



Remote Core Conversion Benefits May Outweigh Downsides

third party technology core provider

Summary: Successful core conversions are critical for financial institutions. During the pandemic, these conversions were mainly done remotely out of necessity. This worked quite well, so it will likely continue post-pandemic. The benefits of remote core conversions include speed, efficiencies, and more effective staff training. There are some potential downsides too though. If you want the best of both worlds, hybrids may be the way to convert your core.

There are many different types of “core” — from core body strength workouts to apple cores to core company values to “rock you to your core” devastating events. Yet, all of these allude to the central or main part of something. In banking, the core is where financial institutions keep their data. So, successful core conversions are critical.

During the pandemic, most banks and vendors handled core conversions remotely. The strategy worked out well most of the time, and the trend will probably continue as the new normal. We lay out some of the benefits as well as some of the potential downsides for consideration before your next core conversion.

Significant benefits

Faster. Virtual core conversions have some significant time-saving benefits for community financial institutions (CFIs). The virtual process is overall faster than its in-person counterpart since steps can be taken more easily in parallel. Verifying processes, communicating with conversion team members, and monitoring systems can be done easily remotely, saving unnecessary time lags when this is all done in-person. It’s easier and faster to convert data when an institution’s previous core system was hosted in the cloud. Yet, converting an on-site system through a virtual private network is also possible.

More efficient and less expensive. Virtual conversions save time in other ways, too. Vendors don’t have to spend nearly as much time traveling to their CFI clients, and CFIs don’t pay for that travel time. Scheduling meetings and asking questions is easier. Vendors have more time and ability to support their clients on the big issues, so they get resolved faster.

Effective staff training. Remote conversions also mean that everyone in a bank gets the same training from a single source. Before the pandemic, core conversion training generally meant that someone from the vendor company trained one, or maybe a few, employees. Then, those employees trained all the other staff members on the new system.

This was particularly true for institutions with multiple branches. A core conversion vendor would train someone at headquarters. That person would then train all the branch staff. But video training means that everyone, whether they’re at headquarters or at a branch, gets the same training and opportunities to ask the trainer questions. Not only that, but recorded video training can also be viewed by other staff members as

needed, such as tellers, executives, and future new hires. The result is that all employees understand the system better, in less total time.

Some potential downsides

CFIs are famously relationship-oriented. Working remotely on a core conversion provides less time spent face-to-face. Some bankers miss those chances to form personal connections for a more solid vendor relationship. Not only that, but also having direct, in-person conversations can mitigate misunderstandings and communication issues, which helps increase the adoption rate of the new system.

When conversions are done primarily remotely, there are missed opportunities for organic learning too. Lunch and dinner breaks are not taken together, which often provide a more open way to discuss challenges and concerns and learn by asking unscripted questions.

Hybrids are also possible

Unless a particular client prefers it on-site — and makes it worth their while — most vendors will likely handle core conversions remotely from now on. It's also possible that at least some vendors will offer a combination of on-site and remote services, allowing CFIs to choose the best balance of options for their individual circumstances.

As with everything else, COVID changed core conversions. Remote core conversions were taking place out of necessity. Yet going forward, speed, efficiency, and effective staff training could drive remote core conversion processes in the new norm of the banking industry.

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ECONOMY & RATES

Rates As Of: 06/07/2021 05:20AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.02	0.01	-0.07
6M	0.04	0.01	-0.05
1Y	0.05	0.01	-0.06
2Y	0.16	0.01	0.03
5Y	0.81	0.01	0.44
10Y	1.58	-0.01	0.66
30Y	2.26	-0.02	0.62
FF Market	FF Disc	IORR	IOER
0.06	0.25	0.10	
SOFR	Prime	ORER	
0.01	3.25	0.04	

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