

Fintechs help local institutions compete in ever-crowded digital banking space

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As the COVID-19 pandemic pressured financial institutions to hit the gas on advancing technological capabilities, smaller local banks enlisted third-party and financial technology companies to penetrate the digital market.

Local bank leaders said the relationship between traditional financial institutions and fintechs pushes their companies forward. Whether they advanced systems to sign documents, invest in cryptocurrency, expand deposit products, accelerate treasury management or strengthen general cybersecurity, local financial institutions partnered with a variety of fintechs to support their services.

“As a bank, I need to and want to be involved in the fintech space,” said [Veritex Community Bank](#) Chairman and CEO [Malcolm Holland](#). “If I don't get involved, I'll probably get left behind.”

Financial technology firms provide a myriad of services and products and are often used to describe any company that offers financial services — loans, deposits, trades and any other way people move money. The industry has grown massively, propelled by the necessity of remote banking services through the pandemic. The global fintech market is expected to reach a value of about \$324 billion by 2026, per Market Data Forecast. In 2018, the market was worth about \$127.66 billion.

Smaller banks and community banks — which inundate the North Texas market — partner with third-party vendors and fintechs to operate much, if not all, of their technology. While most banks have access to depositing, document signing and general cybersecurity capabilities, some local companies are trying to get an edge through other digital product offerings.

MapleMark, headquartered at Old Parkland, [recently partnered with Raisin](#), a Berlin-based fintech, to offer new certificate of deposit products to customers. [Greg Lewis](#), MapleMark EVP and chief deposit officer, said the technology can push the bank forward faster and with more agility.

“The digital banking space is a very crowded market,” Lewis said. “For community banks and smaller banks, it's very difficult to spend the capital to actually enter these spaces.”

Major banks can develop technology internally, bypassing any fintech partnerships. In 2020, Bank of America [broke its record of patents filed](#) in any single year. One of its most prolific inventors, Dallas-based engineer Maru Kurian, has filed more than 360 patents since 2014.

JPMorgan Chase has more than 3,000 technologists in its [North Texas hub, with more to come](#), said Global CIO Lori Beer. Beer recently told the *Dallas Business Journal* that she oversees a budget of \$12 billion, about half of which the company invests in innovation. Even as the company has a massive innovation budget, Chairman and CEO Jamie Dimon called fintechs “enormous competitive threats” in his April letter to shareholders.

Some local bank leaders have also expressed concern around potential competition from fintechs. [Texas Security Bank](#) Founder, Chairman and CEO [Craig Scheef](#), said even as his company advances cybersecurity and customer service through third-party companies, fintechs could be a threat to banks as they compete in similar sectors, like payment systems.

Veritex's Holland said the bank has gotten involved in fintech-specific investment funds, and has even looked at acquisitions of companies in the past. He added banks like Veritex, \$9.5 billion company, and even those larger, don't have the resources to develop their own technology.

Some local banks partner in specific services to advance certain systems. First National Bank of Omaha, which operates four branches in Plano and Frisco, announced today it has partnered with Centime, a fintech company that offers cash flow control solutions to small- and mid-sized businesses.

[Vista Bank](#) President and CEO [John Steinmetz](#) said despite the need for external partnerships, he doesn't see fintechs as a threat. He said the technology is creating new opportunities — Vista bank is utilizing fintechs for services like robot-assisted loan processing. He added fintechs can boost efficiencies, especially through the COVID-19 pandemic and the low-rate environment.

“I see fintechs helping banks advance and move the ball,” Steinmetz said. “We're very slow as an industry to change. I think fintechs are making community banks, and banking in general, a better industry for the consumer by pushing us forward.”

Steinmetz said Vista is transitioning to become more of a technology company that provides the commodities of loans and deposits.

Dallas-based First Foundation has gone beyond utilizing third-party fintech products. [The bank recently invested](#) in a Series A fundraise of New York Digital Investment Group, a fintech company that will allow the traditional bank's clients to have Bitcoin-related products and services. CEO Scott Kavanaugh said First Foundation has held out on many opportunities to invest in fintechs over the years, but that this partnership could influence the bank's future investments in the sector.

Fintechs have also played a role in a local federal credit union's overall growth strategy. Plano-based Catalyst Corporate Federal Credit Union [acquired Georgia-based fintech Aptys Solutions](#), which is expected to advance automated clearinghouse platform solutions and contribute to Catalyst's bottom line over the next five years, said Chief Technology Officer [Diana Hennel](#). She added the acquisition also led to the credit union being chosen to participate in the Federal Reserve's FedNow Pilot Program, an initiative to test a new instant payment service for financial institutions.

Many bank leaders said although banks are moving forward with digital capabilities, clients still often want physical interaction with bankers.

Liberty Capital Bank CEO [Alan Morris](#) said though he's working to push his one-location bank forward in technology, clients still appreciate in-person interactions.

"Do I think we'll be completely 100% digital one day? I do not, at least not in the foreseeable future," Morris said. "We continue to hear from our customers that while they want a good digital customer experience, they realize that can never replace personal potential."

North Dallas Bank & Trust Co. breaks down technology involvement into two components: artificial intelligence and authentic intelligence, said President and CEO [Larry Miller](#). The leader added that while fintech has made the bank better and more efficient, he thinks being able to sit across a desk with a banker is still important.

Fintechs have [shown their strength in North Texas](#). Alkami, a Plano-based digital banking platform, targets community, regional and super-regional financial institutions to compete with larger, technologically advanced banks in the U.S. The company went public in April at \$30 per share.

In May, a United Kingdom-based fintech announced it would [plant roots in Dallas](#) and hire more than 300 people by the end of the year. Revolut, which has 2,500 employees globally, said talent acquisition in the area makes Dallas a strong tech hub. The company, which has been valued at about \$5.5 billion, offers retail and business customers currency exchange and spending management.

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