

# Is it Time for a NextGen Core?



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The short answer is, *Maybe*. But the real question becomes: *Who Will Lead the Way?*

For decades, the core banking system functioned as the quiet backbone of every banking transaction, account, and service. Key themes included reliability, predictability, and necessity. But as the pace of change continues to accelerate, the role of the core system is beginning to be reassessed.

Is it just a commoditized system of record or is it the *centerpiece* of digital transformation?

In a world where customer expectations evolve overnight and fintech challengers move as fast as they are coded, one thing is certain: the legacy core is not only outdated, but also a risk. Because of this, more institutions are considering a different path forward: NextGen Core Platforms.

But here's the catch: the industry isn't entirely ready, just yet! And most importantly, neither is the broader vendor landscape.

## **Why Even Consider a NextGen Core Now?**

There is no denying the pressure to modernize:

- "Banking hours" no longer exist. Customers expect 24/7, real-time everything.
- Fintechs are launching personalized experiences in weeks, not years.
- Cloud-native architectures are now secure, scalable, and regulatory-ready.
- And let's be honest – core constraints may already be limiting your ability to integrate, innovate, or scale.

*Still, the question isn't can we go NextGen – it's: should we, and who can take us there?*

## **Maybe It's Time to Dip, Not Dive**

For many institutions, the smart move may not be a full belly-flop into a complete conversion – but rather a measured entry.

Consider a "development sandbox" approach: Work with a partner who will invest in you – exploring capabilities in a controlled, low-risk environment, building a relationship that meets your needs over time.

This lets you test the waters without blowing up your foundation. It's not about flipping a switch – it's about establishing a path forward.

### What Makes a Core Platform Truly “NextGen”?

- Real-Time Processing – No more overnight batch cycles. Transactions, balances, alerts with everything happens now.
- Cloud-Native Architecture – Not “cloud-hosted.” Built for the cloud. Auto-scaling, self-service, and built for continuous improvement.
- API-First Design – Modern RESTful APIs let you plug into any fintech, platform, or ecosystem – sorry Dad, duct tape can't fix this one!
- Microservices Architecture – Swap, upgrade, or isolate features without touching the entire system. It's modularity done right.
- Multi-Tenant Design – One platform can serve many institutions securely and independently. Ideal for true SaaS delivery and scalable growth.
- Event-Driven Logic – Systems that react to triggers in real time. Open an account, fire a workflow, adjust a rate, log the event – in a proactive and real-time environment.
- Extensibility – Want to plug in a fraud tool, rewards engine, or embedded fintech product? Go for it – without rewriting the core!
- Regulatory Agility – Make AML/BSA, FedNow, and new regulatory changes without a dev sprint or audit panic.
- Embedded Real-Time Analytics – Insights aren't bolted on. Monitor risks and customer behavior in the moment.

### So Why Isn't Everyone Already There?

Two reasons:

1. Cost and complexity – Implementing a NextGen core isn't plug-and-play. It's deep, disruptive change.
2. Market maturity – Many NextGen solutions still haven't crossed into the U.S. community banking mainstream. Most deployments to date are either international or at the top tier of financial institutions.

### Who Will Step Up for Community Banks and Credit Unions?

Who's going to bring NextGen to the 6,000+ community banks and credit unions across the U.S.?

The promise is there – real-time, cloud-native cores are no longer science fiction. But we haven't yet

seen a domestic vendor fully deliver a scalable, sustainable, and affordable NextGen core tailored to the unique needs of mid-sized financial institutions (mid-tier II and tier III FI's).

Until that happens, the answer to “Is it time?” will continue to be: It depends on who shows up to lead.

### Can Legacy Core Providers Make the Switch?

As the pressure to modernize intensifies, the spotlight has naturally shifted to the industry's most recognizable players: the legacy core providers.

Many of these firms – some with decades-long dominance, are now trying to position themselves as “modern” or “cloud-ready.” From sleek new branding and reorganized product suites to multi-year “transformation journeys,” every major provider is announcing change. But beneath the surface, the critical question remains:

*Is this a true technology overhaul or just a repackaged version of legacy tech with a modern UI?*

For community banks and credit unions trying to assess the path forward, this uncertainty is frustrating. While some vendors have committed to building cloud-native, API-first platforms from the ground up, others are layering integrations and interfaces over monolithic systems still rooted in legacy code-bases from decades ago.

### What's Really Happening?

- Rewrites vs. retrofits: Only a few vendors are undertaking full rebuilds using microservices and cloud-native design. Most are modernizing at the edges, not at the core.
- Marketing vs. delivery: There's a significant gap between what's promised in investor calls and what's actually being implemented at client sites.
- Timelines are vague: Some NextGen roadmaps extend from five to ten years. For many financial institutions, that's far too long to wait.
- Motives matter: How much of this modernization is genuinely aimed at improving client outcomes and how much is designed to boost shareholder value, valuation multiples, or M&A optics?

### What Does This Mean for Mid-Sized FIs?

It means due diligence has never been more important. Ask harder questions:

- Is this truly a new platform or is it wrapped legacy code?
- Can your institution access and experiment with features in a sandbox?
- Are you one of a few beta clients or one of many legacy customers caught in a transition cycle?

The truth is: some legacy providers may very well get there. Others may not!

### Final Thoughts: Prepare, Don't Panic

Choosing a NextGen core is not about chasing hype – it's about positioning your institution to compete, adapt, and thrive in an ecosystem that is rapidly shifting from product-based to platform-based banking

A NextGen core won't fix every challenge you face, but your current core might be silently compounding them. From integration friction and operational limitations to time-to-market delays and limited analytics, the core often becomes the bottleneck to innovation. The institutions that are winning today aren't just adopting digital tools, they're unshackling themselves from legacy infrastructure that was never designed to operate in real-time, modular ecosystems.

But here's the truth: Most financial institutions aren't ready to rip and replace and that's okay.

### How To Move Forward and Next Steps:

- Start with a strategy, not a system. Don't just search for a new vendor – define your institution's long-term plan first.
- Push vendors for transparency. Ask for access to real product environments, not slide decks. Demand evidence of scalability, delivery, and partnership.
- Pilot in parallel. Use sandboxes and side-by-side pilots to explore without disrupting what's working.
- Develop internal buy-in early. From IT to compliance to front-line operations - your future core touches everyone and every channel.
- Full readiness assessment. You don't have to go "all in" on day one. Build a roadmap. Sequence the transition. Control your pace.

The real risk isn't going too soon, it's waiting too long to prepare. Institutions that don't take early steps toward architectural flexibility may find themselves stuck in place while their competitors integrate and accelerate.

Your next core decision may not be about replacing your current system tomorrow, but it absolutely decides how far and how fast you can go in the future.

Time to stop asking what your core does today, and start imagining what it could unlock tomorrow!

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