Competing for deposit growth
When deposit growth deposits growing pains

Just because I get to write, edit and research banking phenomena on a daily basis doesn’t mean I get to participate in all the action. All the fun. Or, ask all the questions for Joe Consumer. That gets me thinking: What would it be like to open a bank account online? If I were in the market for a new bank, how could they win my business? And of course: Why do some branches still serve stale cookies and scalding coffee?

Alas, some financial mysteries evade even a roomful of Nobel laureates.

So yeah, I wonder what I’d say to a banker who wants to win my deposit dollars. I suppose like anyone else I’d want to be wooed with something besides a toaster or a cuppa. But deposit daydreams can’t hope to pack a wallop like this new executive report, which gets to the bottom of deposit growth as we enter the last quarter of 2019.

BAI managing director Karl Dahlgren kicks things off with a fresh look at why direct banks are attracting deposits and where that puts traditional institutions. Of course, rates have something to do with it. But new findings from the BAI Banking Outlook survey paint a more nuanced picture, highlighting convenience as a driving factor.

Medical patient lending isn’t often brought up in a banking milieu of interest rates, customer experience and fintech. But Epic River’s Nick Morse spotlights how timely loans for those who seek care can foster health of a different kind—that is, financial. "In 2012 alone, Americans owed $41 billion in uncollected medical debt to hospitals," Morse writes. "Here, lending institutions can be of service to a new—and needy—group of customers while also reversing the decay of deposit growth most have suffered over the past few years."

For those keeping score last month—and weren’t we all?—the Federal Reserve cut interest rates for just the second time since 2008. BAI contributor Edmund Lawler looks at how banks, even in the midst of shrinking margins, can still innovate in making deposit growth happen.

Fiserv’s Victoria Dougherty talks about a major customer pain point: cashing checks in a speed-of-light digital age. Financial solutions should match consumers’ new spending habits, which lean more than ever towards instant funds access. "Financial institutions need to respond to the market demand for liquidity," she writes. “To that end, new solutions can preserve relationships with accountholders and increase their share of wallet.”

And wrapping things up, Lauri Giesen’s “Winning the SMB Deposit Game” examines how banks can leverage smart tech to penetrate a lucrative niche. She quotes Karen Mills, a senior fellow at the Harvard Business School and former head of the Small Business Administration: “Technology will transform bank services and remove many of the barriers that have plagued lending to small businesses.”

If you take anything away from this report, I hope it’s this: The deposit growth landscape can’t be mastered, seized or comprehensively surveyed in a single foray. Along with the actionable advice you’ll gather in these very special stories, I invite you to consider one more salient (if folksy) fact. To wit: You’ve got to stay on top of it. The rules of thumb that applied to deposit growth even a decade ago might as well be rules of thumbprint as people open their smartphones to conduct their banking business. And if you want to get started by offering all-you-can-eat fresh cookies and gourmet java at your branch, so much the better. In fact, consider me there.

Lou Carlozo is the managing editor of BAI.
Direct banks, deposit growth and market domination

New BAI Banking Outlook research shows why direct banks are winning the deposit battle and what consumers want.

BY KARL DAHLGREN
Clearly convenience plays a major role and although many consumers bank with both a traditional and direct financial services organization, direct banks have changed the way consumers view convenience.

WHO’S YOUR PRIMARY BANK?
Our latest BAI Banking Outlook research takes a close look at whether direct banks are winning the battle to become the primary bank. At the moment, traditional large banks are continuing to win the “main bank” battle with the largest share. There are areas, however, where direct banks are gaining ground or winning. For example, there are clear discrepancies on the rate front, as twice as many consumers (28 percent versus 14 percent) favor direct banks for having the best rates.

In terms of age demographics, relatively speaking, consumers in Generation Z are the most likely to use a direct bank in the future. Nearly a quarter (24 percent) of Gen Z respondents who use direct banks but not as their primary bank, anticipate making them their primary banks in 12-24 months.

