Filene Research Institute

CREDIT UNIONS AND FINTECHS:

The Case for Collaboration

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Executive Summary

The Task

Your credit union has done the investigation, analysis and due diligence to determine the benefits of working with a fintech. However, more difficult to assess is how the working relationship will unfold after signing on the dotted line. Are you looking for a vendor that is more than a transactional order taker? Are you curious as to whether a participatory partnership that emphasizes collaboration just as much as outcomes would reap better results?

Want to learn more? Check out Filene's report – *Weighing the Risks of a Fintech Partnership*

The Approach

This report does not recite facts and figures supporting the benefits of collaboration. Rather, it showcases the benefits of collaboration in action through the experiences of six organizations. Their collaborative efforts are the rallying cries for credit unions to consider a different way of engaging and working with fintechs.

A Different Story. A Different Outcome.

Collaboration is not a one size fits all approach. By letting the stories speak for themselves, readers will have the opportunity to uncover the components that are meaningful to their situations and assess for themselves the value of collaboration.

Why this? Why now?

You've seen the numerous headlines of stories featuring the rise of fintechs. There have been stories that weave David versus Goliath like tales where the nimble fintech challenges the clumsy, monolithic bank. Battles ensue and only one victor remains standing. However, unlike the original David versus Goliath battle, with financial services, sometimes the fintech is the winner, other times it's the financial institution. Almost always, one side's gain is the other side's loss. However, these one-sided stories of victory are becoming old news.

New stories are emerging. Stories that don't dictate a zero-sum game. Ones that feature not a battle ground but a collaborative ground where victors reside on both sides. This report shares three such victorious stories and inspires credit unions to consider new ways of partnering with fintechs while realizing a common goal of better serving members.

The Approach

When credit unions explore new ways to better serve members, evaluate possible business opportunities, or seek out new partnerships, they gather pertinent information, analyze it, and evaluate the options. Credit unions also turn to their peers at other credit unions to hear about their experiences. Stories are exchanged.

Stories are powerful as they provide an intimate look into what occurs below the surface. They inform us, shape our understanding, inspire us, and open up our thinking to what is possible. We can see ourselves in the characters while sympathizing with their challenges and celebrating their wins.

In this report three stories have been selected to showcase the importance of collaboration and the possibilities that unfold when credit unions and fintechs work together with each other's interests in mind.

The Case for Collaboration

When a credit union is looking to enter into a business relationship with a fintech it may involve a vendor agreement to deliver a specific set of services or there may be a partnership where profits and losses are shared. While collaboration can exist within different legal arrangements, it comes alive and flourishes when certain attributes are present amongst the parties involved.

In the Filene report, "Collaboration in Practice: 11 Credit Union Case Studies"[1], credit unions that embrace collaboration emphasize:

- Co-operation
- Shared thinking (including thinking more broadly)
- A common purpose
- The importance of engaging with the right people along the way

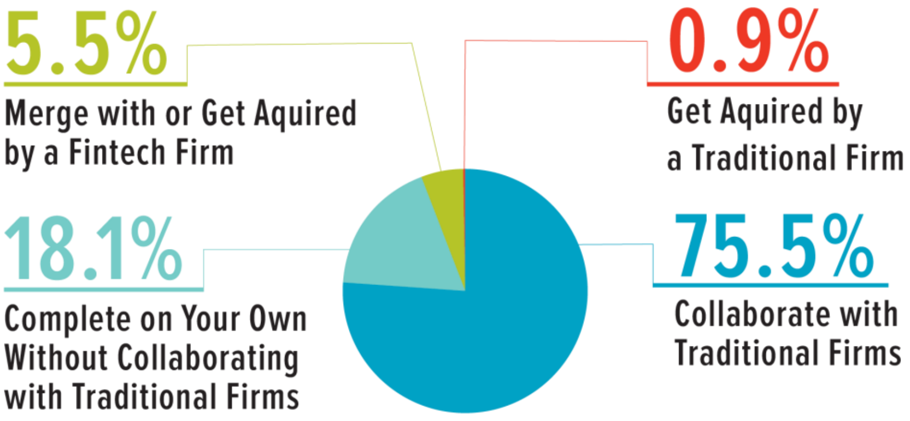
Credit unions have the interest and spirit of collaboration. What about fintechs?

