Started career at IBM Corporation
- Helped dozens of clients convert to new Core ERP solutions nationally
- Serving the CU Industry since 1998 in various capacities including Consultant, CUSO CEO and Business Development Executive
- Involved in the Core DP due diligence process by more than 150 credit unions
- Serve on the Board of \$40M credit union
- Married to Penny for 33 years; 3 sons who have all worked in the CU industry while in HS and College



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## 51-year old CUSO

- HQ in Grand Rapids, Michigan
- Staffed by nearly 300 CU-industry professionals

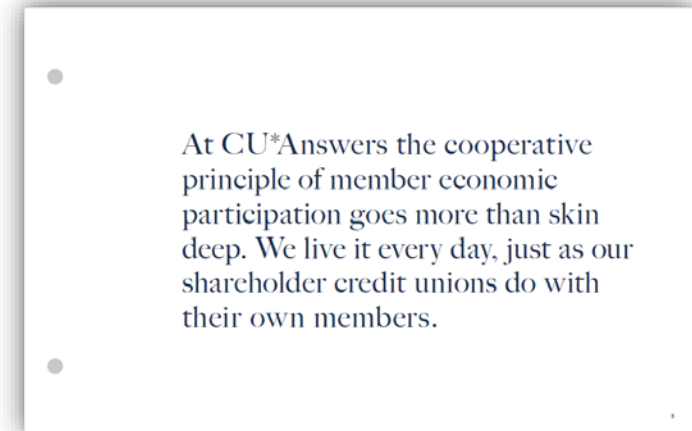
Stealth: But the **4<sup>TH</sup>** largest core in the industry

Unique: The **only 100% CU-owned cooperative** in our industry

**ROI** greater than \$20M in ownership dividends in past three years

Part of the **cuasterisk.com network**

- Reaching 700+ CUs nationally, 3 million members



## Why Do a Core Search?!

I can almost hear you saying things like:

*- Why would I want to put my staff through that?*

*- I've been through X core changes in my career and they have all been awful!*

*- My core support/pricing/down time/etc. isn't really that bad after all*

*- I know that my core will sell my contract eventually, but we can deal with it then*

*- We can't compete effectively, so we are thinking about merging*



# In All Seriousness...

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## **An Effective Core Change May Result in:**

- A renewed enthusiasm in your member-service mission
- An opportunity to launch new products/services
- Reduced expenses! (yes, you are reading that correctly)
- A new community of peer-to-peer collaboration
- An opportunity for ownership (CUSO)

**Or the process might simply be a catalyst for a renewed enthusiasm about your current core provider**

# A Question from the Group

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**“Assuming we do not want to convert, what are the best approaches to save money?”**

# Reasons You Might Do a Search

- **Vendor Consolidation**
  - o My core is being sunset
  - o My vendor got sold
- **Due Diligence**
  - o Keeps the Vendors honest towards what they are providing around the product, pricing, and customer service
  - o Many credit unions (75%) make the mistake of simply renewing a vendor contract without knowing what the prevailing market prices are
  - o Places the vendor on notice that you are looking for a partner that is listening
- **Need For Newer Technology Innovations/Staying Competitive In The Market**
  - o Is the vendor growing?
  - o Are there signs that the vendor listening to the marketplace?
  - o Are they producing a roadmap with newer innovations?
  - o Can the vendor provide you with access to markets?



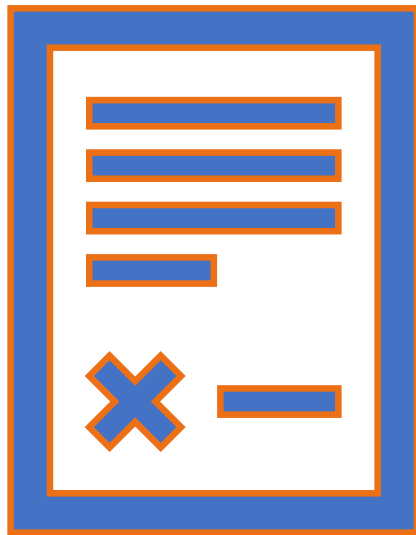
# A Question from the Group

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**“How do I know if the company is going to remain in business?”**

