



Memory Foam To The Core

by [Steve Brown](#) Topics: [Core](#)

It seems that there is almost no area of our daily lives that hasn't been impacted by technology. So, naturally, it didn't take long for technology to begin influencing the evenings of many people as well - specifically the mattresses we sleep on. Gone are the days when mattresses were comprised of little more than coils, springs, padding and material. Today's mattresses run the gamut from old school coil, to air, to high-tech memory foam. Now there is even a mattress, known as a "smartress," that alerts people through a mobile app to let them know if their partner is cheating and has a set of 24 ultrasonic sensors built into their core. The sensors are able to generate a real-time 3D map, indicating which portions of the mattress are under the greatest pressure and whether movement is taking place - information that is relayed to your mobile phone.

We couldn't help but think about how odd it is that there is now a mattress with a high-tech core, while much of the banking industry continues to operate using core systems that are extremely outdated. This matters deeply to bankers because such core systems support all loan, deposit, and other transactions. Simply put in technology terms - if the activity touches a customer it touches the core.

For community banks, we note research by American Banker finds the largest core processors by market share for banks with assets <\$1B are: Fiserv (43%), Jack Henry (21%), FIS (20%), CSI (8%), D+H (6%) and DCI (2%).

Given all of the customer demands out there, you would think bankers would be going crazy trying to upgrade their core systems. However, if a recent survey by NTT DATA Consulting is any indicator, this may not be the case. It found that only 4% of banks plan to replace their core system over the next 3Ys. Despite high levels of frustration among banks - some 70% said they are frustrated with the limitations their current core systems put on their businesses, few are ready to replace their core. This is despite the fact that many core systems are based on 1980s to 1990s technologies.

This is also too bad when you consider banks also point out in the survey they are facing many challenges with their existing core systems. These include the cost of responding to regulatory pressures (35%), the cost of maintaining legacy systems (29%), the complexity of integrating with other systems (29%), the cost of product development (28%), a lack of scalability of the core to support growth (26%) and difficulty in improving the customer experience (26%). These factors and the fast adoption of technology by the consumer are serving as critical pressure points on the industry.

There are many reasons for this reticence to replace something that isn't doing what bankers want, but one certainly relates to cost of implementation and the implementation process itself. These are certainly key factors, but consider the survey also found bankers said 78% of their overall IT budget is spent to just maintain their core deposit systems.

While community banks may not have the benefit of being able to attach sensors to their core systems to determine when customers are planning to cheat, it is no secret that the days of customer loyalty are long gone.

Whether or not your bank decides to update what might be a sleepy core system, doing so certainly remains in the dreams of community bankers seeking to deliver faster and better technology to demanding customers.

ECONOMY & RATES

Yesterday

Yields little changed, down 1bp, as investors await the outcome of this week's FOMC meeting.

Rates As Of: 07/27/2016 12:02PM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.28	0.00	0.00
6M	0.39	0.00	0.00
1Y	0.52	0.00	0.00
2Y	0.73	0.00	0.00
5Y	1.10	0.00	0.00
10Y	1.52	0.00	0.00
30Y	2.23	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.50	0.00	
Prime	Unemployment	Oil	
3.50	0.00	\$0	

[More Market Rates](#)

BANK NEWS

Global Growth

The World Bank has reduced its 2016 global growth outlook from a GDP of +2.9% prior to 2.4% now. Its 2017 forecast is 2.8%.

Hard Work

For community bankers seeking to capture more small business clients, consider sending sales reps out to visit local businesses directly. We say this because an Endurance International Group survey of small business owners finds 35% say their business is more than a full time job and 14% say they work 24 hours per day, 7 days per week.

ATM Costs

Diebold research indicates new ATMs cost \$15,000 to \$65,000 depending on how sophisticated the machines are and what they can do.

Succession

A Wells Fargo survey of small business owners finds 80% of millennials say they hope to grow their businesses over many years and pass it down to their children one day vs. only 66% of older owners.

Bad News

A Babson College survey of small business owners finds respondents say they only get about 65% of the amount they were seeking from banks. As such, many look to other sources to round out the rest, putting potential strain on the company and increasing risk to bank loans already extended.

House Flipping

CNBC reports that in what seems to be a "here we go again" situation, RealtyTrac reports home flipping (a property that is bought and resold within 1Y period) has jumped 20% in Q1 of 2016 and is up 3% YOY. This time around, 71% of house flippers paid cash for the home, however, compared to just 27% pre-crisis. The flipper business is hot right now, as RealtyTrac also reports sellers reported an average gross profit of more than \$58,000 in Q1, the highest level since 2005.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.