

# FinTech Views

A PEER-TO-PEER PERSPECTIVE OF FINANCIAL TECHNOLOGY STRATEGIES

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## Bank Competes By Switching To Open Solutions Platforms

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*To stay competitive with larger banks in its region, Farmers and Mechanics, Bank (\$1.1 billion in assets), a commercial institution based in Burlington, NJ, needed to enhance customer service and improve back-office operations.*

By implementing Open Solutions' core data processing application, e-Commerce Banker Internet solution, loan origination, image processing platform and realtime online services, the community bank accomplished both objectives, and reaped a significant return on investment (ROI) as a bonus.

"We wanted to streamline our operations and at the same time deliver to the customer their information as quickly as possible in the form of Internet services as well as convenient imaged and Internet statements," says Karen D. Shinn, Vice President of Operations for Farmers and Mechanics, which is a wholly owned subsidiary of FMS Financial Corporation. "This allowed us to reduce our back-office costs and dramatically reduce postage costs."

### **Making An Open Selection**

Farmers and Mechanics, which was founded in 1871, began its shift to Open Solutions in 1998.

Two vendors in addition to Open Solutions were considered. "A full year of research was done on each vendor including presentations, RFP's, site visits, reference phone calls, screening all three vendors for comparable services, and costs," states Karen.

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*"FMS selected Open Solutions for the ease of use in not only running the system but also training our staff."*

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Farmers and Mechanics, zeroed in on Open Solutions because:

- The bank was able to pick its own hardware.
- Available third party software could directly tie into Open Solutions.
- With the Windows®-based platform there was limited programming necessary.
- Its user-friendly operation translated into quicker understanding internally.

"FMS selected Open Solutions for the ease of use in not only running the system but also training our staff," explains Karen.

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Open Solutions was also chosen, she adds, because it was unnecessary to learn COBOL, or any other programming language, and the system was online in real-time.

This gave each department the ability to design and run their own processes. "Open Solutions was very aggressive with their technology of designing and running a core banking system," states Karen. "Additionally, we liked the opportunity to add third party software."

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Farmers and Mechanics signed a contract with Open Solutions in April 1998. By June, they were testing their new system; training occurred during the summer of 1998; and in December, FMS went live with it.

Open Solution offers Farmers and Mechanics a full core-banking platform –

- Teller, customer service, retail administration, and back-office systems.
- Deposit, loan, IRA, loan servicing.
- Check, ATM, ACH, bill payment, and data processing.
- Personal and business Internet services including online cash management.

In addition, Open Solutions also supplies:

- iMAGIC, the image processing platform, which was added in 2002.
- Online ATM services, images, and bill payment (via iPay, third-party-software).
- PathFinder – third-party wire-transfer software.
- Sound software.

The bank has taken advantage of the iMAGIC

platform to implement several modules including Image Capture, Bulk Filing Sort, Image Statements, Image Browser Research, Image CD's and Web API, E-Mail Statements, and Image CAR/LAR for OTC Work.

### ***A Winner For The Bank And Its Customers***

The Open Solutions system has been a winner with the bank.

"We are able to run an online real-time core platform," says Karen. "All information is easily accessible by our staff...we have been able to add to the core platform third party software with minimal effort."

Their system overhaul has proven fruitful for Farmer and Mechanics' 70,000 customers as well. Among the services they now receive are

- Internet services that are online realtime.
- Electronic bill payment.
- Imaging at the teller line and on the Internet.
- Image statements.
- E-mailed statements.
- Online ATM processing. This includes activity and balances.
- Internet Cash Management Services, which is also online in realtime.

The online ATM services enables commercial and savings customers to have real-time ATM card balances along with the convenience of knowing their "true balance," explains Karen. "All customer services now allow the customers convenient online real-time access to their information through the Internet, bank by phone, and teller line."

The iMAGIC platform allows the bank to share check images internally through DDA history screens and externally with the bank's online customers by interfacing directly to the open relational core data processing system.

## **Objectives Achieved**

Farmers and Mechanics has clearly achieved its strategic objectives:

- Streamlining back-office functions to deliver customer services faster and more efficiently.
- Internet services have offered customers direct online real-time activity and access to their accounts.
- Bill payment has provided customers with a full suite of services directly off FMS's home Web page.
- Personal and business customers receive the same services as larger banks offer in an online real-time environment.

A direct benefit of the system overhaul has been to Farmers and Mechanics' bottomline. The improved ROI is being driven by the increased use of imaging, ACH, and ATM online processing.

This has dramatically reduced staffing and many manual check processing functions. Karen says FMS is also thrilled with the added back-office settlement procedures that have eliminated their fine sort and improved the balancing of OTC work before statement processing. "Our crippled rate using imaged statements is under 50 accounts per approximately 8,000 accounts per cycle."

FMS, which now has a 40-branch network, credits Open Solutions for helping when it recently acquired another bank's branch. "Open Solutions provided us with a conversion program, and programmer's assistance, and to easily convert 2,300 accounts on to our core system," recaps Karen. That kind of scalability and service makes it easier for a thriving institution to grow.

### **Tips for Other Institutions**

Determining whether this type of relational core banking system Open Solution delivers Farmers & Mechanics would work for your institution requires **some** research. Karen suggests following a specific checklist.

- ✓ Review your entire operation. Determine if individual departments would like to "drive" their own applications or whether you would prefer to centralize.
- ✓ Ascertain if you prefer to run the system or outsource.
- ✓ Decide what features you currently have and which you want to update or not.
- ✓ Choose what features you do not have but would like to add.
- ✓ Review what your competitors are offering their customers: "Do you have these products and/or services? If not, are you prepared to offer them?"
- ✓ Review more than one vendor. Compare each vendor to what you are looking for and what they can offer. What type of support will each vendor offer before, during, and after.
- ✓ Are you able to dedicated staff to the entire process; researching vendors, review of vendors, training, implementation, and final installation.

### **About Open Solutions**

*Open Solutions offers a fully strategic product platform that integrates relational core data processing applications, built on a single centralized Oracle data, with Internet banking, financial accounting, cash management, CRM/business intelligence, imaging and loan origination solutions. Open Solutions' full suite of products and service are designed to help banks, thrifts, and credit unions to better compete, innovate, and provide more personalized financial service. For more information, contact Open Solutions Inc., 300 Winding Brook Drive, Glastonbury, CT 06033, 800-226-5674 or visit to the Open Solutions web site ([www.opensolutions.com](http://www.opensolutions.com)).*