# When Should We Do a Search?

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- This search should occur **half-way through the term of your current contract term**
- Important to **inventory all your contracts** that could be impacted by a core change (also a critical component of your Vendor Management processes)
  - Core Vendor
  - Online Banking Vendor
  - Plastics Vendors(s)
  - Bill Pay Vendor
  - Document Imaging Vendor
  - While having all your core-related contracts COTERMINOUS makes the process easier, do not think that it is a show-stopper

# A Question from the Group

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**“How do I minimize the penalty/deconversion penalties?”**

# A Critical First Step

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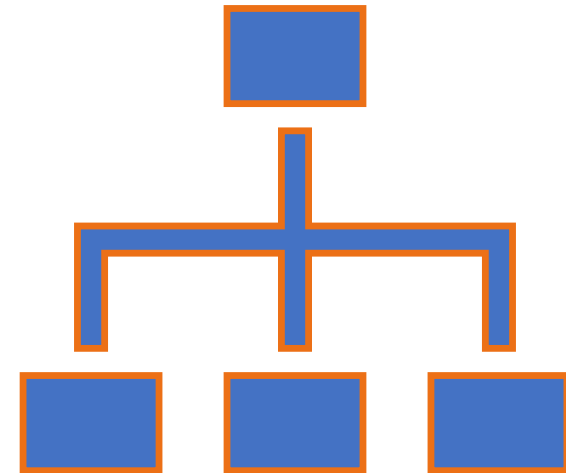
- Notify all your current core-related vendors that you DO NOT wish to have your current contract auto-renew
- Many credit unions are hesitant to take this step because they feel it will result in service degradation
- Read the contract thoroughly to ensure that the vendor receives notification well in advance of the required date
- Send notification via certified mail vs. regular mail or email

**CRITICAL**

# Some Best Practices to Consider

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- **Produce a Request For Proposal (RFP)**
  - Evaluating and selecting a new solution might be a formidable task for your staff, however you want to create a document that fields your most important questions to make sure the next system addresses the perceived short-comings of your current system.
    - Side benefit - holds your team accountable for understanding what functionality they currently have
  - It helps to level the playing field (keeps vendors honest based upon their system solutions and potential gaps)
  - Involve up to three (3) vendors in your core search
  - **SHOULD I INVITE MY CURRENT CORE?**
- **You may wish to have a Consultant lead you thru the process (but make sure to check references)**



# A Question from the Group

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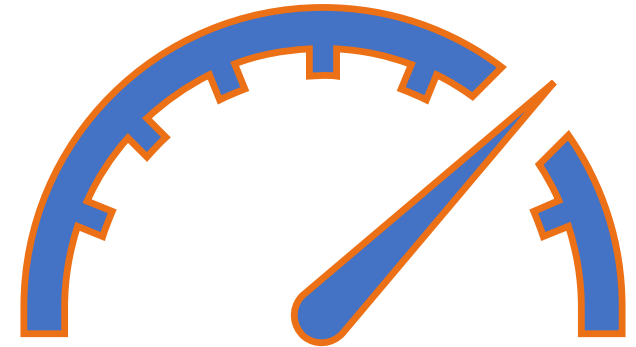
**“How can I best use the other provider(s) information to renegotiate with my current provider and how can I get my current provider to minimize conversion fees?””**

# Some Best Practices to Consider

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- **Scoring the demos**

- Keeping track of what each vendors do can be difficult and after reviewing 3 sets of demos in a few weeks' timeline can make many employees forget what they reviewed
  - Keeping an apples-to-apples scorecard from each member of the staff for each vendor will help you understand where each vendor sits at the end of the demos
  - It also helps to facilitate intra-team discussion and validation by your team members
- It's important to share the final stats at the executive level so they have a clear picture of why one system was selected over another



# Some Best Practices to Consider

- **Reference Calls (Peer input is critical to the process)**
  - Prepare your list of questions in advance to make them consistent
  - Make sure your questions are clearly asked and answered
  - Include questions on Support, Down-time, education/training, expense "surprises", peer groups (Focus Groups, Advisory Groups, User Groups)
- **Referenced Credit Unions Should Include**
  - A credit union that has been on the system for at least 5 plus years, in the same asset and/or membership size and are offering the same product/service mix as your credit union is doing today
  - A larger asset sized credit union to make sure they are doing future based solutions that will help you credit union grow for years to come
  - A recently converted credit union (did that vendor "walk the talk" on the project?; "what were the biggest surprises during the process?")



