

### *Optimizing Your Core System*

In many regards credit unions are actually in a very good position for core system optimization compared to larger banks. That is because the large banks are hamstrung by legacy systems that are costly to maintain and difficult to change. Of course many credit unions are running older core systems, but they often aren't running on a mainframe and with as much ancillary complexity. However, credit unions would be well advised to plan their conversion to newer API-based cloud systems as soon as possible. These open, fintech-friendly, real-time core banking systems help drive processing costs down while speeding up new product /service cycles.

Being able to quickly roll out new products and services in response to market demands is certainly important, and it is especially critical when it comes to digital banking. However, credit unions simply do not have the immense resources that the mega-banks have when it comes to being able to enhance their online and mobile banking platforms. This is an arms race that they cannot win. Certainly they should strive to offer as many robust digital features and functionality as they can, but they will certainly always remain behind the money center banks and their armies of software designers and developers. Next-gen cores allow credit unions to do more while remaining lean.

There are many paths to modernization or "digital transformation," and I know a lot of people don't even like using the term because it can mean so many things to so many different people that it is just meaningless. But the true starting point on the optimization journey is the core system – credit unions must commit to a lean modern core system. Cloud infrastructure can help maintain 24/7 reliability, security and business continuity. Many of these modern cores are setup for real-time failover to both local backup and a separate geographic grid to survive catastrophic local failure.

APIs and SDKs open up a whole new world for financial products, especially when coupled with marketplaces where fintech suppliers offer compatible preconfigured solutions, such as online/mobile banking, specialized lending and business intelligence applications. With a next-gen platform in place, credit unions have the flexibility to use the cloud core's components, as well as best-in-class mobile, web and branch applications from a wider ecosystem of third parties which can be easily integrated. They could even have their own staff develop apps since they will be freed up from running the core on-premise. Finally, there are significant cost savings to be enjoyed. Cloud outsourcing can add up to substantial cost reductions compared to traditional core systems. Next-gen core banking systems represent a win-win scenario: reduced costs and faster time to market for new products.



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