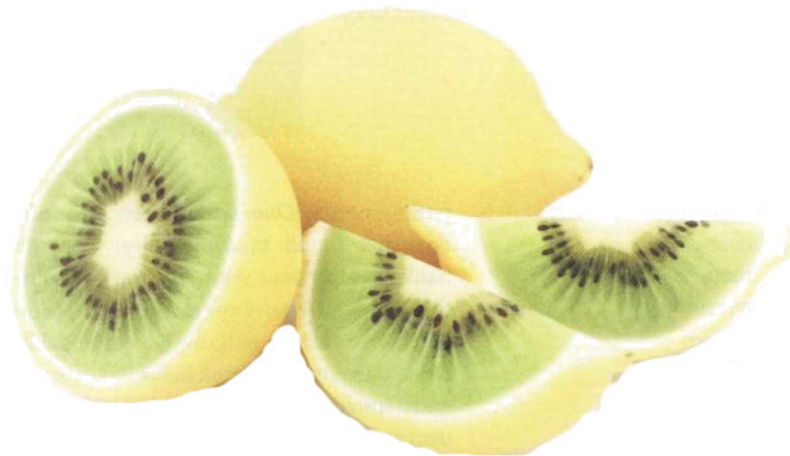




cust^om to the core



To meet their unique needs, community banks are tailoring core banking systems and functionalities

By Ken Norkin

In 2010, midway into converting to a new core banking system, Team Capital Bank's technology staffers realized that an application the bank used to help detect automated clearing house fraud would not fully integrate with its new system. So Ghan Desai, the community bank's executive vice president and CIO/chief technology officer, and his four-person IT team chose a remedy rare among community banks: "We decided that we could build a better one ourselves."

In just 90 days, Team Capital Bank in Bethlehem, Pa., produced its own ACH

security application. The \$800 million-asset community bank built the application through a software customizing portal offered by core processor Open Solutions Inc. in Glastonbury, Conn. The system, called DNACreator, simplifies the process of making changes to Oracle- and Microsoft .NET-based platforms such as Team Capital Bank's ACH security application.

Designed by Team Capital IT staffers, the copyrighted ACH software validates a customer attempting to initiate an ACH transaction and verifies that the payment amount

is within the customer's limits and that the customer's authority to transfer funds hasn't expired. If the application detects any exception, it immediately sends an alert to the customer's account officer for appropriate action.

Since Team Capital Bank's core platform switchover in February



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CORE SOFTWARE VENDOR

2011, Desai and his colleagues have built approximately 15 more customized applications themselves. The proprietary applications address the bank's specific workflow requirements in branch and deposit operations, loan administration and online banking. One of these applications is a browser-based console that controls accesses to all of the bank's own applications.

Outside the box

Even if most community bank IT executives might not pursue customization as extensively as Team Capital Bank, or attempt as much customization in-house, they can still identify with the desire to have software specially tailored to their institution's com-

puting needs. One size simply does not fit all in community bank computing. And seeing that it took Team Capital Bank barely five years to outgrow what Desai called its first “bank in box” core system, any software left unchanged can quickly become constricting.

Core processing vendors, of course, are fully aware that their community banks' needs will change. Their response is to offer several approaches to their clients changing and customizing their systems. John Jones, president of core processor provider DCI of Hutchinson, Kan., credits the richness of today's core systems and their more open architectures for allowing customers to develop such useful and effective customizations on their own.

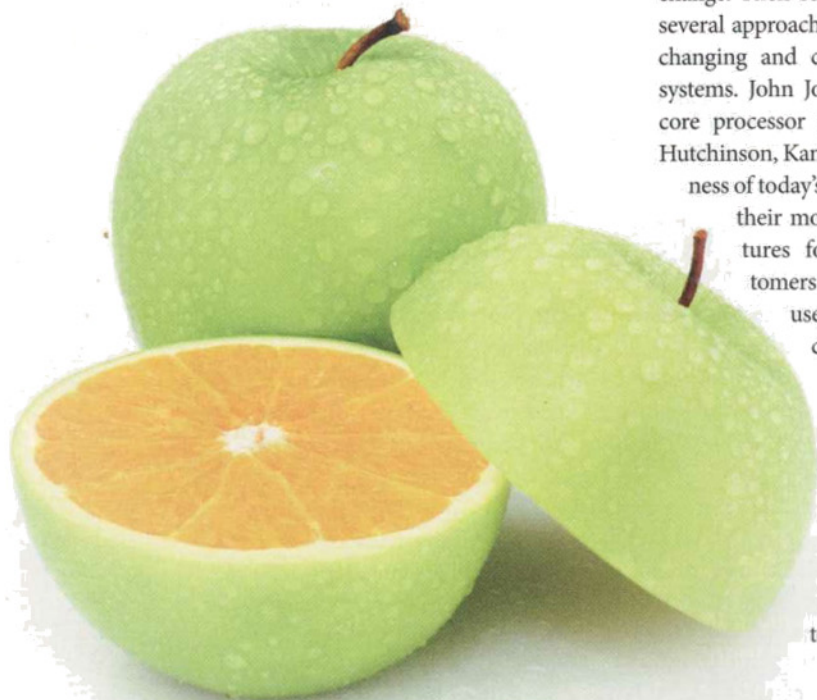
“Customers can extract any information any way they want, spec and build out reports, get to any field in the