Customers who use a direct bank store between 41 percent (Baby Boomers) and 50 percent (Gen Z) of total deposit balances for checking, savings, money market and CDs there. Direct bank consumers store nearly half of their total deposits with direct banks. Primacy drives even a greater share for direct banks with a 62 percent deposit wallet share for direct banks versus a 42 percent share for traditional banks. This means that if direct banks can get more of their customers to become primary then they could see a 10-20 percent growth in deposits.

TECHNOLOGY IS THE NEW CONVENIENCE
The question then becomes what factors could impact primary bank choice for direct banks. The answer clearly lies in convenience. When BAI surveyed consumers as to the top reason they chose to open a deposit account with a direct bank, they offered a dozen different reasons, but convenience finished on top at 19 percent.

When it comes to convenience, technology represents an obvious advantage direct banks have over their traditional competitors. Here, mobile holds the key. Across demographic groups, there’s a very high rate of satisfaction with a direct bank’s mobile apps. When asked if those apps meet their needs, between 74 and 93 percent of respondents, depending on their age group, said yes. When asked if they would change or switch to a direct bank for a better app, two-thirds of those in Gen Z and Millennials said yes, with 57 percent of Gen X and 38 percent of Boomers replying the same.

It is a mistake to think of direct and traditional banks as mutually exclusive segments. When Citizens
Bank launched Citizens Access in mid-2018, the direct banking site offered 2.25 percent interest rates on deposits (versus a national U.S. average of 0.12 percent), without account fees. In just three months, Citizens Access attracted more than $1 billion in deposits. Though Citizens has a physical presence in just 11 states, Citizens access draws customers from all 50 states and very few are existing Citizens Bank customers.

PUTTING IT ALL TOGETHER

It is always tempting to look at and fret over external factors from interest rate cuts to the disruption of fintech, but forward-thinking bankers know that such circumstances will always exist. It’s true that the pace of change is accelerating and is faster than it’s ever been, but keep in mind that nearly everyone is sharing the same set of circumstances.

Meanwhile, some things remain constant. Consumers are time strapped and want the details of their day-to-day financial lives to be easier. They want what any of us want when we work with our money and handle our finances, and that is convenience. Growing deposits in the age of direct banks begins when bankers grow conscious of customer priorities and in the process, grow into a new way of understanding and acting on it.

Karl Dalhgren is the managing director of BAI.
How patient lending grows healthy deposits and relationships

Offering innovative new services to health systems and patients can reinvigorate lending institutions.

BY NICK MORSE
Has the human touch in fact lost its touch? That question matters to traditional banking institutions that once relied on deep, in-person customer relationships to fend off fintech advancement into their deposit bases.

Their cause is urgent: According to J.D. Power, 66 percent of direct bank customers will refer their institutions, while just 55 percent of traditional bank customers say they’d do the same. Customers who want a simplified transactional experience leave traditional banks, and so exit deposit growth.

While banks and financial institutions may seem to have few options to stem this tide, smart leaders look for new ways to capitalize on old issues that return customers to the fold. One of these—medical patient financing with commercially underwritten guarantees—offers some revitalized opportunities to grow customer counts and deposits.

HEALTHCARE PROVIDER CLIENTS ACQUIRED

Clearly, medical debt represents a hot-button issue: Just ask the tens of millions of Americans who struggle to pay off provider bills or the politicians jockeying for solutions. The impacts are extreme. In 2012 alone, Americans owed $21 billion in uncollected medical debt to hospitals. Although health system revenue models saw a bottom line profit bump from Medicare and Medicaid reimbursements with the Affordable Care Act, the hard truth is that when patients can’t pay, hospitals can’t remain operational—much less profitable. Therefore, healthcare providers are transitioning their revenue cycle methods to increase their profitability.

