

How In-House Apps Jumpstarted A Technology Venture For Greylock FCU

Lessons from a Massachusetts credit union that started a service organization dedicated to programming, training, and application development for financial institutions.

BY SUSAN LEVI WALLACH

The need for applications that interface with industry-standard software systems is a given for any credit union that wants an efficient and effective IT setup. Most opt for one of two solutions: development and maintenance of homegrown apps, which can be an expensive time suck, or buying them and hoping for the best.

Greylock Federal Credit Union (\$1.1B, Pittsfield, MA), however, is among a small group of credit unions that is leveraging its in-house expertise in app development and programming to create an additional revenue stream. Two years ago, the 70,00-member credit union started its Greylock Technology Group, a credit union service organization dedicated to programming, training, and application development for financial institutions that also use Fiserv Inc.'s DNA core software platform.

“We have long history with an in-house programming and development staff,” says Kevin Zimmer, Greylock’s CTO and president of GTG. “When I started here 16 years ago, there were already people developing on the previous core system platform.”

Greylock moved its core processing to DNA 10 years ago, when DNA was an Open Solutions product prior to Fiserv acquiring Open Solutions in 2013.

“We committed to learning that environment, which meant retraining our staff to code in the DNA environment,” Zimmer says.



Kevin Zimmer, CTO, Greylock FCU

CU QUICK FACTS

GREYLOCK FCU

Data as of 03.31.15

- HQ: Pittsfield, MA
- ASSETS: \$1.1B
- MEMBERS: 75,799
- BRANCHES: 12
- 12-MO SHARE GROWTH: -0.41%
- 12-MO LOAN GROWTH: 4.77%
- ROA: 0.39%

When the DNAappstore launched in May 2011, it spurred Greylock to establish the CUSO and use the store for a direct route to a readymade market.

“I’d been looking for different ways to create a technology CUSO,” Zimmer says. “It wasn’t until DNAappstore came along that I decided it was what we were going to do.”

According to Zimmer, the benefits of GTG are many. The CUSO allows the credit union to do the things its members want on its own timetable. That’s important in an environment where speed to market is huge. And Greylock has found the CUSO is cost effective.

“Yes, there’s investment in people we need on staff and in training and in the development environment,” says the CTO. “But we find that buying customization is even more expensive.”

When Greylock became a DNAappstore developer, it already had a suite of nine apps ready to go. Today, GTG has 14 applications available through the DNAappstore. It also offers six reporting programs. In addition, GTG develops custom applications through its direct consulting work with clients and has dozens of custom reports available for direct licensing.

“We thought being able to tweak a system is where it’s all at,” Zimmer says. “There is a lot of flexibility in the DNA system, but to get out of what we want to get out takes some highly skilled people.”

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As software gets more complicated, the number of highly specialized software packages keeps increasing. And they all need to talk to one another.

Zimmer says this is “a huge problem” and characterizes real-time integration between applications as a goal but, for many financial institutions, a struggle.

“With so many systems operating, how do you have a system record?” Zimmer says. “When you have 50 systems, which one do you go to in order to get the picture you want? We funnel everything to the core system, which means integrating all the other systems with it. A lot of that is happening in real-time. This world we live in — everyone expects everything to happen right now. There is no patience.”

This sense of urgency might be why GTG was profitable from its first year. Fiserv’s DNA is in wide enough use to create healthy demand for plug-and-play third-party applications. Through the Appstore, GTG has made 200 sales to 32 financial institutions and one data-processing center serving 135 financial institutions. Plus. GTG works directly with 10 financial institutions.

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According to Zimmer, the CUSO's revenue increased 13% in 2015 and he projects a 34% increase for this year. Likewise, net income increased 12% in 2015 and Zimmer projects a 14% increase for this year.

Zimmer says he is looking for “organic growth” to minimize the risk — such as the investment in time and legal expense — inherent in a new enterprise.

“We could hire two more programmers today and hope we make enough in sales to pay for them,” he says. “But we won't. As the sales grow, we'll add staff.”

And that investment in time is no small matter. Zimmer admits setting up the CUSO took more time and effort than he expected.

If you have core competency in something and want to leverage it to offer service to other credit unions, that's where you should start.

“It took nine months,” Zimmer says. “I was surprised it took that long— the legal structure and formation, the board approval. It was tiring. I just wanted to get the business going and get into it.”

Nonetheless, he says everything has played out the way he expected it to and he wouldn't do anything differently. But, the credit union had realistic expectations and didn't overinvest in the beginning.

“You have to decide how much of an investment you want to make and how much risk you want to take,” Zimmer advises. “We used people we already had and tried to squeak out a few hours here and there. We didn't create a big overhead structure from the get-go. We wanted a low-risk low-cost approach. We leveraged what we'd built for Greylock and made it work for other financial institutions.”

That leveraging of Greylock's IT culture is key to GTG's profitability, Zimmer says.

“If you have core competency in something and want to leverage it to offer service to other credit unions, that's where you should start,” he says. “I'd be cautious about going into a new endeavor because that's what's hot at the moment. It's better to leverage what you're good at.”

