Special Report: Core Systems

Credit Union Management

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SCORE WITH YOUR CORE

Experts share ideas on how credit unions can make the most of their data processing systems.

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By PSCU

Score With Your *Core*

EXPERTS SHARE IDEAS ON HOW CREDIT UNIONS CAN MAKE THE MOST OF THEIR DATA PROCESSING SYSTEMS.

BY CELIA SHATZMAN

Credit unions are always looking to embrace the latest technology to stay competitive in the marketplace and retain and attract new members. Typically, that means teaming up with the newest and coolest fintechs or jumping on the bandwagon of the latest tech discoveries. It can be easy to overlook simple standbys in the technology realm that can make all the difference to your credit union—and your members. In this case, we're talking core processing. While it might seem basic, having the right core processing system can speed up your business and make it more efficient. To help you learn how to score with your core in this fashion, we talked with two experts.

CORE VALUES

Though the new ways credit union members can make payments or apply for a loan are always top of mind for staff, another cornerstone that should be carefully considered and top of mind is the core processor.

"One of the most deeply woven vendors to a financial institution is the core processor," says Jeremiah Lotz, managing VP/digital and data for CUESolutions provider PSCU (*pscu.com*), St. Petersburg, Florida. "Over the last five years, the core processor business has become even more competitive, and PSCU has seen a dramatic uptick in client conversions."

Determining what to look for in a core processor can be tricky, but Lotz has a few helpful tips.

"The key to getting the most from any core is the ability for flexibility around integration," he explains. "A credit union's core should enable integration to other parties, such as payment processors, to enable other technologies like instant payments. This includes integration both ways, in which a credit union's vendors can access and fully utilize the core data, along with the core's willingness to consume data and APIs (application programming interfaces) from other systems, allowing inclusion of that data in the functionality of the applications."

Making the most out of a core processor isn't just up to the credit union alone.

"Rarely is a credit processor such as PSCU the limiting factor for data retrieval or functions with-

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Let a Well-Worn Couch Be a Core Call to Action (*cumanagement.com/1212couchcore*) in third-party apps," Lotz says. "It's important for credit unions to identify vendors that have the desire and the right processes to create capabilities that incorporate the data and other necessary functions. It's also important for a credit union core to have the flexibility to consume data and services to optimize the member experience through the core channel."

Oftentimes credit unions ask, "How can credit unions maximize our core processing?" But Lotz says they should instead be asking, "How can your solution partners capitalize on your core processor data?"

Here's why he recommends the shift: "PSCU can provide credit unions with virtually all the card data they can use—but it's up to the partners, such as online banking and lending providers, to create the applications that will increase staff efficiencies, stimulate growth and create a memorable user experience, which starts with data from the core."

TRIPLE OPPORTUNITY

For Amber Harsin, CEO of Prodigy (*cuprodigy.com*), Salt Lake City, there are three primary ways credit unions can win with core processing. First is cost control, the overall financial impact to the credit union. The second is what the actual platform of your core is going to get you now and in the future. The third is the partnership and business relationship.

"All three of those things are going to tie together," Harsin says. "You can be with a core partner who maybe has pretty good technology, but you have a poor pricing model and potentially a poor business relationship. If you just have one of those three, I wouldn't consider it a score. I feel like you'd have to have synergy across all three of those paradigms in order to really score with the core."

Credit unions should consider whether they are in philosophical alignment with their core provider. Harsin recommends asking the following questions: What is the core provider's business? What are their core beliefs and their business practices around the credit union movement? What are they doing to give back? What are they doing to protect credit unions?

"When I say protect credit unions, it's how are they helping to create foundations for credit unions to not all merge away or to build and to create and have some of the smaller credit unions succeed?" she explains. "That's step one of the philosophical alignment," the commitment level to the actual success of the entire movement and finding the partners that have deep-seated interests and are actually proving that interest with their wallets or actions. This could include providing subject matter experts or education to the network.

"There's a lot of ways they can participate and give back in that regard," Harsin continues. For any credit union partnering with a core, if the core really believes in their mission, they automatically start out ahead of the gate."

Most credit unions are trying to solve operational problems and create efficiencies; therefore, they should consider how the core can help them accomplish that. "Thinking about how do I score with the core, I'm going to have to understand what my digital strategy is for my credit union," Harsin says. "And not just with the core—you actually need to understand the full digital strategy. You're going to be using multiple pieces of software within your credit union at any given time to run your business day-to-day, so how are those things all going to interact ... with that piece of software? It's not just the feature set of the core alone."

> **"The key to getting the most from any core is the ability for flexibility around integration."**
>
> — Jeremiah Lotz

Consider how the other software your credit union uses layers into the core itself to create fewer roadblocks or manual touchpoints within an institution.

"When you're vetting those partners and looking at finding the best one, in my mind, you're going to find the ones that are the easiest to integrate ... that have a good reputation for integration with third-party partners," Harsin says. "I think third-party partners are actually really important sources of information."

When shopping for a core, do your due diligence by asking your digital banking provider who's been easiest for them to work with, for example. Also ask leaders at other credit unions which providers have been the easiest to work with over time or inquire about integration projects.

"You've got to dig ... a little bit on that front," Harsin says. "What does the road map for that core look like?"

It's also a good idea to look beyond the typical providers since as an industry, credit unions are surrounded by many legacy software systems. Explore outside the standard options to [find] new ones like fintechs, which often have fresher technology and ideas.

"We need to shift our mindset a little bit as credit unions," Harsin says. "Are you working on a database that was created 25 years ago? Is the language your core is written in 40 years old? Guess what's going to happen? It's going to be really hard to integrate with. It takes a long time because these new technologies just don't talk to those older technologies as well."