Furthermore, rising out-of-pocket expenses and deductibles drive patients toward primary direct and urgent care facilities; that siphons off one-time reliable sources of revenue for providers. But even as this sea change strains healthcare systems, it also invites traditional lending institutions to acquire healthcare providers as clients. A once-unlikely scenario? Yes—but one that deserves a second look.

In fact, health systems are exploring relationships with banks and financial institutions to help address a medical debt mountain their business models can’t easily handle. In a survey completed by the Kaiser Family Foundation in conjunction with the New York Times, 26 percent of U.S. adults said that they or someone in their household had problems paying medical bills in the past 12 months. That equates to nearly 50 million Americans shifting the responsibility to their healthcare provider’s ability to collect. Given that health systems were never designed to function as accounts receivable agencies, forward-looking ones have started to seek strategic partnerships to become financially healthy, remain in business and continue to serve local communities.

26 percent of U.S. adults said that they or someone in their household had problems paying medical bills in the past 12 months.

**KAISER FAMILY FOUNDATION**
Here, lending institutions can be of service to a new—and needy—group of customers while they also reverse the decay of deposit growth most have suffered over the past few years. Bankers can harness some of the low-touch benefits of direct banking by partnering with platforms to offer pre-built patient lending solutions: on-site at the healthcare provider facility and not via trying to coerce individual patients into their branches.

FROM A MOUNTAIN OF DEBT TO DEEP RELATIONSHIPS

Health systems actively seek new bank partners to service their patient financing needs and will often fully guarantee patient debt in exchange for that relationship. Any potential risk is well worth it because when left to their own devices, health systems have been found to only collect up to 45 cents on every dollar billed.

Banks are well-equipped to service the debt—and profit from the relationships with both health systems and patients—because of three strategic advantages the process uncovers:

» **1. Patients typically have to open accounts** with the financial institution that services their medical debts. This affords banks the option to deploy every option in their arsenals to fully collect on patient debts.

» **2. Usually, health systems must also open deposit accounts** with the financial institution they decide to work with. This creates a new deposit relationship that allows the bank to control the flow of capital to and from the health system; and provides access to a commercial lending opportunity if and when the health system decides to expand or undertake capital improvements.

» **3. Financial institutions build lasting alliances** with health systems and community members, which showcases their value when compared to direct banking options.

The profound opportunities that the medical debt market provides may help offset slowing deposit growth, even during a recessionary gap. While we know competition for deposit growth will continue no matter what happens with the markets, commercially backed medical financing has emerged as an area bold financial institutions find themselves well positioned to explore.

Nicholas Morse is a brand manager for Epic River, a Loveland, Colorado-based provider of in payments software solutions for healthcare providers, financial institutions and patients.
Account ability: Deposit growth gears up for 2020

While the Fed has cut rates, that’s hardly enough to cut banks from innovation in making deposit growth happen.
The sudden shift in interest rate direction—realized in less than three months—pressures financial services organizations to scrutinize their strategies for growing deposits in the year ahead. But they still have plenty of cards to play.

Gee, thanks Federal Reserve for dampening the spirits of bank and credit union depositors by cutting interest rates for the first time in a decade this past July ... and for an encore, again in September. Until your July rate cut, you'd been steadily raising rates from about zero to as high as 2.5 percent as the economy slowly recovered. Savers who'd been getting next to nothing were at least getting next to something.

But in the vapor trial of those cuts, financial services organizations’ strategies for attracting deposits in 2020 are cast adrift, with even the smartest bankers running on fumes.

“It had been seven long years with low interest rates, then they finally started to rise,” says Ken Tumin, founder of depositaccounts.com, owned by Charlotte, North Carolina-based LendingTree. “But it didn’t last long. Things changed very quickly this year.”

The sudden shift in interest rate direction—realized in less than three months—pressures financial services organizations to scrutinize their strategies for growing deposits in the year ahead. But they still have plenty of cards to play.

