RIGHT TIME. RIGHT PLACE. RIGHT SOLUTION.

CORE MIGRATIONS, CONVERSIONS, AND MERGERS

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TECHNOLOGY

WHAT IS THE MOST IMPORTANT COMPONENT OF YOUR CREDIT UNION?

It is, of course, your members, without whom your credit union wouldn't exist! But what one piece of software is most integral to your operations? Your core processor.

All member data lives on the core, and everything must connect to it. The core effectively operates as a credit union's digital brain. Member contact information, personal identifying information, financial data, loans, accounts, preferences, history, interactions, notes, and so on, all are housed on the core, which impacts every task, process, employee, and member. Digital banking and other online services are effective tools only because of the real-time data these programs receive from the core.

Core migrations and conversions are significant undertakings and must be done securely and accurately. Moving member data, integrating the new core with complementing digital solutions, and training staff and members on the changes are a few of many considerations.

When two credit unions merge, member data from the two credit unions must be combined on a single core, presenting uniquely complex migration and conversion challenges.

MIGRATIONS AND CONVERSIONS DEFINED

CORE MIGRATION

A **core migration** is the movement of member data from an existing core platform to the same core software. For example, a migration could occur if a credit union moves from an in-house core (managed onsite at the credit union) to a hosted core solution (outsourced to a service provider), and the in-house and hosted core software are the same. Migrations usually take around 9 months to complete.

CORE CONVERSION

A **core conversion** is the movement of member data from an existing core processor to a new, completely different platform, usually offered by a different vendor. Timelines vary for this process, but conversions typically take between 9 and 12 months to complete. With a core conversion, shares, loans, GLs, jobs, and other files are carefully analyzed, and special code must be written to map the data from the legacy system to the new system.

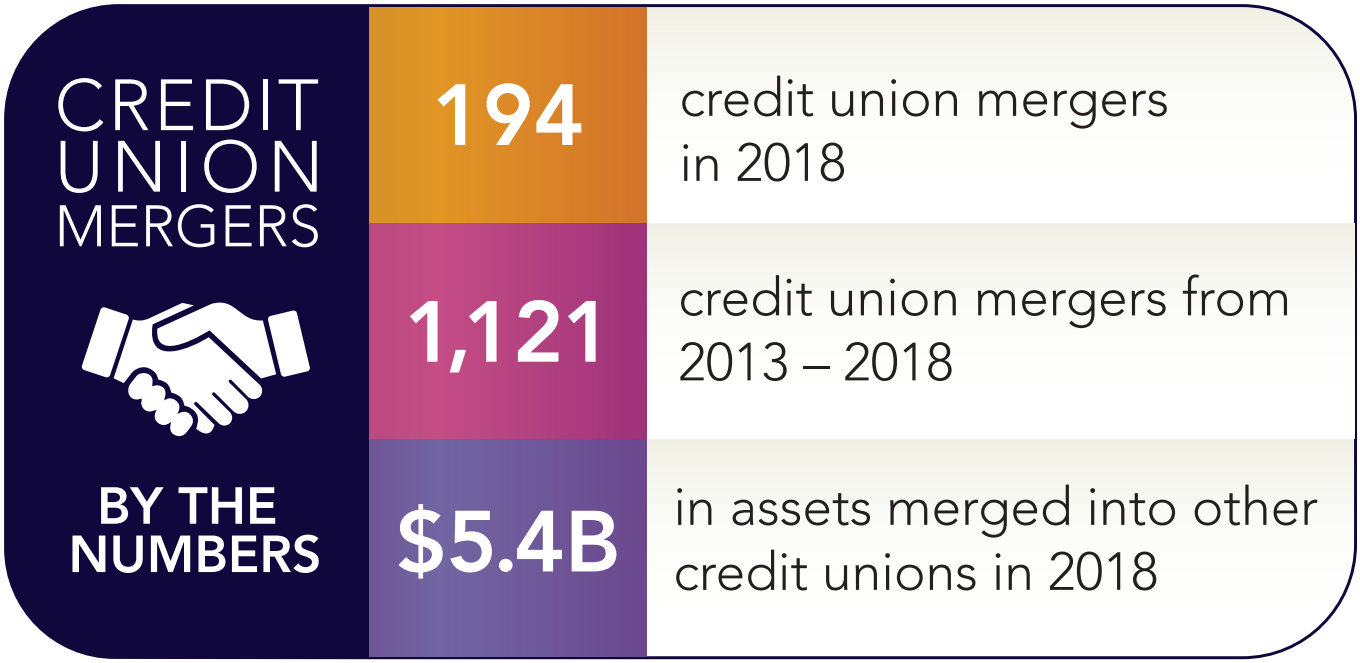
Mapping member data between core platforms in a conversion, while essential, does not need to be daunting. The growth of third-party interfaces and integration options in the marketplace can add to the complexity of a conversion,

but there are nondisruptive ways to align accounts for a smooth transition. Even with a migration, data sets may not be equal. Depending on product architecture and naming conventions, there may be areas where alignment is needed.