The Case for Collaboration

According to the World Fintech Report 2018[2], fintechs have agility, a singular focus on the customer, and the absence of legacy systems while financial institutions (such as credit unions) have embedded infrastructure, scale, reach, and are well versed with regulatory requirements. These different strengths brought together by a common goal has the possibility of realizing outcomes beyond efforts exerted by one side alone.

Furthermore, the mindset of fintechs have evolved from competitor to collaborator. In the same World Fintech Report, it was noted that 75.5% of fintechs surveyed selected "collaborate with traditional firms" as its main business objective.

Collaboration fosters purpose driven outcomes. It stokes the cooperative fire of credit unions and fintechs to work together to achieve a common goal.



Collaborators in the Spotlight

Six collaborators are featured across three stories in this report: two credit unions, one CUSO, and three fintechs. Each brings forth the case for collaboration embodying the various attributes described earlier.

- The first story features Southwest Financial Credit Union and POPin Video Banking coming together to solve the problem of declining branch traffic and the need for credit union member growth.

- In the next story, Alliant Credit Union and Happy Money share their experiences building trust through a common bond of serving their members while diversifying lending activities.

- In the final story, Constellation CUSO and WalletFi share the experiences of challenging the status quo by reinventing how technologies connect with legacy systems.

CASE FOR COLLABORATION

"For smaller credit unions, digital banking and fintechs are the means to broaden membership."

Luke Campbell, VP of Member Loyalty and Opportunity, Southwest Financial

"Collaboration has multiple levels."

Gene Pranger, CEO and Founder
POPin Video Banking

The Collaborators

- Serves 10,600 members, including Kroger Grocery employees in Texas and Louisiana
- 1 branch credit union growing its digital footprint for existing and new members
- $62 million in assets

- Provides video banking for credit unions and its members via mobile and desktop
- It's "a branch in the palm of the member's hands"

The Meet Up

At the CUNA Technology and Operations and Members Experience Conference in 2016, Luke Campbell, the Vice President of Member Loyalty and Opportunity at Southwest Financial, sat in the audience as POPin Video Banking, a new startup, made its five minute pitch to the credit union crowd. POPin demonstrated its video banking service as one that not only connects members to credit union staff via video mobile or desktop but also a service where the two parties could engage in various banking activities such as set up new accounts and apply for loans all while time sensitive documents are seen, shared and signed in real time across multiple screens.

As a small credit union with a single branch footprint, Luke realized POPin had something valuable to offer to his credit union and members. And of equal importance, here was an opportunity to grow membership in absence of further branch development.

Steps along the Digital Journey

At the time Luke saw POPin's demo, he and his colleagues at Southwest Financial had already begun to identify steps along the credit union's digital strategy that would be the centerpiece to its overall growth strategy.

As a single branch credit union aspiring to grow, Southwest Financial knew it had to build digital channels that would allow existing and potential members to engage with staff on a range of activities including general inquiries, loan applications and new account openings. Southwest Financial had determined that its digital journey must focus not only on providing banking-on-the-go services but also incorporate ways for staff and members to communicate with one another. Beginning with email and text message based communications then progressing to video based banking was a compelling part of the journey.

Addressing the Needs

For Jed Taylor, President and COO of POPin Video Banking, the genesis behind POPin is the double edge problem faced by many credit unions: declining branch traffic and declining membership growth. While some may argue that declining membership is a contributing factor to declining branch activities, it has also been argued that the ubiquitous presence of digital banking has forced credit unions to sharpen their thinking in growing its membership base while serving existing members.

Jed and his colleagues recognized the need to bring forward thinking conversations to credit unions. As Jed explained *"we wanted to engage and talk to credit unions about where we want to go versus where we are."* As the conversations were initiated with various credit unions it also became evident to Jed the credit unions they spoke to were inspired and had vision but didn't know how to realize that vision.

Collaborate Early

With a common understanding that the future of credit union growth would not be determined by branch growth, POPin and a few credit unions took an early approach to collaboration to further build out and test POPin Video Banking.

A serial entrepreneur, CEO and Founder of POPin, Gene Pranger, has seen first-hand the power of collaborating with credit unions early in the process. An advertising executive compelled to improve the member experience, Gene designed uGenius, the first interactive teller machine, back in the the early 2000s. When the beta version of uGenius was launched at Coastal Federal Credit Union, Gene encouraged the credit union staff to provide feedback on what worked and didn't work. The credit union spoke, and Gene listened. Despite more time and money needed to make the necessary improvements both Gene and Coastal Federal committed to the early efforts to finalize the product that was eventually adopted by other credit unions.