# Some Best Practices to Consider

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- Contract Negotiations
  - Once evaluations and selection is complete, you want to be in a position to negotiate best and final pricing
    - Desired term?
    - Are ancillary agreements and third-party contracts coterminous?
    - Is pricing published?
    - Do they offer Service Level Agreements?
    - What are your options if your contract gets sold?
    - Are early termination fee calculations documented?



# Before Your Final Decision to Move

- **Core Conversion Timeline**
  - Determine if the selected conversion date meets the current end date of your current system contract so that you avoid excess fees and premiums
  - Flexibility - does my current core offer mid-month conversions and/or realistic month-to-month options
  - Is the education roadmap documented and free of charge?
- **Third Parties**
  - Ensure all third-party interfaces are identified and included in proposal (whether they are an existing or a new party)
- **Testing and Certification**
  - Ensure multiple database verifications are in place
  - Ensure you are able to do multiple verifications (some vendors call them "mock conversions") to test possible internal and external points of failure
- **Project Plan**
  - Ensure all tasks are identified by both you the credit union and the vendor is crucial to making sure the credit union has a smooth transition with minimal gaps and risks

# A Question from the Group

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**“How will the account number process work for Base Account, MICR and ACH numbers?”**

# Some Other Observations/Comments

- **Do you have a preference on what environment you wish to deploy?**
  - In-House (On Prem)
  - Online/SaaS/Service Bureau (Cloud)
  - Hybrid
  - Is there similar features/modules/functionality in all of these environments?
- **Have you identified an Internal Project Manager?**
  - “I assigned my best person/people to the project”
  - Have you included staff bonuses/incentives in your budget?
- **How would issues like the 2020 pandemic effect a core conversion project?**
  - Do you have a “Mission Control” area of your office with solid video capability?

Seems Like  
Everyone Has  
Similar Core  
Functionality...How  
Do I Differentiate?

**Identifying what is important to you, and how much weight you put on those factors, will help you trim the field of candidates**

- **What is the Vendor's Business Model? And does it matter?**
  - C-Corp, LLC, Sole Proprietor, etc.
- **Who Owns the Vendor?**
  - If customer-ownership is important to you, a CUSO could help check that box
  - If Vendor is a CUSO, are you able to buy stock in it?
- **What Vendor Due Diligence materials are available?**
  - What does a client budget for annual updates to the due diligence materials?
- **Who Owns the Technology? And is that important to you?**
  - A CUSO that also owns the core could help check that box (*"But I thought CUSOs owned their technology?"*)

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- ***“Show me the Money!”***
  - Does the Vendor make their pricing generally available to their customers? (Is an online store available?)
  - What has the invoice for a typical credit union my size done in the last 3 - 5 years?
  - Avoiding surprises - are there large integration fees for turning on new modules, performing custom integrations, etc.?
- **How do I get a hold of someone when I have a question or if something goes wrong?**
  - What client services channels are available?
  - What are the support hours?
- **What types of ongoing training and education programs are available to me?**
  - If it's not free, what does a CU my size typically budget for ongoing education?

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**Identifying what is important to you, and how much weight you put on those factors, will help you trim the field of candidates**

- **Do I prefer to have a suite of products or am I more likely to seek best-of-breed solutions (\$\$)?**
  - Examples may include Online Banking, Loan Origination, Business Lending, Mobile App/RDC, Document Imaging, Data Warehouse/Analytics, Call Center, e-Signatures, Accounting/Back Office, etc.
- **What is the Vendor's Data Warehousing Strategy?**
  - Are we a D.I.Y. shop when it comes to analytics? (*"we have good Data Analysts on the team"*)
  - Or would I be better served with a solution that had robust integrated reports, dashboards, etc. but required less analytical expertise?
- **Do I want a say in what gets developed?** Is it important to you to be able to vote on new projects?

