# Credit unions and FinTechs collaborate to enhance financial services



In a significant shift within the financial services landscape, credit unions (CUs) and financial technology (FinTech) companies are forging partnerships aimed at enhancing operational efficiency and elevating member experiences. This trend is highlighted in a report by PYMNTS Intelligence titled “Dream Team: Credit Unions and FinTechs Partner to Deliver Financial Innovation,” produced in collaboration with Velera. The report outlines how these collaborations are proving mutually advantageous amidst increasing consumer demand for seamless banking experiences.

The relationship dynamics between FinTech companies and credit unions are evolving, with many FinTechs now regarding credit unions as valuable partners rather than mere competitors. The data from the report reveals a substantial shift in perception, with 66% of FinTechs viewing CUs as clients and a striking 90% considering them collaborators. Furthermore, 43% of FinTechs are currently providing products tailored for credit unions, including self-service solutions designed to enhance the member experience and cater to the growing preference for digital-first banking options. Such advancements are essential as they enable credit unions to maintain a competitive edge against larger banks.

One prominent instance of this collaborative spirit can be observed in the partnership between Scienaptic AI and Kentucky Credit Unions. This alliance aims to incorporate AI-driven underwriting technology designed to improve lending capabilities and overall member experiences. Scienaptic's platform has already facilitated over $80 billion in credit decisions, signifying its potential to help credit unions broaden their service offerings and serve previously underserved communities.

Despite this move towards collaboration, several challenges persist. The report uncovers that slow decision-making processes at credit unions represent a significant hurdle, with 68% of FinTechs identifying it as a major obstacle and 47% ranking it as the primary barrier. Additional challenges include credit unions' perceived lack of innovation readiness (40%) and budget constraints (28%).

To navigate these complexities, experts suggest adopting a pragmatic approach focused on incremental improvements rather than attempting to overhaul entire systems immediately. By highlighting specific areas for enhancement—such as self-service platforms or lending practices—credit unions and FinTechs can engage in more efficient and sustainable collaborations.

One of the notable areas of synergy is self-service banking, where CUs and FinTechs are uniting to address the expectations of digitally inclined consumers. The report mentions that 23% of Generation Z consumers prioritise financial institutions based on their self-service capabilities, in contrast to just 15% among older consumers. This trend illustrates a shifting preference towards more accessible digital services.

To fulfill this growing demand, several credit unions are aligning with FinTech companies to provide streamlined self-service options. A notable example is the partnership between Pinwheel and Candescent, which introduced a direct deposit switching solution designed for credit unions. This innovation simplifies the process of transferring payday deposits, thereby enhancing the member experience by reducing friction during the onboarding process. Such collaboration is fundamental for credit unions to secure more deposits, mitigate churn, and strengthen member relationships.

In conclusion, the partnerships between credit unions and FinTechs are yielding significant benefits for both parties. Credit unions gain the opportunity to enhance their service offerings with advanced self-service banking and AI-driven tools tailored to meet the digital expectations of younger members. Simultaneously, FinTech companies gain access to the established consumer bases and extensive industry expertise of credit unions. By aligning mutual goals and navigating operational challenges, these entities can better compete in the financial market and deliver innovative products and services that align with the needs of today’s digital-first consumers.

Source: [Noah Wire Services](https://www.noahwire.com)

## References

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* <https://www.pymnts.com/study/top-performing-credit-unions-innovate-to-stay-competitive/> - Supports the idea that top-performing credit unions innovate to stay competitive and meet digital-first consumers' expectations.
* <https://ignitefi.com/why-credit-unions-should-partner-with-fintechs/> - Explains the benefits of fintech partnerships for credit unions, including operational efficiencies and improved member experiences through advanced technologies.
* <https://www.pymnts.com/credit-unions/2024/fintech-and-credit-union-innovation-agendas-meet-at-gen-z/> - Details how FinTechs and credit unions are innovating to meet the financial needs of Generation Z consumers and the importance of mobile capabilities.
* <https://www.pymnts.com/credit-unions/2024/fintechs-now-see-credit-unions-as-collaborators-not-competitors/> - Highlights the challenges faced by FinTechs, such as slow decision-making processes and perceived lack of innovation readiness at credit unions.
* <https://ignitefi.com/why-credit-unions-should-partner-with-fintechs/> - Discusses the role of incubators and accelerators in fostering fintech-credit union collaborations and providing resources for innovation.
* <https://www.pymnts.com/credit-unions/2024/fintech-and-credit-union-innovation-agendas-meet-at-gen-z/> - Supports the trend of prioritizing self-service capabilities, especially among Generation Z consumers, and the strategies FinTechs use to retain and attract members.
* <https://ignitefi.com/why-credit-unions-should-partner-with-fintechs/> - Provides examples of fintech innovations, such as AI-driven underwriting and mobile banking, that enhance lending capabilities and member experiences.
* <https://www.pymnts.com/credit-unions/2024/fintechs-now-see-credit-unions-as-collaborators-not-competitors/> - Corroborates the importance of aligning innovation agendas between FinTechs and credit unions to address the expectations of digital-first consumers.