



# Tech Innovations Helping Credit Unions Gain a Competitive Edge



## Credit unions are known for being community-oriented financial institutions that provide their customers with excellent service.

As times have changed, the days when traditional banks were the biggest competitors for credit unions to worry about have come to an end. Challenger banks, which exist primarily online, are now attracting customers in droves by offering the latest fintech innovations. But most customers say that the allure of digital banks boils down to one word - convenience.

Make no mistake, the threat of losing members to challenger banks is very real, especially in an age when it's easier to switch financial institutions than ever before. But credit unions offer something that many challenger banks don't - the personal touch that put them on the map in the first place.

Rather than choosing between traditional in-person service or the latest technology, the most successful credit unions of the future will likely be those that combine the best of both worlds. Great customer service will never go out of style, but its definition has broadened in the past few years.

Members now want access to the same convenience and innovative offerings that challenger banks have to offer. Let's take a look at some of the latest tech innovations and the opportunities they provide for connecting with your members in a whole new way.

# Blockchain Technology ▶



Most people have at least heard of blockchain technology by now, even if they aren't sure exactly how it works. So, what is blockchain technology? IBM offers the following blockchain definition,

***“Blockchain is a shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network.”An asset can be tangible (a house, car, cash, land) or intangible (intellectual property, patents, copyrights, branding).”***

While blockchain may be most commonly known for making cryptocurrency possible, it goes far beyond digital tokens. The exciting thing about blockchain tech is that it can be used to trade and track anything of value, all while offering greater speed, transparency, and security.

# Potential Uses of Blockchain for Credit Unions

In 2022, the NCUA issued a letter that openly encouraged credit unions to begin experimenting with the many possibilities that blockchain has to offer. While blockchain is still an emerging technology, it also presents plenty of potential use cases, including:

- Secure digital identity solutions
- P2P lending and borrowing opportunities
- Fast, secure, transparent payment solutions
- Automated loan solutions
- Tokenized, tamper-proof derivatives

# Crypto and Credit Unions ►

While cryptocurrency falls under the blockchain technologies umbrella, it's made a big enough splash to deserve consideration all its own. What's crypto, you ask? In case you're unfamiliar, cryptocurrencies, often called "crypto" for short, are digital currencies that can be transferred without reliance on a central authority, such as a bank.

Over the past few years, the crypto market has exploded in popularity, particularly among younger generations. A [recent study by Fiserv](#) revealed that "61% of Gen Z and millennial consumers say they want their bank or credit union to hold crypto."

These figures have not escaped the notice of challenger banks and neobanks. Digital finance institutions such as Paypal, Venmo, Current, and Revolut already offer customers the opportunity to buy and hold crypto right from inside their accounts. SoFi and Ally likewise now offer customers access to the crypto market.






## Why Crypto Offers Exciting Possibilities

Some credit unions, such as [First Tech Federal Credit Union](#) are already attempting to cash in on the crypto craze by offering members the ability to buy and hold Bitcoin through their mobile app. Others are taking a more cautious approach, especially after the recent crypto crash of 2022.

Between [rising inflation](#) and the [catastrophic meltdowns of crypto firms such as FTX](#), many customers are understandably sticking with lower-risk investments. On the other hand, as NCUA Vice Chairman Kyle Hauptman [points out](#), “the vast majority of people say when they invest in crypto, they’d rather do it with their trusted financial services provider.”

With that said, if you do choose to work with a third-party crypto provider, it’s vital to do your research to ensure the safety of your members. It’s likewise important to make sure investors understand that cryptocurrencies are not FDIC insured and do present certain risks.



## Possibilities for incorporating crypto into your credit union include:

- Allowing members to buy, sell, and hold crypto from your app
- Offering crypto-based rewards or loyalty programs
- Offering crypto interest payments



It's worth taking the time to evaluate these options carefully, but proceed with caution as the role of cryptocurrency in banking, global trade, and financial transactions continues to grow clearer in the coming months and years.

# The Importance of Fintech Partnerships



The good news about implementing innovative fintech solutions is that there's no need to do it alone. In fact, many credit unions that are already offering crypto services are doing so through partnerships with leading [fintech companies like NYDIG](#).

Another big trend that challenger banks are capitalizing on brilliantly is an increased interest in financial health tools. A [recent study by Raddon](#) revealed that 63% of Gen Z and 61% of Millennials wish their financial institutions offered budgeting app tools. Even older generations expressed interest in the same tools, including 50% of Gen X and 36% of Baby Boomers.

When we developed Spave, it was never with the intention of competing against credit unions, but of working with them to provide their members with tools such as these. Spave can help your members put savings and even donations on autopilot by connecting their accounts to our easy-to-use app.





## WHAT IS OPEN BANKING?

Open banking is a big part of why partnerships with third-party providers are possible. Open banking uses secure APIs to give your members the opportunity to share their account data with a trusted partner. Despite the name, this does not make their information accessible to anyone - only to partners they choose to allow grant access.

Open banking services can open up a world of convenient possibilities for your members, by allowing them to integrate their accounts with:

- Budgeting and tax preparation services
- Buy now, pay later platforms
- Bill management solutions
- Spending and budgeting tools
- Other financial accounts



# AI in Banking ►

Perhaps it should come as no surprise that today's fintech news is full of reports of the latest uses of AI in banking and finance. While improving member experience is the biggest goal of most financial institutions today, the benefits of AI in banking can also be huge assets to your institution.

From increasing your compliance and security measures to decreasing costs, there are now AI banking tools available that can help give your CU a competitive edge. Some of the many use cases for AI in banking industry operations include:

- Automated benchmark and money flow analysis
- Streamlining customer identification
- Providing 24/7 customer assistance with after-hours chatbots
- Simplified AML, KYC, and reporting capabilities
- Customer analysis and retention capabilities

**Want to learn more about how AI banking benefits?** Check out this great [eBook by Dataiku](#). It breaks down how AI technology can benefit your institution in all these ways and more.

# Partner with Spave

At Spave, we're dedicated to helping credit unions gain and maintain a competitive edge by meeting the changes of a rapidly evolving industry. We'd love to talk more about how we can help you help your members through our [Spave partnership program](#).



