Ehrhardt Turns Sour Note Into Sweet Software Niche

Joe Ehrhardt found a niche in the software programming world he wasn't necessarily looking for – extracting data from the core computer platforms at failed banks.

A former employee of ANB Financial NA of Bentonville, Ehrhardt found himself working temporarily for the ANB receivership, headed by the Federal Deposit Insurance Corp.

As 2008 progressed and the FDIC closed more banks, examiners found they had trouble cracking some core systems – known as SilverLake systems and built by Jack Henry & Associates of Monett, Mo. – similar to ANB's.

Ehrhardt became a contract employee of First Financial Network of Oklahoma City, which was an FDIC contractor. FFN bundled assets of failed banks and auctioned them off to qualified bidders.

It was at this time Ehrhardt started his company, 3E Software.

He was sent to "five or six" receiverships throughout the country before the contracts abruptly stopped when the FDIC changed how it sold failed banks. Most failures are now loss-share agreements between the FDIC and the purchasing bank, so assets don't have to be divided out and re-bundled.

As the work ended, 3E opened shop in Bentonville as a software development company. He now has five employees and performed work for about 30 clients in 2010.

The company's 2010 revenue was up "five times" what it was in 2009 and is projected to do 2.5 times that in 2011.

Ehrhardt said the company has three divisions: banking software, custom software and small website development, which accounts for only 10 percent of 3E's business.

Ehrhardt said he's had success with banking clients in Northwest Arkansas because there are few software developers who specialize in the industry.

“We speak their language … a lot of the work we’re doing is loan management,” he said. “I don’t know of any banks out there that don’t need to keep an eye on their loans.”

3E’s main bank software, called Teslar, tracks loan documentation, credit reports and other segments that help loan officers and underwriters work together.

The company is working on a module that will perform loan loss calculations based on hypothetical criteria, helping the bank make judgment calls with capital.

But 3E is diverse. Ehrhardt said the custom division does a lot of point-of-sale and e-commerce coding.

“Most of our stuff is behind-the-scenes,” he said.

3E’s expertise is in the functionality of systems, not necessarily making it look pretty, though a graphic designer is on staff to make sure programs are aesthetically pleasing.

A top selling point Ehrhardt uses is that the code becomes the property of the client.

“We build it and bill you, and you get the source code,” he said.

Some clients choose to sell or license the code to other companies.