Credit Unions Must Position Themselves Now to Compete in Today’s Tech Landscape
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EXECUTIVE SUMMARY

It was in the 1850s and 1860s in Germany that a new banking model sprang up … the credit union. Credit unions were founded on the idea that they could meet demand for financial services that banks could not: from professional, middle class and poorer people. Those that served poorer urban and rural communities became an important source of microfinance.

Yet when it came to actual services, the credit union survived for many years being a primary source for personal loans to members, who benefited from the idea that their credit union was “based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.”

Now closing in soon on 200 years of service to members world-wide, the modern credit union has seen the need to expand how it plays in the financial services market as well as how it benefits its members. And with today’s reliance on technology – something that could have never been predicted in the 1850’s – credit unions know that to keep up with any and all banking competitors, they must adapt and invest into products and services that have not been a traditional part of their existence.

1. International Co-operative Alliance. Statement on the Co-operative Identity
Credit Unions Are More Motivated to Do Something That Reflects a Change in How They Operate

According to Credit Union Times, credit unions are more motivated to do something that reflects a change in how they operate from logistic, management, and technology perspectives. And the drive for logical and strategic investments that make sense for long-term ROI lead the way.

The publication states, “The vast majority of financial institutions are increasing their investments in innovation, but legacy technology, lack of a defined innovation strategy and other obstacles aren’t making innovation easy.” The study goes on to say that financial institutions have to jump over several hurdles in the innovation process. On average, the toughest part of the innovation process is integrating systems. Dealing with legacy technology, as well as the time and cost to go from concept to reality were also big challenges. Budget constraints, culture, priorities and lack of skills followed.

Add to that the continuing presence of non-traditional banking platforms such as Google, Apple, Facebook and Amazon, as well as the constant focus on cyber security and fraud threats, and one can clearly see why a 30 or 40 year old core cannot adequately service the needs of today’s credit union or its members.
They’ve been diversifying their loan portfolios to grow their balance sheets and better serve their members by providing a more complete set of products. This growth is necessary to stay viable in a consolidating market. It is also necessary to gain scale to drive efficiencies and support the ever increasing number of channels members chose to use. During this time, credit unions have moved from primarily offering auto and personal loans to becoming significant players in mortgages, and to a lesser degree, small-to-medium sized business loans. And this is where the technology behind the credit union has remained stale.

Credit unions have to embrace the opportunity to differentiate themselves, capture market share and create operational efficiencies that ultimately make them more profitable. Unfortunately, these opportunities often go unrealized—hindered by manual processes and a patchwork of legacy technology that just can’t work in unison.

Traditional credit union account processing systems were built 30 to 40 years ago when auto lending and personal loans were all that credit unions offered, and their cores were not designed to service mortgages and business loans. Legacy hardware and software components are expensive and technically difficult to retrofit to handle new loan products and newer technologies that members are asking for to do their banking.

To get around this problem the answer has been to provide varying levels of integration to stand-alone servicing systems that do support mortgages and business lending and deposits. As a result the credit union is forced to run separated servicing platforms to handle the three loan verticals, consumer/auto, mortgage, and business lending and deposits. This creates managerial, financial and operational challenges for a credit union trying to compete for business against community banks in these verticals.
The Difficulty in Managing Your Organization Across Multiple Systems

“Pulling the information from multiple data silos is not an easy task and takes time that prevents real-time monitoring of the institution.”

From a management perspective, it is difficult to monitor and control the organization when key lines of business are spread across multiple systems often with redundant data. Pulling the information from multiple data silos is not an easy task and takes time that prevents real-time monitoring of the institution. This results in implementing expensive and complicated data warehouse solutions to pull the data together.

From a finance perspective, there is the cost of paying for and maintaining multiple servicing systems, and also the additional cost of managing multiple vendor relationships, which includes required annual due diligence by regulators to manage the risk component.

Finally, there are the operational issues. These include:

- Understanding the total relationship a member may have with the credit union, or the all-important 360 view.
- Pulling information from disparate systems to display on a statement, home banking, and mobile member facing applications.
- Processing payment made through digital and branch channels in real time.
- Coordinating daily, weekly, monthly, quarterly periodic processing of activities like accruals, late charges, and similar activities.
- Coordinating updates and upgrades across the systems without disturbing the often brittle and complex integrations between them.
The shift in credit union strategies creates an opportunity for them to source experienced and dedicated account processing vendors like Finastra who can offer a single platform that can service the three loan verticals and deposit systems in a single system.}

"Despite today’s challenging economic and regulatory environment, credit unions can deliver high-quality services and products at unprecedented levels of efficiency and personalization. The shift in credit union strategies creates an opportunity for them to source experienced and dedicated account processing vendors who can offer a single platform that can service the three loan verticals and deposit systems in a single system.

The solution is an enterprise-scale approach to core technology—one that breaks through the functional silos of legacy systems, streamlines service delivery and produces both superior member experiences and transformational efficiency gains.

Fortunately, one solution provides the key to these challenges and answers the call to improve service, increase efficiencies and help you leverage opportunities from Finastra."
05 FUSION PHOENIX IS THE CORE FOR CREDIT UNIONS WANTING COMMERCIAL BANKING FUNCTIONALITY

Fusion Phoenix is the Embodiment of Finastra’s Extended Financial Enterprise Philosophy

“Fusion Phoenix Core can be run in-house or as an outsourced solution and is built on Microsoft technology, meaning it is easier to manage for the credit union, thus allowing them to take full advantage of their own internal resources.”

Fusion Phoenix combines a proven core processing solution with the company’s market-leading specialized applications. An in-house or hosted core processing solution, it fits credit unions ranging from US$250 million to $5 billion+ in assets and specifically seeking commercial functionality.

The result is a technology foundation that helps credit unions manage risk proactively, offer competitive products, improve efficiency and deliver a superior member experience. Fusion Phoenix Core can be run in-house or as an outsourced solution and is built on Microsoft technology, meaning it is easier to manage for the credit union, thus allowing them to take full advantage of their own internal resources. Also, the use of Microsoft-centric software enables credit unions to use commodity hardware, lowering the overall cost of ownership.

What’s more, Fusion Phoenix allow credit unions to stay relevant and prepared as new technologies arise. Fusion Phoenix includes applications for teller, internet banking, marketing, risk management, end-to-end lending, and others using the Microsoft technology stack. It is completely integrated with third parties vendors as well as Finastra’s own Digital Banking and Card Payments suites as well.

Next Steps
To learn more about Fusion Phoenix and start a conversation about how a new core can help your credit union grow, be more efficient and save money, call our Core Solutions Experts at 800-815-5592.
About Finastra

Finastra unlocks the potential of people and businesses in finance, creating a platform for open innovation. Formed in 2017 by the combination of Misys and D+H, we provide the broadest portfolio of financial services software in the world today—spanning retail banking, transaction banking, lending, and treasury and capital markets. Our solutions enable customers to deploy mission critical technology on premises or in the cloud. Our scale and geographical reach means that we can serve customers effectively, regardless of their size or geographic location—from global financial institutions, to community banks and credit unions.

Through our open, secure and reliable solutions, customers are empowered to accelerate growth, optimize cost, mitigate risk and continually evolve to meet the changing needs of their customers. 90 of the world’s top 100 banks use Finastra technology.

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