

Fintechs and small banks pair up to bolster customer experiences and enrich their revenue mix

Article

The news: For a quartet of US fintechs and smaller banking players that unveiled merger plans this week, their rationales can be summed up by [paraphrasing Pet Shop Boys](#): “You got the bank charter, I got the technology. Let’s make lots of money!”

The proposed tie-ups entail:

- **Patriot National Bancorp** [buying](#) fintech **American Challenger Development Corp.** The deal is worth around **\$119 million**, with a Q1 2022 closing expected.
- Banking-as-a-service (BaaS) fintech **BM Technologies’** has agreed to an [acquisition](#) of **First Sound Bank**, which serves the greater Seattle area. This combination, which includes a **renaming to BMTX Bank**, is valued at **about \$23 million** and is projected to wrap up in H2 2022.

More on this: In Connecticut-based Patriot’s case, it’s looking to use American Challenger’s technology to improve its customer experience, which it will achieve by making its technology costs primarily fixed instead of variable. The bank’s envisioned benefits include:

- Speeding up account openings and funding initiations to **under a minute**.
- Offering video interactions with customers.
- Closing mortgages **as quickly as 20 days**.

Meanwhile, BM Technologies wants to buy First Sound because the target’s retail-banking structure gives it multiple growth opportunities:

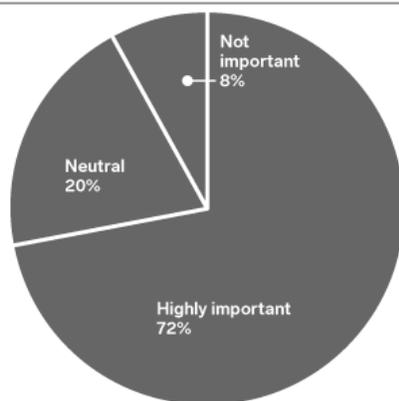
- It will add First Sound’s net interest income to its revenue mix, which is presently fee based.
- The BaaS company is also interested in First Sound’s banking charter because it comes with the capability to accept deposits on a national basis. This strength, plus the fintech’s plans to bring outside deposits it currently services onto its balance sheet, will give it funding to scale up lending revenue.
- It will pair its current customer-acquisition and marketing strategies with the added retail-banking products.

The big takeaway: Patriot and BM Technologies are trying to use their mergers to go on the offensive in the competition for the most appealing customer experience—and both actions will make them stronger players against competitors ranging from bigger incumbents to neobanks.

- The logic behind both deals is compelling: Each offers ways to acquire new banking customers—and ultimately, more profits—by using technology to power the quality of their retail offerings.
- Pooling merged resources to work on greater personalization can help to improve quality and satisfy customers. For example, a 2021 Capco survey **shows** that **72%** of US banking customers view a personalized experience as **highly important**.
- Merging is also one of three moves that smaller financial institutions can take to keep up with competitors, **per** our 2021 Innovation Strategies at Small and Midsize FIs report. The other options are in-house tech development and partnerships.

**Importance of a Personalized Banking Experience
According to US Banking Consumers, Jan 2021**

% of respondents



Source: Capco, "Insights for Investments to Modernize Digital Banking," May 26, 2021

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