“Bankers can offer a high-yielding checking account in exchange for a minimum number of debit card transactions per month—typically about 10,” Tumin says. “That’s a proven way to attract more customers and deposits without hurting too much of your deposit costs.”

Brick-and-mortar institutions can partner with a fintech to provide an online banking platform that markets nationally and manages an online-only savings account or CD account. “It’s an inexpensive way for smaller banks to expand their core deposits without having to expand their branches,” he says.

DIRECT BANKS SIGNAL A NEW DIRECTION

Direct banks, with their branchless, lower-cost structures, have offered online-only savings accounts at rates four to six times higher than their conventional competitors.

The current average rate for online-only savings accounts offered by direct banks is 1.6 percent. That’s nearly six times the rate of the industry average of 0.28 percent, which mostly includes brick-and-mortar banks and credit unions, according to Tumin. Even if the economy remains robust, the Fed may serve up two or more quarter-of-a-percentage point reductions, he says.

“If that’s the case, you’ll see the direct banks’ corresponding rate cuts in their savings accounts,” Tumin notes. “But you’ll see smaller rate declines with the brick-and-mortars because they have never come close to the federal funds rate.”

Lindsay Lawrence, who oversees deposit banking activities for First Foundation (a multi-branch bank based in Irvine, California, with $6.3 billion in assets) says her institution just launched a new online savings account that offers an above-market rate of 2.4 percent. Lawrence, the bank’s executive vice present and chief operating officer, says the new online savings account will help drive deposit growth strategy for 2020.

“We wanted to add a third leg to our deposit growth strategy,” Lawrence says. The first two legs are the bank’s retail branches in California, Nevada and Hawaii; and its specialty deposits group that focuses on more complex accounts for title, escrow or property management organizations. “The new savings account allows us to reach a client base that we had not before.”

The decreasing federal funds rate will not inhibit First Foundation’s growth strategy for 2020, she contends. “All the banks are in this together, so the competitive playing field remains fairly level. Consumers are paying attention, and that’s good.”

Lawrence points to 2018, when “people wanted to stay more liquid, so our money market accounts did better than our CDs. Now customers want to lock in for as long as possible. People are paying attention to these potential rate decreases.”

David Kerstein, president of Peak Performance Group in Austin, Texas, doesn’t believe falling interest rates will drive away depositors. “I actually think it could work in the banks’ favor in the sense that as
One of the simplest ways to attract new deposits in 2020, is to make it easier for consumers to open accounts online.

DAVID KERSTEIN, PEAK PERFORMANCE GROUP

THREE MARKETING STEPS TO STEP UP DEPOSITS

From a promotional perspective, financial services organizations can attract customers and their deposits in three steps, says Martha Bartlett Piland, president and CEO of MB Piland, whose Banktastic division works with more than a dozen banks and financial brands.

Piland is author of the new book Beyond Sticky, which offers banks strategies to help generate more revenue and profits through branding, customer experience, culture, innovation and business development. Her ideas include:

» Leverage your institution’s advisory board. Bankers are often reluctant to ask their directors to help them make appointments and get customers in the door—but it should be an expectation. Think of it as a higher level of influencer marketing.

» Ensure that your internal culture is married to your external marketing. Great sales promotions for deposits go for naught if the customer faces an unfriendly employee, one unfamiliar with the promotion or another who doesn’t feel part of the team.

» Don’t neglect brand at the expense of deposit promotions. If prospects are unaware of your brand, they won’t trust your institution to take care of their money.
Helping consumers clear the check clearing hurdle

Financial solutions should match consumers’ new spending habits, which lean more than ever towards instant funds access.

BY VICTORIA DOUGHERTY
outsourcing undesirable chores or paying more to get exactly what you want, when you want it.

As for the when: These consumers simply want their money now.

SO, HOW MUCH DOES HAPPINESS COST?