Collaborate Early

The strategy to bring credit unions into a product's iterative cycle was also applied when POPin began to work with Southwest Financial. POPin had already built a product version that focused on building empathy between the credit union staff and member plus worked diligently to design the functionality to allow the same information to flow across multiple screens that can be seen by both parties.

As the live document share via video screen was a critical feature to POPin video banking, Luke provided the fintech with fifteen different types of documents that would need pre-populated data inputs. Having access to the range of documents early on allowed POPin to not only address Southwest Financial's needs but also anticipate the depth and breadth of information that would need to be pulled from various systems at any credit union.

"There is a vested interest, there's going to be ups and downs. Each side must work through it… think your way through and solve the traps along the way." – Gene Pranger

Prioritization

While POPin was focused on building out the beta version of the video banking product, Luke prioritized and shared with POPin the types of services that the credit union would initially offer to its members via POPin Video Banking. At the top of the list was applying for and signing loans documents via video. Determining the new workflow of servicing members via video versus existing digital channels like email and text message and in branch service was also of importance to Southwest Financial.

Sharing the prioritization areas early on with POPin allowed other perspectives to propel the discussions and determine how resources from both organizations would be used. As the work proceeded, Luke noticed the communications style between the two organizations were open, suggestions and feedback listened to, allowing trust to foster.

"At no point of time did I think POPin was smarter than me. There was mutual communication versus [other experiences of] ' no, no, no ' and unwillingness to try. POPin was extremely open to any crazy asks." – Luke Campbell

Collaborate Often

Because POPin Video Banking followed an iterative product development approach, they stayed in frequent contact with Southwest Financial thus allowing Southwest Financial to express any concerns or share any ideas with POPin. Past experience taught the POPin founder that great products aren't built in a vacuum. Furthermore, because POPin Video Banking is fundamentally a means to connect members to staff, Southwest Financial's strength in understanding the member experience would prove advantageous in the user interface design of the product. For example, as Luke tested the video banking service, he identified the value of having a terms and conditions agreement for new users. This simple but important component would prepare new users for expected behaviors during a video chat. This suggestion was embraced by POPin.

The frequent collaboration between the two organizations resulted in a final product that is simple to use, highly intuitive, and seamless on various digital channels.

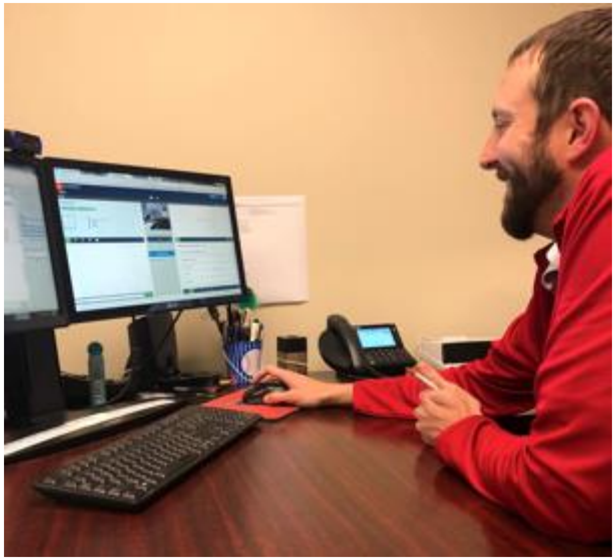
Key Takeaways

There were specific inflection points between Southwest Financial and POPin Video Banking that paved the way for a strong collaboration to form.

- The decision for Southwest Financial to utilize POPin Video Banking services supports the digital journey the credit union has been on for the past few years. Despite limited branch reach, staff retained a human touch with members through emails, text messages and online banking. Introducing video banking services enhanced that exchange by increasing the types of information shared and banking activities conducted. Introducing POPin Video Banking was less of a leap into a digital journey for Southwest Financial but rather another important step it took to continuously improve upon its member experience.
- Rather than keeping each other at arms length, Southwest Financial and POPin Video Banking readily shared information (such as the 15 types of documents) and exchanged critical thoughts to enhance the functionality of the service as well as make the video communications between staff and members more seamless. Luke’s readiness to share several credit union documents allowed POPin Video to build a better product in a timely manner.