Oftentimes, with older core technology, the mentality is to set it and forget it once it's up and running. Instead, Harsin advises adopting more of a fintech approach where you're modernizing the system and updating it along the way. This will create a road map that ensures relevance in the long-term so that everything on the back end can be refreshed.

As far as cost is concerned, credit unions shouldn't expect to buy a piece of software and then never have to touch it again. Though the up-front cost might be higher, you should have a core that's investing in the maintenance of the back end, and over time, it should get cheaper. Additionally, it will keep you nimbler because it will allow you to become more efficient in your ability to keep up.

"Credit unions have to start getting into digital savviness and digital IQ and really start to increase the scrutiny that they need to be applying to their technology partners," Harsin says. "That digital strategy of what a credit union wants to do with trying to modernize their institution and being able to adopt technology really quickly needs to align with the platform as well and the problems that they're trying to solve today."

Celia Shatzman *has penned stories on topics ranging from beauty to fashion, finance, travel, celebrities, health and entertainment.*

Fintech Partnerships: Accelerating Members' Lending and Payment Experiences

By Scott P. Young, Managing Vice President, Emerging Services, PSCU

Credit unions face intense competition in today's fast-paced financial services marketplace, where consumers expect convenient, on-demand experiences such as real-time payments – and instant decisions on digital lending. While fintech disruptors were once seen as a threat to financial institutions, they can offer valuable innovations that help credit unions digitize services and stay ahead of the curve. By effectively collaborating with fintech partners, credit unions can better serve their members' needs and remain competitive with larger banks and other financial institutions.

The Power of Instant

According to PSCU's 2022 *Eye on Payments* study, nearly 90% of respondents who had applied for a credit card in the last year and received an instant response were at least somewhat satisfied with the process. Meanwhile, satisfaction was lower among those who did not receive an instant approval or denial. This finding highlights the importance of immediacy in digital lending. Working with a fintech provider can help credit unions automate their lending processes and deliver the speed and convenience consumers expect when interacting with their financial institution. For example, fintech solutions who offer real-time credit decisioning, customizable membership account opening and photo ID authentication streamline the member experience and accelerate the loan decisioning process.

Alongside loan origination, digital payments are one of the most significant areas of fintech innovation. The 2022 *Eye on Payments* study also found that 59% of respondents reported using digital payment methods at least periodically – a 40% increase from 2019. Real-time payment adoption is only expected to accelerate, with the FedNow service set to launch this July, promising growth in both commercial and consumer use cases.

In addition to real-time payments, Buy Now, Pay Later (BNPL) or installment payment plans continue to remain popular amongst consumers. According to the 2022 *Eye on Payments* study, 60% of consumers who have a financial provider that offers a BNPL solution use it. Partnering with a trusted fintech provider on BNPL empowers credit unions to leverage analytics to deliver this in-demand service to their members, while also customizing qualification criteria. For example, PSCU – an integrated financial technology solutions provider – offers an Installment Payments solution that facilitates fast, flexible payments and a seamless experience. This convienent post-purchase product is tied to a cardholder's pre-approved credit line, eliminating the need for additional time-consuming lending decisions.

Collaboration Unlocks Innovation

Recognizing the value it can bring to their credit union partners, PSCU has been an early adopter of fintech collaboration. Today, through strategic partnerships with Amount, Curinos and other fintechs, PSCU offers credit unions leading-edge tools, experiences and services that contribute to member satisfaction, as well as industry competitiveness. To address the importance of payment diversification, PSCU acquired Juniper Payments to expand value-added services, allow access to multi-tiered payments and enable instant payment development. This acquisition provides managed connectivity to the Federal Reserve, The Clearing House and the upcoming FedNow service release. Credit unions must anticipate and prepare for impacts as new payment options become mainstream. A credit union service organization (CUSO) and fintech solutions provider like PSCU can be a valuable partner in navigating this journey.

In addition, PSCU is currently developing a new digital lending experience to meet the growing consumer demand for immediacy in the loan origination process. The new holistic solution is planned to launch in 2023 and will enable a seamless, on-demand experience for credit unions and their members by integrating with core systems and digital platforms. Through automation, PSCU's new lending offering will allow a digital-first, real-time credit card application service. Following instant approval, a digitally-issued credit card number is automatically generated and can be used online to make purchases as well as provisioned to digital wallets such as Apple Pay, Google Pay and Samsung Pay for immediate use anywhere these digital wallets are accepted.

Innovating to Stay Ahead

Embracing fintech is not just about technology. It is also about building a culture of constant innovation and collaboration within credit unions. To reap the full benefits of fintech collaboration, credit unions should diligently select partners and products while investing in the technology and expertise needed to implement these solutions effectively, securely and reliably.

Credit unions are uniquely positioned to deliver personalized, high-touch member service, the type of service that traditional banks cannot match. By embracing fintech, credit unions can enhance this service and provide members with convenient, instant experiences that match their expectations. Doing so enables credit unions to better serve their members and remain competitive in an increasingly crowded financial services marketplace.

Fintech collaboration is essential for credit unions that want to provide financial services that are immediate, frictionless and convienent for when and where members want to interact. PSCU is committed to working closely with industry partners and fintech innovators to deliver solutions that harness the "power of instant" in order to meet evolving consumer expectations and help credit unions compete and thrive.

Scott P. Young *oversees the Emerging Services and Innovation Teams at PSCU. With over 25 years of experience in payments, Scott started his career at First Data in Omaha before moving to Pentagon Federal Credit Union (PenFed) and more recently, Bank-Fund Staff Federal Credit Union before joining PSCU in late 2019. A passionate advocate for the credit union movement, Scott is also a leader in Diversity, Equity and Inclusion (DEI) efforts at PSCU and across the industry. Scott is a graduate of the University of Nebraska.*