

An Evolving Marketplace: CUSO's Growing Impact on Core Provider Offerings

by Jay Johnson

While credit union-owned data processors such as CU*Answers and EPL have been significant players in the market for many years, the majority of data processors serving credit unions are either public companies or privately-held firms. User groups often help guide application development in these firms, but in recent years some credit unions have taken steps to directly impact core system performance by forming CUSOs that develop additional capabilities for core data processing offerings.

Both Wescom Credit Union in California and Pennsylvania State Employees Credit Union have launched CUSOs this decade (Wescom Resources Group and eCU Technologies, respectively) that build on their expertise and working knowledge of Symitar's system. In 2003, Bellco Credit Union in Colorado and Bethpage Federal Credit Union in New York announced the formation of Open Technology Solutions (OTS), a CUSO that is focused on collaboration opportunities for credit unions processing on the Open Solutions' (OSI) platform. This partnership took a unique turn in 2004 when OSI became an equity owner in the CUSO. Another OSI-based CUSO was launched in the fall of 2004 by AurGroup Financial Credit Union and CINCO Family Financial Center Credit Union in Ohio, adding another name to this business model.

In an era when technology can bring significant advantages to the credit union's internal processing capabilities as well as the member service experience, these technology-based CUSOs provide another vehicle for credit unions to leverage their unique competitive advantage: cooperation.

Alan Brunner, chief operating officer at eCU Technologies, and Mike Atkins, chief operating officer of OTS, shared their thoughts recently on the evolution of these CUSOs as well as the influence that these providers can have on credit unions' competitive position in the market.

THE BIRTH OF A CUSO: SHARING INTERNAL KNOWLEDGE BETWEEN LIKE-MINDED CREDIT UNIONS

Both eCU and OTS evolved from their credit unions' experience working with their core systems. As a high profile client of Symitar, Pennsylvania State Employees Credit Union (PSECU) often hosted visitors from credit unions considering the Symitar platform. PSECU had also gained recognition for their ability to effectively serve 300,000 members with two branches, and these credit union visitors were interested in learning more about the credit unions' technical capabilities.

PSECU developed a home banking module that attracted the attention of a credit union with a similar operational profile, Delta Employees Credit Union of Georgia. When Delta ECU asked if PSECU would build such a module for them, the plans for a technology CUSO began to take shape. eCU Technologies was officially launched in October 2001. "After we developed the home banking product, we looked to uPost[®], PSECU's online deposit taking system. Kiosks were another item we developed at PSECU, so those were also an early offering. We were basically building on expertise we gained from serving PSECU members and providing it to others," says Brunner.

Bellco Credit Union, where Atkins was chief information officer, was one of the first credit unions on the OSI



platform. Bellco was aware that other credit unions were interested in the system and believed that BCU's experience with it could benefit them. "We felt that we could lower costs and improve service levels if we could partner with like-minded credit unions that shared our business philosophy," says Atkins. After discussions between Bellco and Bethpage confirmed a similar culture and approach to the business, the two organizations formed Open Technology Solutions in June 2003.

APPLICATIONS WITH THE MEMBER IN MIND

Each CUSO takes a similar approach to application development in that it is driven by the credit unions', and ultimately their members', needs. Brunner says eCU examines member survey responses to help guide their development priorities. "PSECU incorporates questions into their member surveys that we can use to enhance service levels. We'll ask members, 'What do you want to see in home banking?' and then work with PSECU to develop it."

Similarly, OTS' credit union owners work together to identify priorities across business units and in key member-facing areas like consumer and mortgage lending. "We establish working teams that are knowledgeable about existing processes and determine ways in which we can make them more efficient for the credit union and more responsive to members," says Atkins.

Both eCU and OTS also benefit from working with other credit unions and gaining insights they would not have without collaboration. Says Brunner, "Our credit union clients have needs that PSECU might not have, so we incorporate their viewpoints into our development priorities and enhancements."

OTS' governance is structured so that the partners have an equal voice in the direction of the CUSO. "There are two representatives from each credit union partner on our board. They work together to identify areas where collaborative opportunities exist, then form cross-organizational teams to move it forward," says Atkins. "For example, call centers are an area where we believe collaboration can significantly reduce cost and provide better member service so we are now assessing the possibilities there."

PROVIDER PARTNERSHIPS

When OSI invested in OTS in August 2004 it made a significant statement about their belief in the CUSO and its influence and insight in the credit union market. "The collaboration with OSI has been outstanding," says Atkins. "Although the credit unions drive our initiatives, we make sure that OSI is aware of our development plans and projects. We also work with them on certain initiatives, such as a new account opening process that has been a collaborative development effort by all four parties (Bellco, Bethpage, OTS, and OSI) and results in a significantly faster process than is typical in the industry."

Although Symitar does not have an ownership interest in eCU, Brunner says they were supportive of the CUSO from the beginning. "We work very closely with them and have an ongoing dialogue. They understand that it is not possible to accommodate every client's needs, so they see us as making their credit union relationships stronger by offering more choices."

Both organizations also see benefits from bringing credit unions together for scale when working with the two providers. "Our visibility has been raised within OSI and our voice is stronger because of the collaborative structure of OTS," says Atkins. Brunner sees a similar response with Symitar. "They know our goal is integration into and out of their system, and we're now working with over 80 credit unions so I believe Symitar recognizes the value eCU brings to their organization."

THE CUSO ADVANTAGE

Ultimately, what distinguishes these organizations in the market is that they are led by credit unions. "The key is that we ask our members, not on every decision, but it offers us a competitive advantage," says Brunner. "There is an advantage to being backed by a credit union in that we have a working knowledge of the needs of our members. If members here like it, then it most likely will work for other credit unions as well."

"The competitive tensions between banks are too high for this type of organization to exist. We're large credit unions that have identified significant benefits from working together," says Atkins. From his perspective,

OTS' ability to draw on the expertise of its owner credit unions helps them move projects along faster. "Sometimes it isn't a technical issue that needs to be addressed but a business resource issue. With this partnership we can alternate who takes the lead on each project and not overload one organization."

Credit union ownership also results in an understanding of what is important to the end user. "We can make a strong case for a product like uPost[®] in terms of interchange savings and risk factors, but it is ultimately just a great fit with the credit union philosophy," says Brunner.

Atkins sees the CUSO model helping to better address competitive needs. "Credit unions must now provide a full suite of services to their members. The collaborative

model can bring cost structures down, reduce time to market, draw upon best practices and raise service levels. In today's environment those are critical advantage."

Both Atkins and Brunner see technology CUSOs playing a key role in the future. Says Brunner, "The ability to adapt technology is essential and vendors have to be prepared for the evolution of this market." Adds Atkins, "There will be more CUSOs like ours simply because there is such a need for this type of sharing."

For Atkins, however, it goes further. "This isn't just about technology. The CUSO gives us a vehicle for collaboration across credit unions." And that is the real competitive advantage for the industry. ♦