Lower-Pain Core Conversions

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Summary: CFIs' relationships with their core providers tend to last for decades, if only because a change is such a hassle. If you do need to make a core conversion, however, here's how to do it with the least possible pain.

The first permanent photograph (meaning, it didn't fade easily) can be dated all the way back to the early 1800s. Due to this achievement, photography went on to make even more significant improvements, but you practically needed to be a scientist in order to develop any of the images. It wouldn't be until later that the George Eastman would form the Eastman Kodak Company and revolutionize how, and who, could take photographs. Kodak created an easy-to-use personal camera that a consumer could return back to the company and have prints made on their behalf. This change transformed photography and paved the way for the amateur industry. It's hard to imagine all of that, when today, we all possess a handheld camera in the form of our smart phones, and the quality is stunning. Change can disrupt, but it can also lead the way to great improvements.

One change that is known to strike fear in the hearts of bankers, is the idea of a "core conversion". A community financial institution's (CFI) relationship with their core provider tends to last for decades, if only because change is such a hassle. If you do need to make a core conversion, however, here's how to do it with the least possible pain.

Core processor relationships are sticky
"*Changing out the core provider is one of the biggest technology projects that a bank can go through,*" says Deborah Matthews Phillips, senior vice president of payments and technology policy for the Independent Community Bankers of America.

A core conversion can take 12 to 18 months and disrupt many CFI functions along the way. Employees are often asked to simultaneously do their regular work while also learning a whole new technology, a burden that many find onerous.

Perhaps as a result, the 2020 ICBA Community Bank Core Processing Survey showed that about two-thirds of CFIs have kept the same core processor for more than five years. Nearly half have maintained the same core processor for more than 10Y. In 2020, just 16% of CFIs changed their core processing vendor.

Understand and communicate your "why"
It's clear that most CFIs don't find a different core processing vendor on a whim. If your financial institution does want or need to change core processors, you probably have strong reasons behind that decision. If you do have a need to switch core processors, be sure to clearly communicate the reasons for the change to your employees, beginning as early as possible in the process.

For a core processor change to go well, a CFI needs employee buy-in. The process is simply too much work for employees to undertake without understanding the grounds for the switch and agreeing that the reasons are good ones. Get employee representation on the committee that decides whether it's time to find a new core processor. Make sure workers have a voice. When the decision is made,

ensure that every employee at your CFI understands what was wrong with the old system and what you hope to gain from the new one.

Get temporary help
Because a core processor change is so much work for CFI staff, it makes sense to bring in extra help during the critical period. Even a group of temporary workers whose job it is to answer the telephones can take some of the pressure off employees.

Emphasize employee training
Moving data from the old system to the new is relatively easy. Getting everyone trained on how to run the new system is much harder.
Find time for uninterrupted employee education. Employees who must constantly run back and forth between learning a new core processing system and doing their regular jobs don't do either task well. As much as you can, find ways to give your staff blocks of time for training.

Virtual core processor changeovers, which allow one instructor to train everyone at once, can help maximize your time. Virtual instruction also means that everyone hears from a single expert, which greatly reduces the likelihood of garbling the message as tiers of workers train one another.

To ensure that employees have learned what they need to run the new system, implement a short quiz. Give workers opportunities to continue learning as well, so they can get truly proficient with your new core processor.

Changing core processors will likely never be anyone's idea of fun, but clear communication, employee investment, temporary help, and careful training can make the experience both bearable and ultimately successful.

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ECONOMY & RATES

Rates As Of: 07/22/2022 05:45AM (GMT-0700)

Treasury	Yields	MTD Chg	YTD Chg
3M	2.48	0.76	2.42
6M	3.00	0.49	2.81
1Y	3.02	0.23	2.63
2Y	3.01	0.05	2.27
5Y	2.89	-0.15	1.63
10Y	2.80	-0.21	1.29
30Y	3.00	-0.18	1.10

FF Market	FF Disc	IOER (Interest on Excess Reserves)
1.58	1.75	1.65

SOFR	Prime	OBFR (Overnight Bank Funding Rate)

| 1.53 | 4.75 | 1.57 |