In exchange for happiness and convenience, consumers spend more of their take-home pay—and in many instances, more than they earn. By some estimates, Americans spend between 98 and 120 percent of their discretionary income. They use credit cards, payday loans and cash advances to finance their best lives today.

Again: Things don’t seem to add up.

Let’s not forget that their financial situation doesn’t stem from dire circumstances. It’s a choice. After surviving the economic downtown, many consumers are comfortable living “on the edge” and consistently willing to spend more to yield happiness.

Companies such as Netflix, Amazon and Uber foresaw this cultural shift, catered to it and thrived. Restaurant and grocery store chains are catching up. Even though it erodes most store margins, they will deliver takeout or an entire grocery list to your door. Across industries, companies adapt to consumer preferences just to stay in the game.

How can financial institutions respond—and load the grocery basket, if you will?

MANAGING THE MIDDLE

Most financial institutions are compelled to “fix” this consumer behavior through education and programming. They default to the math: Income minus expenses equals savings. But this cultural shift didn’t evolve from a lack of information or mathematical savvy. Consumers view their financial situation as a lifestyle, not a series of mistakes.

Financial institutions need funds availability policies, even though most consumers are too busy, stressed or overloaded with information to fully understand them. They’d rather pay more to have things taken care of and their funds available immediately.

So financial institutions must meet consumers in the middle. Yes, continue to educate them—and educate early. Financial literacy instilled at a young age is shown to change behavior and encourage saving. But we need a different approach for adult accounthold-
ers with bills to pay today (yet grapple with “fear of missing out,” or FOMO).

Financial institutions need to respond to the market demand for liquidity. To that end, new solutions can preserve relationships with accountholders and increase their share of wallet.

SIMPLE YET SOLID

Without risk overload, financial institutions can help accountholders close their pay gaps. Behavioral data, algorithms and risk modeling tools can ensure solid decisioning and a high likelihood of repayment.

Short-term cash flow solutions can fall under proactive (such as faster funds availability for a fee) or reactive (customized overdraft services). But they can’t be complicated.

According to a Nielsen report “The Quest for Convenience,” today’s consumers demand three key qualities: ease, utility and simplicity. Accountholders don’t want to think, wait or spend any time trying to understand your products.

If financial institutions can’t meet these requirements, they risk losing accountholders. According to the FDIC, about one in five consumers use alternative sources to meet their financial needs rather than turn to their trusted banking relationship.

FINANCIAL INSTITUTIONS CAN DELIVER

If financial institutions stay mindful of this cultural shift, they will realize advantages over corner check-cashers and other short-term lending sources. For one, they’ve built a relationship with accountholders. Deeper transaction history can lead to better decisions for everyone involved. And a single provider that can fulfill multiple financial needs meets consumers’ desires for utility and simplicity.

As a quick example: Imagine that accountholders can easily request a short-term advance through a digital channel. Based on transaction history, you could grant an instant decision, possibly in seconds. The product is useful and the process more convenient than visiting a payday lender to fill out an application. As a result, the financial institution retains business and strengthens the relationship. Everybody wins.

PUTTING IT TOGETHER: START THE CLOCK, WATCH WHAT HAPPENS

In a world of digital demands measured by the smartwatch second hand as opposed to a calendar page, standing still is not an option. Financial institutions must look forward and design solutions that keep them at the forefront of what’s offered—not only within the industry, but among overall consumer trends as well.

Today’s products cannot meet consumer needs forever. Solutions must grow and change to meet accountholders where they are. All products, not just funds availability, should follow a one-two-three flowchart: simple to access, easy to use and capable of significant utility.

The effort will pay off. Consumers will certainly pay more to get exactly what they want. Now it’s time for financial institutions to deliver. Trust in this, even as consumers trust in you. Balancing both sides of the equation, things will add up.

Victoria Dougherty is director of Payment Management Solutions, Fiserv.
Winning the SMB deposit game: How technology leads the charge

Smart tech expands the digital footprint and services of community banks—putting them in play to win underserved small business.