Key Takeaways

The collaboration between Southwest Financial and POPin Video also demonstrated co-creation in action. Because Southwest Financial was able to test the prototype with a strong member experience lens it was also able to suggest other features (e.g. new user terms and conditions) that would make the interaction between staff and members that much better and smoother.



Employee helping a member via
POPin Video Banking

A member reviewing a form via
mobile POPin Video Banking

CASE FOR COLLABORATION

"Everything needs to tie to strategy. It's the anchor to go back to… makes it easier to answer questions about which pond to fish, which fintech to partner with. "

Aman Boyd, VP of Integrated Business Risk Management, Alliant Credit Union

"With Happy Money working together with credit unions, we have the chance to change the way members think about money... Money isn't the end, happiness is the end. Money is the catalyst."

Scott Saunders, CEO Happy Money

The Collaborators

- Headquartered in Chicago
- Serves 385,000 members nationwide
- $10 billion in assets and $7 billion in loans
- Provides members consistently superior financial value while simplifying and enabling how people save, borrow and pay

- Fintech launched in 2009 to change how people think about and use money
- Offers products such as *Payoff* to reduce credit card debt, *Score* that incorporates psychology and motivations into credit scoring and *Joy* a personality based mobile money coaching app

The Meet Up

Alliant Credit Union has been serving members in the state of Illinois and beyond for over 80 years. As one of the ten largest credit unions in the U.S., Alliant has spent a considerable amount of time developing growth strategies to meet the needs of its members and makes a positive impact in the communities served all while anticipating marketplace and regulatory changes of a larger financial institution ($10 billion plus in assets).

One area of particular focus for Alliant is growing and diversifying its loan portfolio. In addition to member-driven loan growth, Aman Boyd, VP of Integrated Business Risk Management and his lending colleagues, actively explore new products, channels and partnerships. One option that was identified was personal installment loans. These loans provide the diversification and yield Alliant was seeking. Along their journey Alliant engaged with several fintechs that had impressive digital platforms however none of them really resonated with Alliant's mission to its members that is, until they met the team at Happy Money.

The Meet Up

Meanwhile, on the west coast, Happy Money's CEO, Scott Saunders and his team were busy shaking up the status quo. What started as a science experiment to explore people's relationship with money in unconventional ways, resulted in a suite of products and services designed to change the way people think about and use money, focusing on happiness. First to market was Payoff, the first online loans specifically designed for eliminating high interest credit card debt.

While Happy Money's product offerings were attracting the dollars of Wall Street, these investors were focused on short term returns versus the long term value the products would provide to Happy Money members. Scott and his colleagues felt disconnected to these investors and began the journey to find partners with a better philosophical fit. Scott soon met Alliant Credit Union, and the fit was evident almost immediately. Both organizations referred to their customers as members and both were firmly committed to improving their members' financial well being.

Opposites Attract

While their mutual outlook to serving members helped to build a common bond, it was also recognized that pulling together each side's differing strengths made the partnership that much better.

ALLIANT

- National field of membership
- Low cost of funds
- Federally insured depository

HappyMoney®

- Agile
- Rapid speed to Market
- Digital acquisition of millennial members

Uncovering the Collaborative Fit

As the marketing and acquisition engine in the partnership, Happy Money sat down with Alliant to go through the funding and underwriting elements for the Payoff loans. Discussions were detailed and preparations deliberate. It took about a year of working together before the program officially launched in April 2017. The timeframe wasn't a reflection on the lack of interest in the partnership but rather managing the different organizational priorities Alliant had along the way plus the commitment both sides made to getting it right and learning from each other as the collaboration progressed.

During the investigative period, while both parties were reassured of the philosophical fit, they also had to evaluate whether there was an infrastructural fit, namely in the areas of risk and compliance. Because of Happy Money's strong leadership experience in risk and compliance, they were able to understand and find ways to address any of Alliant's concerns or requirements. This was another area they were well matched.

Collaborative Learning

As the two organizations continued to work together, not only did the shared philosophy of serving the members reinforce the collaborative nature of the partnership, there was also the common cultural trait of learning between Alliant and Happy Money. While Alliant shared the nuances of credit union members, Happy Money shared the latest on risk analytics, alternative credit scoring, and machine learning.

Another way Alliant and Happy Money learned on the go was to go slow then go fast. A program was designed with three distinct stages and milestones that allowed both sides to track, refine and improve the execution. This step by step approach followed Alliant CEO David Mooney's encouragement to "place small bets" rather than take a very conservative approach to building a partnership with Happy Money.

