

Cross River's latest funding round affirms the success of a BaaS-focused small bank

Article

The news: Cross River Bank [said](#) that its parent company, CRB Group, raised \$620 million from investors. The round is **coupled with a valuation of over \$3 billion**, per TechCrunch.

- It will use the proceeds to build out its product lines, fund expansion abroad, and strengthen partnerships.

An overview: US-based Cross River is a small banking player with a New Jersey state banking [license](#) and assets of only about \$9.1 billion as of December 31, 2021, per FDIC data. But its mix of business lines—including a banking as a service (BaaS) offering—have proved [lucrative](#):

- It has **turned profits since 2010**, TechCrunch notes.
- A roster of big fintechs [use](#) its embedded services, which span crypto (**Coinbase**) to buy now, pay later (**Affirm**), and payments support (**Stripe**).

Cross River [pitches](#) itself as a technology provider that shoulders compliance on its customers' behalf.

- It [offers](#) BaaS for demand deposit accounts, savings accounts, and credit and debit cards.
- Another BaaS component covers payments, including those [specifically targeting](#) crypto firms. These [include](#) push-to-card, account-to-account money transfers, and real-time payments.
- Its direct banking arm includes offerings like [deposits](#), small business [lending](#), and capital markets [support](#) for fintechs.

The bank also [has two](#) significant income sources outside of BaaS:

- Software licensing fees for payments services.
- Lending services revenue via its funding engine, **Arix**.

Context: The bank's accolades and asset growth are tracked within our 2021 report, [Innovation Strategies at Small and Midsize FIs](#). These include:

- Increasing assets over the prior decade from \$100 million to over \$9 billion.
- Earning [awards](#) in 2018 and 2019 from the Independent Community Bankers of America (ICBA) for being an innovative bank, [along with](#) appearing in CB Insights' Fintech 250 for 2020.

It has also received a 2021 ICBA award [for](#) its implementation of the pandemic-era efforts like its handling of the Paycheck Protection Program (PPP), [along with](#) a 2022 CryptoFin

Industry Award.

The big takeaway: Cross River offers a case study in how smaller FIs can thrive within [a lucrative niche](#). They can pair their chartered status with a tech stack that they can monetize externally by serving as a technology provider to other financial institutions (FIs)—with BaaS at the forefront.

- Cross River can use its latest haul to double down in areas where it's excelling while trying out its approach in other markets. Its roster of prominent fintechs and additional capital will help it expand abroad.

Potential Benefits of Using a Banking-as-a-Service (BaaS) Model According to Banking Executives Worldwide, Dec 2020

% of respondents



Note: n=122; responses were rated as 5 or above on a scale of 1 to 7, with 1="no benefits" and 7="significant benefits"
Source: Capgemini, "World Retail Banking Report 2021" in collaboration with Efma, March 25, 2021

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