



## Is It Time For A Fintech Partnership?

technology fintechs pandemic

**Summary:** With the continued demand for digital, community financial institutions that work with financial technology firms could have an advantage over those that don't.

Since summer is here. We thought we would remind you how to treat sunburn pain. According to the American Academy of Dermatology: 1) cool baths/showers; 2) aloe vera; 3) ibuprofen; 4) drink extra water; and 5) keep skin protected until it heals. While you consider all that, we wanted to update you on why having a partnership with a fintech may not burn you as much these days as previously.

There is no doubt that the ongoing pandemic and its effects have underscored the importance of digital banking channels. With this continued demand, community financial institutions (CFIs) that work with financial technology firms (fintech) could have an advantage over those that don't.

Indeed, many fintechs have been out in front of the COVID-19 response, and these developments could support their work with CFI partners. The economic crisis has caused a substantial drop in finTech funding, so, they find themselves more willing to partner with CFIs than ever.

To decide whether this is something for you or not, we thought we would update you on how the COVID-19 pandemic has altered the dynamic relationship between financial institutions (FIs) and fintech.

**Digital banking depth.** With many branches closed or offering reduced services for the past few months, more retail and business customers have been turning to mobile, online, and call center channels for more than basic banking services. Many FIs report double-digit growth in online account opening and financial advisory services -- activities that would until recently most often take place in-person. The need to rapidly accelerate the digital enablement of these more complex banking services has driven more CFIs to seek support from fintechs for their expertise in this area.

**Lost VC funding.** Venture capital backing for fintech firms [fell to just over \\$6B](#) involving 404 deals worldwide, according to CB Insights' State of fintech Q1'20 report. This is the lowest amount of funding in 3Ys and the fewest number of deals in 4Ys. fintech firms need cash infusion from FI partners, as well as the credibility in working with more FIs, in an effort to engage more business. This could give you a nice advantage to negotiate with them.

**Pandemic-related priorities.** Business shutdowns, layoffs, and hygiene concerns have all become big concerns. With these new areas of interest, more nimble fintechs are steering their efforts to meet some of the immediate needs, such as supporting FI's small business lending through the Payroll Protection Program (PPP). Even if you managed through the PPP process without a fintech partner by your side, there may be other opportunities, such as digitally originated HELOC and personal lines of credit loans. Also, fintechs offer digital payment alternatives which could be of interest, as consumers try to limit their use of paper cash.

Whatever you do on the fintech front, you know what is best for your institution. But, hopefully, this update has given you more information to make the right decision.

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