database and do it all internally,” he says. Likewise, customers of Harland Financial Solutions of Lake Mary, Fla., can use XML to write custom Web-based applications that modify the system without modifying the core, says Tom Berdan, the company's vice president for

product management. One community bank used this approach to create a particular wealth management application.

Vendors are also prepared, of course, to adapt their systems for their customers. If an individual community bank has an immediate need for a capability that its vendor hasn't planned to offer in a future release, most (if not all) vendors will develop the enhancement for that customer on a time-and-materials basis, similar to any other custom software project. Plus, every vendor has a process for receiving and evaluating customer change requests—submitted either individually or through vendor-supported user groups or advisory councils—and then offering those features with the broadest benefits to all customers in future editions.

“Customization at the core level is really market-driven,” says Bill Doggett, director of application development and customer communications for core processor provider CSI of Paducah, Ky. Doggett says community banks that request a



core customization are typically trying to improve or increase their performance or efficiency in any of four key areas: revenue generation, competitiveness, portfolio risk management and regulatory compliance.

CSI has responded, he says, to customer requests by extending its core's account profitability analysis functionality to simplify the charging of fees for various products and services or to report the cost of providing a service. Exception-tracking capability it delivered in 2011 helps meet regulatory requirements in risk exposure.

Shawn G. Haggadone, vice president and head of custom services for core provider Fiserv Inc. in Brookfield, Wis., says most banks requesting changes their vendor's core software are done for two reasons: presenting customer data in a single view and making an information-driven process more efficient. "They want to know what they can do about passing data internally in a way that's going to reduce expenses."

Self-service solutions

Because customized screens, or new access to and reporting of available data, can be created with no actual modification to the core—and seeing as the core is not subject to change by the customer anyway, especially in a hosted situation—Fiserv is one of several vendors that provides community banks with the tools and information to develop their own customizations. For example, role-based teller screens for displaying checking, savings, CDs, loans and customer information profiles have delivered efficiency results at the \$315 million-asset National Bank of Hillsboro, Ill., a CSI system customer.

"For each application, we created a customized screen so that everything someone needs to serve a customer is right there," says National Bank's Executive Vice President and Chief Operation Officer Shelia White. "If we didn't have the custom views, we'd be using the



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standard views, and you'd have to know where the information is that you're looking for. With the custom view, you go right to it."

Whatever route a community bank takes toward customizing its core, and whoever performs the hands-on work, vendors and bankers agree that planning and communication are the keys to a successful outcome.

"Know exactly what you want to accomplish and put it in a detailed scope document, so that the vendor knows exactly what you're expecting," advises Jones of DCI. Then, he says, have the vendor describe what they're going to do "to make sure you understand what the vendor intends to deliver."

However, for community banks with the technical know-how in-house or readily available outside, customization without vendor involvement provides an attractive combination of speed and control. That's what Open Solutions' system provides. With the DNAappstore launched by Open Solutions in May, intensive

in-house software development expertise is not a requirement for banks seeking to customize core capabilities.

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their pockets to hire a developer and still not get something that entirely meets their needs."

Probably no single customer has added as much functionality—completely in-house—as Desai and company at Team Capital Bank. In addition to their home-grown ACH solution, Desai's colleagues created an app that automatically presents branch managers with the overdraft, new accounts, closed accounts, large balance changes, check kiting and cash reports that require their sign off every morning. Another application integrates with the community bank's Intuit online banking system to allow front-line personal banking officers—there's no tellers or call center at Team Capital—to assist customers with multifactor authentication problems and password resets securely on the phone.

"We like that we don't have to go to the vendor for every access to our customer data," says Desai. "When our needs change, we can turn on a dime." ■

Ken Norkin is a technology writer in Takoma Park, Md.