CREDIT UNION MERGERS

MERGER

A **merger** is an agreement between two credit unions to combine into one single credit union. Credit union mergers are taking place with increasing frequency. Between 2013 and 2018, there were 1,121 credit union mergers in the United States. 2018 alone saw 194 mergers, with $5.4B in assets merged into other credit unions. However, the reduction in the number of credit unions does not signal a decline in the industry. Credit union assets in the U.S. reached an all-time high of $1.5 trillion in 2018, despite a decrease in the number of institutions.

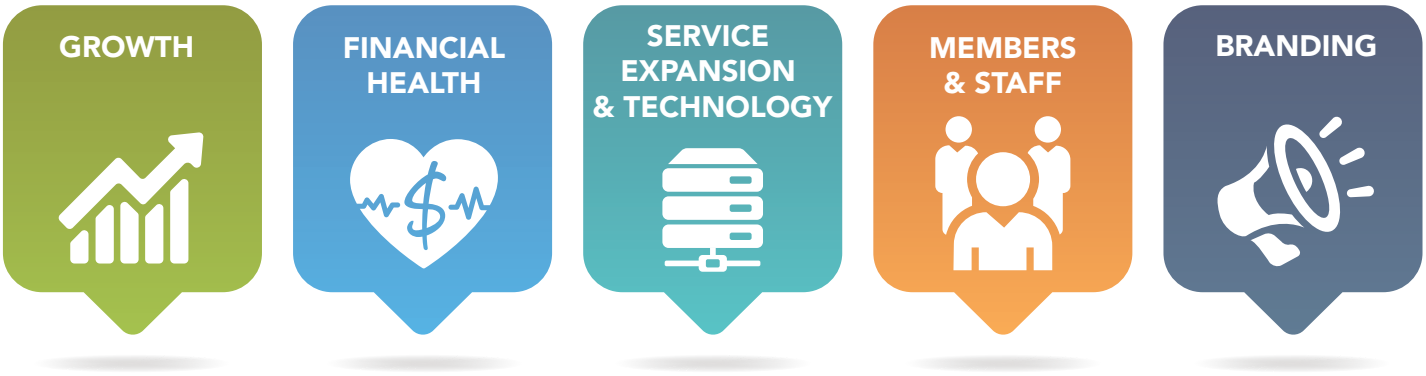


CREDIT UNIONS ANALYZE MANY FACTORS WHEN CONSIDERING A MERGER:

- **Growth:** What type of growth is being sought? Members? Assets? Field of membership? All of the above? Mergers typically are part of a larger growth plan and strategic planning process.
- **Financial Health:** Are both institutions financially sound? Mergers with the best outcomes typically involve credit unions that are not in financial trouble.
- **Service Expansion & Technology:** Will the credit union gain efficiencies by merging? Will there be access to FinTech solutions that isn't possible without merging? Gaining economies of scale, acquiring new technology, offering members better services, and learning new ways of conducting business are all opportunities.
- **Members & Staff:** How will a merger impact the credit union's members and staff? What steps can be taken to ensure they are informed and energized by the changes that will happen? Keeping communication frequent, varied, and open are essential to ensure a positive experience during a merger.
- **Branding:** Which credit union name and brand remains in a merger scenario? Is it advantageous to rebrand entirely? The answers to these questions vary on a case-by-case basis. For example, if a credit union name reflects a geographic location that a merger would expand beyond, rebranding may be necessary. If a very large, well-known credit union with strong brand recognition is merging with a credit union that does not have the same brand strength, it may make sense to retain the well-known brand.

"A merger requires the two credit unions to inventory what hardware and software each other has, determine what they need to keep, and make determinations on combining like processes into one single unified process. The goal should be to reduce manual processes and to produce consistency not only for staff, but ultimately the member."

Ben Jordan
Senior Vice President – Information Technology
Synergent



MIGRATIONS AND CONVERSIONS IN MERGERS

Combining member data on one core processor is possibly the most critical part of any merger. If both credit unions use the same core software, a migration will be needed to combine member data. More often, merging credit unions use different software, in which case a conversion is required to move all date to the same platform.

That said, mergers present the perfect opportunity for credit unions to choose between sticking with one of the existing core platforms, moving from in-house core processing to a hosted solution, or doing a complete conversion to a new core platform. A platform that was once a good option for a credit union may no longer be a perfect fit due to changes in technology, member or asset size, or organizational objectives.

Whether considering a migration or a conversion, some considerations are the same:

- **Information Gathering:** Beginning with a discovery process that includes a survey of all products and services offered at both institutions, inclusive of accounting practices, helps identify where differences lie. Obtaining staff input also can help identify pain points and areas of improvement to address during the merger process.
- **Functionality & Integration:** Regardless of the core selected, it must have functionality and clean integration with the ancillary software that enables a credit union to offer today's digital banking services.
- **Security:** Vast amounts of sensitive member information are housed on the core.
- **Infrastructure:** Core technology is built on different types of code and software languages. Credit unions that choose to keep their core platform in-house must ensure they have staff versed in the proper software language as well as the time and expertise to keep up with software changes and updates. Outsourcing ensures a core platform is properly managed and maintained without having to hire specialized employees.
- **Service and Support:** For a migration or conversion to be successful, it is critical that a credit union has strong support—before, during, and after the migration or conversion—from a partner vested in their best interests.