Building Trust Stage by Stage

An initial six-month stage of the partnership was followed by another two stages. For each stage, Alliant outlined certain compliance, performance and reporting requirements for Happy Money. As Happy Money met the requirements for each stage, the funding volume increased. Today, Alliant has funded over $100 million in Payoff loans. The different stages provided the parties with a clear destination and Happy Money met those conditions and milestones at each stage. This gave Alliant the reassurance that Happy Money was committed to the relationship and program.

"*We experienced plenty of challenges during the implementation and launch of the partnership. Whether it was operational or strategic, in each case we all wanted to work towards a win-win outcome. I know that's cliché but I truly believe that their success is ours and vice versa. We also have one critical common denominator and that is the member.*" – Aman Boyd

Building Trust Stage by Stage

Trust was further built with Happy Money when the fintech welcomed Alliant to learn more about the disruptive elements of digital banking and fintechs firsthand. Alliant made frequent trips to the west coast. The transparency and ample face to face time with Happy Money helped to solidify a trusting relationship.

Today

395 days after Alliant and Happy Money first met, the credit union went live with Payoff loans. Today neither party could imagine not working with the other. There has been a continuous exchange of information and collaboration to ensure the final product remains member focused. And, the conversations have shifted from getting to know each other to engaging in spirited dialogue about the possibilities and opportunities beyond loans.

With the deep experience gained from working with Alliant, Happy Money is onboarding other credit unions at a much faster speed while meeting the rigorous regulatory and compliance and technology requirements.

As Happy Money started to onboard credit unions, the fintech was deliberate to off board Wall Street investors and continue to demonstrate its commitment to serving credit union members like its own members.

Today

For Alliant, underwriting and funding Payoff loans has become routine and low touch for staff. *"It's a clean, repeatable process,"* says Aman. This experience has given Alliant more experience, confidence and determination to form similar collaborations with other like-minded fintechs.

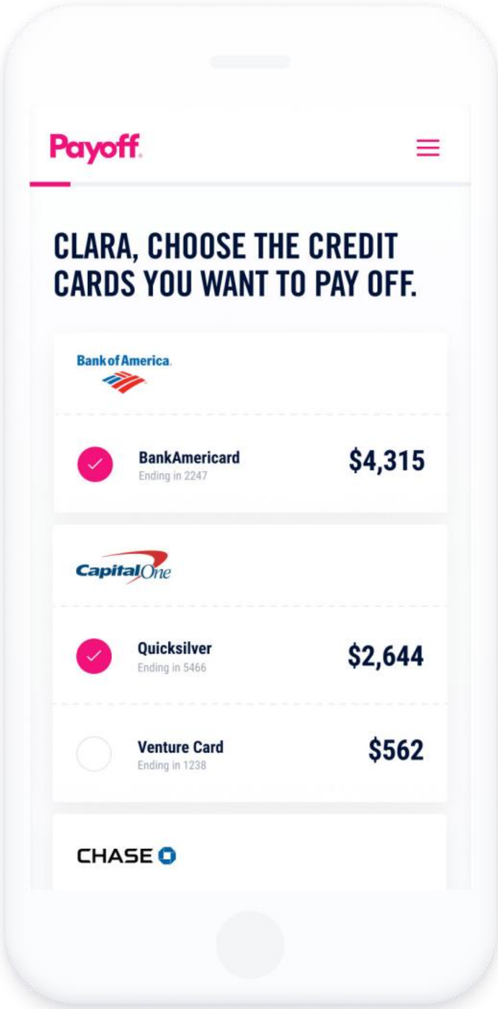
Key Takeaways

Over the years Alliant and Happy Money formed their partnership, the collaborative nature of the relationship flourished because of both sides brought clarity of objectives and a discipline to do things right versus do things fast.

- As a credit union that emphasizes strategic alignment, Alliant spent much time exploring new opportunities that would be beneficial for the long term success of the credit union as well as its members. By identifying personal installment loans as part of its loan diversification strategy, Alliant was able to focus on what pond to fish in and which fintech would be the obvious partner, namely Happy Money and its Payoff loan product.
- For Happy Money, its strategic focus evolved as it gained experience working with different partners and investors. They realized the importance of finding like minded partners that saw its customers as members and improving financial well being as a absolute focal point. When Happy Money met Alliant, they also met their philosophical match.