BY LAURI GIESEN
“Technology will transform bank services and remove many of the barriers that have plagued lending to small businesses,” says Karen Mills, a senior fellow at Harvard Business School and former head of the Small Business Administration for the Obama administration.

And now, the billion-dollar-plus question. As in: How does a $1.4 billion bank based in a Wisconsin city of less than 40,000 develop small business accounts in nearly all 50 states?

You’ll need technology to find the answer—literally. Then, start thinking small.

Yes, literally.

“Small businesses have provided a major growth engine for us,” says Kathy Strasser, an executive vice president with Wausau, Wisconsin-based River Valley Bank. She’s also known by another title: COO of River Valley’s online institution, IncredibleBank.

“This is where we’ve seen the biggest growth in new accounts in terms of dollar volume,” Strasser says. And when you make your presence felt online to the America’s underserved sector, it gives you a chance to live up to a moniker like Incredible. Call it treatment that gives small businesses a lift—which you’re definitely hinting at when your logo is the silhouette of a barbell-thrusting strongman.

Still, the tasks that accompany can require heavy lifting. Think about how hard it can get for businesses outside the bank’s traditional core markets to deposit and sign documents hundreds or thousands of miles away from, say, the River Valley branch on 3210 E. Main St. in Merrill, Wisconsin, population 9,161.

Extending credit becomes difficult for lending officers as well. How do you evaluate the risk and credit worthiness of a community business in a community that’s unfamiliar?

On the deposit side, remote deposit capture has proven a godsend for businesses from across the nation. Where it makes sense, they can utilize scanners to electronically deposit checks and in many cases, particularly with mobile businesses, smartphone or tablet snapshots work better.

River Valley has found a way around a common problem banks face in promoting mobile deposit to small businesses: the limits on deposit size or numbers of checks processed in one day. Among Incredible Bank’s competitors, the limits imposed on consumers simply don’t make sense for businesses.

“We offer more flexibility,” says Strasser. “We know our businesses and the types of transactions they’re likely to make. We can customize the limit based on what works for a particular customer.”

And with DocuSign technology, customers can digitally endorse crucial paperwork. “At first some customers were leery,” Strasser says. “But most businesses come around once they understand how it works.”

A ‘LATENT EMERGING DEMAND’

While River Valley uses fintech to land new small business accounts, many other banks use it more to preserve existing accounts against outside tech companies developing financial services for small businesses.

“The biggest concern for most community banks is retaining small business accounts rather than pursuing new markets,” says Peter Wannemacher, principal analyst for Cambridge, Massachusetts-based Forrester Research.

It’s not so much the obstacles community banks once faced serving small businesses. “They’re becoming more aware of the latent emerging demand for technology-based services from their customers,” says Wannemacher. “The disruption in the banking industry is even greater with small businesses than it is on the consumer side of banking.”

And technology could give community banks a badly needed edge to compete with fintechs making forays into financial services.

“Technology will transform bank services and remove many of the barriers that have plagued lending to small businesses,” says Karen Mills, a senior fellow at Harvard Business School and former head of the Small Business Administration.
parts manufacturer,” Mills says. “But there are systems out there that can provide you with comparison systems for small businesses. If you have data on 1,000 dry cleaners, you can tell if the 1,001st dry cleaner is a good risk.”

That will be particularly important to community banks looking to expand their existing footprint, either nationally or in adjacent markets.

LENDING’S NEED FOR SPEED

Nowhere is the potential for technology greater than in lending. “The time it takes for small businesses to apply for loans, get approved and then have the cash they need to pay their vendors and employees has been considerable,” Wannemacher says. Once the APIs gather the necessary information, artificial intelligence systems can compare the credit file of a particular business to similar businesses in the community to determine risk, Mills says. “All businesses are different so it’s hard to compare the credit file of a funeral home to a restaurant or to a parts manufacturer,” Mills says. “But there are systems out there that can provide you with comparison systems for small businesses. If you have data on 1,000 dry cleaners, you can tell if the 1,001st dry cleaner is a good risk.”

