Unlocking The Future For FI's $2B And Under Club

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Posted on February 6, 2018

Though estimates can vary depending on source, there are a total of approximately 14,000 banks in the United States – and 92 percent of them have less than two billion dollars of assets.

When taken together, these banks control about 20 percent of all deposits. Individually, though, they are often regarded as too small to garner an enthusiastic audience for modern banking services.

“Really, when you look at any financial institution with under $2 billion in asset size, and especially $1 billion in asset size, they really are the ugly stepchildren,” Richard Steggall, CEO of Urban FT, told Karen Webster in a recent conversation. “They're neglected and they've got to go hunting for solution providers as opposed to the solution providers knocking at their door.”

This is particularly problematic in the era of digital banking, when the customers of these banks want – no, demand – their banking services delivered the good old-fashioned mobile/digital banking way. Small banks, Steggall told Webster, don't have the in-house expertise to build those services from scratch, nor the kind of resources necessary to constantly stay on top of their digital banking game, tweaking and tailoring the services as necessary.

Instead, Steggall noted, those small banks have had to keep up by signing contracts with a dozen or more service providers, as they've sought to take emerging services like mobile check deposit, or P2P payments, core processing, card processing, check issuance or bill pay and then “bolt them on ad hoc.”

That results in a system that is as expensive as it is inefficient, time-consuming and, ultimately, unmanageable – both for the banks and for their customers.

Trading Two (Or Three) Vendors For 20

All of those digital services are necessary for a bank's future flourishing, Steggall told Webster – but there is no bank that benefits from trying to maintain relationships and services with 15 or 20 providers just to provide the most basic level of service to its customers.

Steggall's bold assertion is that banks need a relationship with no more than three vendors – and, not surprisingly, urban FT wants to be one of the three. Their recent acquisition of Digiliti Money, Steggall said, was just another step in the journey to helping these small banks unlock the future of banking.

“We don't compete with the core or card processing, so complement what those services providers are offering,” Steggall asserted. “We can help turn these institutions into something that is both stronger and more attractive to their customers.”

The Services Bridge

The larger providers, he contended, even by way of acquisition, are investing in market share and take a very custodial view of the acquisitions, seeking economies of scale around operational savings on compliance, marketing and other shared services. At the core, these legacy platforms maintain separate technical teams.

Urban FT, Steggall said, maintains integrations into most of the major core processing platforms so that smaller banks get the best of both worlds – the ability to keep the core while tapping into a platform that gives them an ala carte menu of services that cater to a more modern, mobile customer.

The net result is an ecosystem of capabilities that has a single interface for banks of any size to access. Urban FT rationalizes those integrations, so that partner banks aren't trying to build their digital banking systems out of chewing gum, duct tape and partner relationships. That means, Steggall noted by way of example, that although Urban FT offers account-to-account capability, they are also able to offer Zelle as a way to extend instant transfers to their partner banks.

Banks can customize that integration by picking and choosing among Urban FT's suite of APIs, which they can then custom-build into their own mobile banking. They can also actually contract to build the entire experience behind the bank's branding – a service Steggall says that a little under a quarter of their customer base chooses.

“As a general rule, the smaller the bank, the more of the build we do,” he noted.

Overall, he noted, they also offer those small banks something else unique: speed. If there is no processor integration necessary, Steggall told Webster, Urban FT can get banks up and running in their system in about 45 days – with a processor integration, it takes four months end-to-end. Longer than 45 days, but shorter than the average.

The goal, he noted, is to make smaller banks better able to focus on building their service for the future of banking – without seeing them simply tripped up by the complexity of managing a spider web of their own systems.

“We want to take a constellation of solutions and make them a single solution,” Steggall said.