Key Takeaways

- A deliberate approach was taken to evolve the partnership between Alliant and Happy Money. An investigative period, not unlike a due diligence process, was initiated that would serve to be the building block of trust between the two organizations. During this preliminary stage, both parties assessed the table stakes of infrastructure fit, risk and compliance.
- Three consecutive stages followed that allowed Alliant to take on measured risk while funding Payoff loans. Happy Money was required to meet compliance, performance and reporting needs at each stage (which it did so successfully). Today, this staged approach of growing the opportunity has resulted in Alliant funding over $100 million in Payoff loans. Furthermore, by learning and refining stage by stage, the processes for Alliant staff to underwrite and fund Payoff loans has become clear and easy to repeat.
- The ample time invested by both Alliant and Happy Money as well as the successful outcomes to date has fueled further excitement to identify new collaborative opportunities to serve the needs of members together.



A member selecting outstanding credit card(s) balances for Payoff loan.

CASE FOR COLLABORATION

"There is this association between fintech and disruption but I really look at fintech as enablement. I see an opportunity to engage and help."

Marc Miller, Co-Founder, WalletFi

"There are no single stars in a constellation… it takes many credit unions, being co-operative to work."

Kristopher Kovacs, CEO, Constellation CUSO

The Collaborators

CONSTELLATION

- Formed in 2017
- An open platform that allows products and services to be accessible to credit unions of any size regardless of legacy core systems
- Supported by 13 credit unions, 2 co-ops and CUNA Mutual Group
- 45 developer/Fintech agreements are signed to date

WalletFi

- A fintech startup that helps members manage re-occurring payments on their debit and credit cards making it easy to switch during account opening or in the event of a card reissuance.
- Product in beta and part of the fintech services line up on the Constellation platform

The Meet Up

Before there was Constellation, there were ten credit unions that came together with a shared problem, namely the disconnected fashion by which technology vendors serviced credit unions. This group was determined to find a new way for third party providers to offer their technology solutions in an open nature and disrupt the closed off approach of customizing different solutions based on the specific needs of various legacy systems. As the group worked together, they were so excited by the possibilities that each of the credit unions involved provided funding to build a proof of concept that would eventually evolve into Constellation.

Fast forward three years later, in 2017, Kristopher Kovacs, a credit union veteran and now CEO of Constellation attended the FinTech hub monthly meeting in Raleigh, North Carolina where he met Marc Miller and Alain Glanzman, Co-Founders of WalletFi. The timing of the meeting and the local connection couldn't have been better for both parties. With the Constellation platform mostly in place, Kris and his team were ready to invite FinTechs like WalletFi into their virtual marketplace.

Open Collaboration

According to John Carew, Chief Strategy Officer at George's Own Credit Union, and one of the original credit union leaders involved in conceptualizing and preparing the business plan for Constellation, the platform's inherent value is *"bringing in developers [into the credit union ecosystem] and democratizing the development process from vertical to horizontal."*

In this open environment with no restrictions nor requirements to develop according to core systems specifications, fintechs like WalletFi, have the opportunity to provide their services to credit unions. Credit unions are then able to easily access these services not unlike how Apple TV viewers access content. Furthermore, credit unions with modest means, would have access to a variety of technology solutions that would otherwise be more expensive to bring in-house and integrate with legacy systems.

Collaborative Stages

Constellation CUSO has the energy of a startup combined with the experience of its leadership to plan and rollout its offering in a sequence and tempo credit unions would appreciate. The distinct stages of Constellation's rollout involves a collaborative progression of work amongst fintechs and credit unions:

Stage 1 Unauthenticated Services

- Services that do not require authentication of members nor connections to core systems such as marketing functions

Stage 2 Authenticated Services

- Services that are data rich, requires secure channels to move information and perform transactions (e.g. WalletFi) while accessing core systems
- Builds upon or pulls in Unauthenticated Services

Collaborative Stages

Stage 3 Beyond the Current

- Stretch the thinking of fintechs and credit unions about what is possible and collaboratively build new solutions
- Unlock the innovation of credit unions and their partners to create new services for credit union members

Collaborative Spaces

While credit unions would have easy access to a variety of new plug and play services, Constellation also had the goal of creating opportunities for fintechs to not only have access to credit unions but provide them with a forum to share content and information about credit unions and co-create solutions.