"Have a dedicated staff from top to bottom. For a successful migration or conversion it is so important to have a focus on database validation, and to host training and practice sessions. Credit unions also should consider what kind of service they will receive after a conversion or migration is complete."

Susie Thibeault
Team Leader – Operations
Synergent

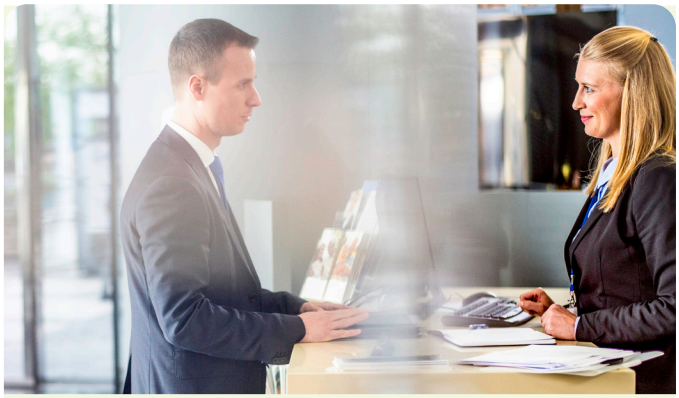
Susie has worked on numerous core conversions and migrations and now leads the Implementation & Training team at Synergent.

TRAINING STAFF, INFORMING MEMBERS

Beyond the technical work required to complete a core migration or conversion, thorough training and keeping lines of communication open are both crucial.

When guiding employees through a data conversion or migration, consider the following:

- Provide as much information as possible, as early as possible. This could be up to a year in advance.
- Take time to listen to the questions, comments, and concerns of your employees.
- Be prepared to help some employees get out of their comfort zones and adjust to the change.
- Set clear expectations to ensure employees know what is expected of them during this time of change.
- Don't assume anything! Be ready to learn from the experience and questions of others.



When guiding members through a data conversion process, consider the following:

- Communicate the change in succinct language that focuses on the benefits to the member.
- Think outside the box, and look for unusual ways to inform members about the transition.
- Don't overwhelm members with jargon-laden language or technicalities.
- Think ahead: anticipate possible hitches in the conversion process, and have a plan in place to best inform members.

> *"A conversion often is a great time for credit unions to review their processes, look for opportunities for automation, and streamline workflows. Pre-conversion training allows the credit union to review mapping, custom programming, and front-end configurations to ensure it's all working in unison. This also allows the staff to get comfortable with the new system and to work together on best practices."*
>
> **Ben Jordan**
> Senior Vice President – Information Technology
> Synergent

Staff should be informed as early as possible—even a year in advance—of an upcoming core conversion to help them gain an understanding of why this change is good for the credit union and its members. Prior to completing a conversion or migration, credit union staff at all levels should be coached and trained on the new system. When partnering with a managed services provider, formal onsite training may be offered closer to the go-live date.

"If the staff is comfortable, well-informed, and excited about an upcoming conversion or migration, it will be conveyed in their daily contact with members, making them more at ease with the transition. Members will be able to view it in a more positive light if they feel staff has it all under control."

Erica Vachon
Senior Marketing Service Representative
Synergent

"A managed services provider may offer six weeks of training to staff and be onsite during live week. A dedicated support person could remain in place for the first 45 days to help the credit union during this time of transition."

Susie Thibeault
Team Leader – Operations
Synergent

CONCLUSION

Migrating or converting member data can be daunting, and adding in a merger creates unique challenges. Working with a trusted partner can ease the process, regardless of whether merging credit unions go with an in-house core platform or work with a hosted core processing solution. Communication with staff and members throughout the process is key to completing a successful core conversion or migration. Your credit union is most knowledgeable about what is needed, but partnering with a provider who is experienced in core migrations, conversions, and mergers can help the process run as smoothly as possible.

WHITE PAPER RESOURCES

Interviews:

Ben Jordan, Senior Vice President – Information Technology, Synergent
Susie Thibeault, Team Leader – Operations, Synergent
Erica Vachon, Senior Marketing Service Representative – Synergent

Publications:

Credit Union Mergers in 2018. Callahan & Associates.https://www.creditunions.com/blogs/graphic-of-the-week/credit-union-mergers-in-2018/

Rapport, M. *How to Map Member Data During a Merger.* Callahan & Associates. https://www.creditunions.com/articles/how-to-map-member-data-during-a-merger/

Truth in Mergers: A Guide for Merging Credit Unions. NCUA. https://www.ncua.gov/files/publications/Truth-In-Mergers.pdf

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synergentcorp.com

2 LEDGEVIEW DRIVE, WESTBROOK, ME 04092 | P.O. BOX 1236, PORTLAND, ME 04104

800.341.0180 | 800.442.6715 IN MAINE