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**Identifying what is important to you, and how much weight you put on those factors, will help you trim the field of candidates**

- **How often is the Software Enhanced?**
  - Are those implemented free of charge or for a fee?
- **Is an active group of my peers important to me?**
  - If so, a published list of all users of a core system in my "Peer Group" could be helpful
  - Are there active local User Groups, Chat Groups, Focus Groups, Annual Conferences, etc. for us to participate in?
- **Does the Vendor publish a Business Recovery/Business Continuity/Disaster Recovery Plan?**
  - How often has the core been down (unavailable to staff and/or members) in the past 3 years?



# Who Can Help Me Through the Process?

## There are different strategies available depending on your preference

- Some credit unions will seek a significant amount of intel from their trusted peers ("circle of trust" strategy)
- Some credit unions will hire a Consultant to help them manage the selection process
  - Selecting the right consultant will likely require a "mini" version of your core due diligence process (i.e. references, cost, referral, unbiased)
- Some credit unions will go the D.I.Y. route
  - Leverage your peers who have gone before you

# Critical Success Factors

- **EXECUTIVE LEVEL COMMITMENT**
- Put your best people in charge of the project
- Define a bonus program for effective completion
- Allow ample time for the due diligence process
- Select a Vendor that aligns well with your core values
- Leverage your peers!
- Work with your new Vendor to develop an effective member communication strategy based on their experience and the experience of your peers who have gone before you
- Keep in mind there is no perfect software
- Keep in mind → **YOUR TEAM WILL SURVIVE!**

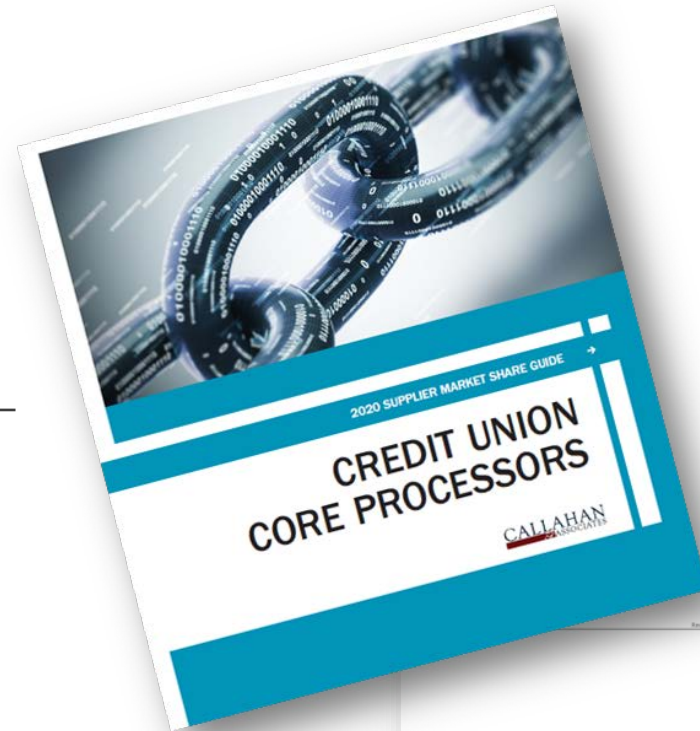
# A Question from the Group

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**“Is there a forum that provides a list of Core providers and their rankings?”**

# Possible Resources

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- **Callahan Core Processor Market Share Guide** (updated annually)
- I would be happy to provide you with an RFP document that is free for you to "R&D" for your project. Contact me at [scollins@cuanswers.com](mailto:scollins@cuanswers.com)
- Roger Lopez at CU Advisors would be a great resource to help you get started on your journey



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Please email me  
with any questions!

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