The first developer's conference brought together over fifty fintech and credit union participants to collaborate together over a two day period. The goal to come together wasn't just to build a mobile or online banking product but to promote an open ecosystem that would also enable training, certification, and match skills and resources. In the spirit of getting to know one another by building together, attendees participated in a hackathon which allowed fintechs and credit unions to break barriers and mindsets.

Collaborative Spaces

For Marc and Alain, participating in this event exposed them to the world of credit unions, which is not always clear out to outsiders.

"The level of buy-in from the participating credit unions on the Constellation platform is a testament to what Kris and his team are building. They are addressing a true need by creating the ultimate member experience." – Marc Miller

Collaborative Steps Ahead

For Constellation, its fintech partners, and the participating credit unions, the stage is set for co-creating a new way of bringing products and services to members. However, the challenges that all stakeholders must continue to work on together includes:

- Placing the needs of the member first, not the needs of the legacy system
- Creating Constellation champions among credit unions (as this new marketplace will foster unease amongst credit union employees who haven't experienced anything other building new products on top of a legacy system environment)
- Continuously ensuring the virtual marketplace offers only the best solutions that solve member needs
- Empowering fintechs to create services and easily sell them to credit unions who are looking for their services

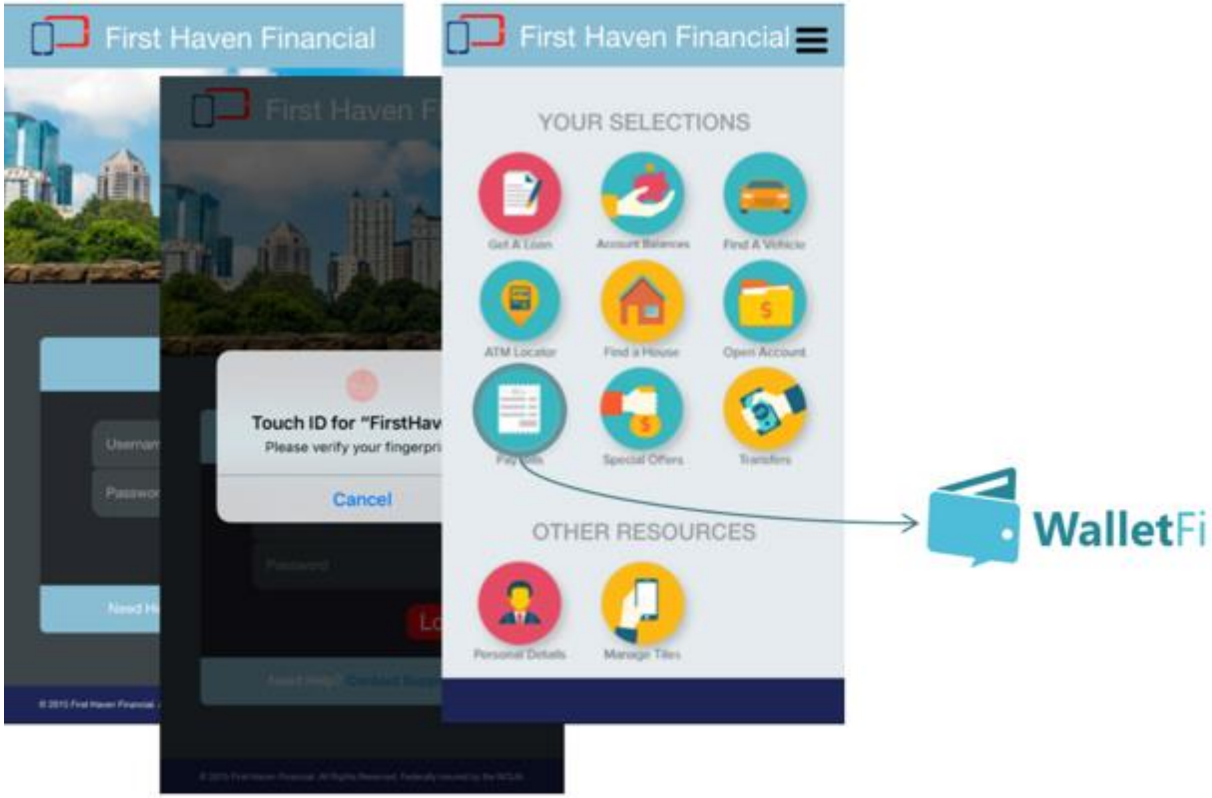
Key Takeaways

The collaborative nature of this story is anchored by Constellation's two fold objectives: 1) to establish an open platform for digital products and services that credit unions can offer to its members regardless of the core systems; and 2) to create a community for fintechs to gather, learn and build together.

