



CREDIT UNION DATA PROCESSING, INC.

'CUSO Driven Core & IT Solutions'

CU-Tips\$

Cloud Computing in the Credit Union Industry – Part II

As a clarification, at this time CUDP does not sell cloud computing services to our credit unions. But we understand the huge potential of cloud computing as a technology with real promise for credit unions. To illustrate the point, see if this scenario rings any familiar bells.

You need a new 'server' to run a new program at the credit union. You have a large up-front cost to purchase your new server as you want to get a machine with a life-expectancy longer than the time it takes to ship it to you and you want excess capacity for future expansion. After a just a few years, and despite your best efforts, the performance degrades and you are told you need a bigger and faster server. With several years of depreciation still on the books, you opt to try some expensive upgrades, and then put up with mediocre performance until you can justify the purchase of another new server.

Then you add additional expense for hardware support contracts and try to find ways to address business continuity issues such as high-availability, redundancy, and off-site backups, etc. At this point depression abounds as you contemplate this seemingly never ending cycle. As you wallow in this pit of 'non-excitement', you hear start thinking about the new 'Cloud Computing' technology that can potentially solve all of these problems.

You think about never having to purchase hardware again . . . Ever! And never again having to purchase, track, and renew hardware contracts, or placing hardware support calls just to wait for technicians who probably don't have the right part anyway. You think about built-in world-class business continuity and disaster recovery options.

Then you think about access to processing power and data storage with almost instantaneous upgrades, on demand. Upgrades that can get what you need, as you need it, and never have to put up with degraded performance?

Is this the 'Holy Grail of computing', 'IT Nirvana', 'processing paradise'?

CU-TIPS is a bi-monthly newsletter focusing on technological, political and economic issues as they relate to the credit union industry.

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Yes! At least it has tremendous potential, but don't get carried away just yet. There are associated costs and risks to be considered. So where do you start? Here are some things for consideration: **Look at the Costs:** Awesome benefits usually come with significant costs. Start by understanding the 'complete' costs of hosting your own IT equipment, including addressing all the business continuity issues. Then you will be more prepared for the pricing. As you look at some of the different vendors, you will find a range of pricing options which will all include slightly different features that you need to compare.

Physical & Network Security: There are inherent risks in having your Credit Union data stored on a public cloud. Private clouds will be more secure, but probably more expensive, and yet will not be completely impervious. If the cloud is setup right, it should be fairly secure. Understand where your data will be physically stored as you probably don't want your data stored out of the country. We would suggest sticking with large industry leaders. This topic is too large to completely address in this article, but you should find many documents on the Internet that will be helpful.

Business Continuity: Look carefully at the services and redundancies the vendors offer and make sure you understand what is included in your pricing. Vendors should offer Service Level Agreements (SLA's) guaranteeing their performance, uptime, and system accessibility. Industry standard data centers today should provide redundant systems for Power, Cooling, ISPs, Internet access & networking equipment, security, as well as replication to multiple data center locations with geographical separation. All of these things contribute to a good solution.

Summary: Cloud computing promises huge benefits which we feel will apply to credit unions in the not too distant future, if not today. You will need to become comfortable with the technologies and risks, but there are too many benefits to this technology to ignore its potential for positive impact.

News and Notes

February 19, 2011—CUDP celebrates 20 years serving the core-processing and IT needs of the credit union industry.

September 20-23, 2011—CUDP (CUProdigy users) annual meeting was held in San Diego, California.

October 26-28, 2011—CUDP will participate as an exhibitor in the California-Nevada League meetings in San Diego, California. See you there!

I know of no more encouraging fact than the unquestionable ability of man to elevate his life by conscious endeavor. —Thoreau



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