That will be particularly important to community banks looking to expand their existing footprint, either nationally or in adjacent markets.

Once the APIs gather the necessary information, artificial intelligence systems can compare the credit file of a particular business to similar businesses in the community to determine risk, Mills says. “All businesses are different so it’s hard to compare the credit file of a funeral home to a restaurant or to a parts manufacturer,” Mills says. “But there are systems out there that can provide you with comparison systems for small businesses. If you have data on 1,000 dry cleaners, you can tell if the 1,001st dry cleaner is a good risk.”

That will be particularly important to community banks looking to expand their existing footprint, either nationally or in adjacent markets.

Lending’s need for speed

Nowhere is the potential for technology greater than in lending. “The time it takes for small businesses to apply for loans, get approved and then have the cash they need to pay their vendors and employees has been considerable,” Wannemacher says.

With tech companies such as Intuit’s QuickBooks Capital offering small businesses loans in short time frames, community banks must respond, he says.

Adding to the complexity is that banks find it tough to evaluate businesses’ credit worthiness, especially compared to consumers. “It’s difficult to see inside small businesses to get all the data points that are needed,” Mills says. “Consumers are much easier to evaluate.”

To get the best results, community banks should work with outside technology vendors that complement their existing services. Community banks that link to business-friendly services as QuickBooks and Xero will find themselves more competitive, Wannemacher says.

Business Administration for the Obama administration, Mills is also author of “Fintech: Small Business & the American Dream.”

Both Mills and Wannemacher point to application programming interfaces (APIs) as important in gathering the information that will propel small business banking forward. It’s a thorny, jargony acronym, but breaks down this way: “apps” are the “A” in API, which act as the glue to connect multiple systems into one efficient platform. You can think of the ride sharing application Lyft, which uses APIs to synchronize maps, payments and texting in one application.

Small banks can integrate to fintechs without worrying about competing with them because they have the customer trust factor to their advantage.

Peter Wannemacher, Forrester Research

Adding to the complexity is that banks find it tough to evaluate businesses’ credit worthiness, especially compared to consumers. “It’s difficult to see inside small businesses to get all the data points that are needed,” Mills says. “Consumers are much easier to evaluate.”

To get the best results, community banks should work with outside technology vendors that complement their existing services. Community banks that link to business-friendly services as QuickBooks and Xero will find themselves more competitive, Wannemacher says.

Person-to-person payment services such as Zelle or connections to Square and PayPal give a bank a leg up on the competition, he adds.

“Community banks aren’t trying to rule the world,” Wannemacher notes. “They’re trying to sustain and maintain their role in serving their communities. They can integrate to fintechs without worrying about competing with them because they have the customer trust factor to their advantage.”

But unlike big banks, many community institutions will need to rely on their core processors to deliver the tech links they need. Mills argues that has not happened until just recently.

“The core processors received a wake-up call just in the last six months,” she says. “Most of them now are in various stages of developing services that either work with existing fintechs or work around them.”

As for how all this will play out—and whether more banks will follow in River Valley’s footsteps—that’s a billion-dollar question for another time.

Lauri Giesen has spent more than 25 years writing about banking technology and payments for numerous business and financial publications. In the 1990s, she founded and edited Financial Service Online, a magazine covering Internet-based forays into banking and investment services.
Past Issues

SEPTEMBER 2019
Data and analytics: The next generation »

AUGUST 2019
Building up the branch network »

JULY 2019
Compliance: Beyond the regulations »

JUNE 2019
Banking’s digital transformation »

MAY 2019
CECL: The critical countdown »

STAY TUNED FOR

November 2019
THE PAYMENTS REVOLUTION REVISITED

December 2019
2020: THE YEAR AHEAD IN BANKING