- The success of Constellation requires scale and reach. By designing and delivering conferences aimed at developers such as WalletFi, there is a physical space and dedicated time to collaboratively develop products and scale up the number of fintechs that would be featured on Constellation.
- Just as importantly, the open platform would break down barriers for credit unions to offer digital products to its members. Concern and confusion about how to integrate products with core systems would dissipate, allowing Constellation to build reach among its credit union stakeholders of varying needs and resources.
- While Constellation has carefully identified its three stages of collaboration, it also realizes the challenge of keeping the members' needs first versus the legacy systems or technology needs first.

Key Takeaways

- Helping credit union staff reduce the unease they may feel when shifting their focus on the legacy system environment to one that is more open and collaborative is a step towards putting member needs first.
- Furthermore, having credit unions in the collaborative sessions with fintechs helps to break down the physical and mental barriers. In turn, fintechs can better understand the challenges faced by credit unions and explore solutions together.



Integrated Constellation services into the mobile banking experience.

INGREDIENTS FOR COLLABORATION

Ingredients for Collaboration

Based on the stories shared, five key ingredients to fostering effective collaboration between credit unions and fintechs were evidenced. Which of these elements ring true for your credit union?

1. Shared Beliefs

For the credit unions that invested in Constellation CUSO early on, there was a shared belief that credit unions should not be defined by the legacy core systems providers but rather a new way of working together can be imagined. Everyone embraced the need for an open system and a level playing field for all.

When Alliant Credit Union and Happy Money met, it was their common belief in membership that created a deeper level of understanding and commitment to work together that would result in more meaningful products to the members.

"It was an evolving partnership. The interests were mutually driven. No one side was trying to out do the other."

Aman Boyd, Alliant Credit Union

Ingredients for Collaboration

2. Play to Strengths

With each of the stories, each player had its own distinct strengths that when combined created an uniquely valuable partnership.

For instance, POPin Video Banking had the breakthrough video banking technology while Southwest Financial had the intimate understanding of the member experience across branch and digital channels. Together they were able to create and iterate a product that was easy to use for both members and credit union staff.

"Align yourself with forward-thinking people. It may be a given, but we know how important upcoming technology is and how updates need to be made at any time."

Luke Campbell, Southwest Financial

"Fintechs must invest in compliance, vendor management relationship (e.g. due diligence, sustainability, security etc.), in a very heavily regulated industry. It's a myth that Fintechs are not regulated because they need to be in order to work with credit unions. For credit unions, they need to ensure the right resources are committed. That includes the executives, people, and technology."

Ibo Dusi, Happy Money

"Fintechs need to help credit unions with marketing and messaging around new products to ensure mutual success."

Alain Glanzman, WalletFi

Ingredients for Collaboration

3. Long term vs. Short term Focus

While often the agility of a fintech can bring that refreshing speed to market for credit unions, collaboration may focus on discovering together and creating an outcome that benefits both sides. Sometimes that requires more time to discuss and experiment to get things better.

The stories shared in this report do not represent overnight successes but rather how the commitment to collaborate also means a commitment to spend time to work and solve problems together.

"Other players don't want that truly strategic relationship. It's transactional, dollar in, dollar out. With Happy Money, they took the time to learn about the credit union culture and our commitment to supporting our member's long term success."

Aman Boyd, Alliant Credit Union

"For fintechs looking to work with credit unions, it's a marathon not a sprint. Everything takes longer than you think but the possibilities are endless."

Alain Glanzman, WalletFi

Ingredients for Collaboration

4. Talk Often and Ask Plenty of Questions

As POPin Video Banking and Southwest Financial as well as Alliant and Happy Money can attest to, there's no such things as communications overkill. During each step of the relationship, talking, sharing information, expressing opinions, and meeting face to face went a long way to building trust and an environment to collaborate. The more face time and talk time, the more trust and comfort gained to pose questions that would be answered together.

Furthermore, as trust is built, there is more openness to share thinking, concerns and new ideas. More "what if" questions emerge that fosters co-creating and the mutual discovery of a possible future state.

"Spending face to face time with the fintech, looking under the hood, was just as valuable as looking at the financials [of the deal]."

Aman Boyd,
Alliant Credit Union

Ingredients for Collaboration

5. Embrace Divergent Perspectives

What began as a common problem identified by ten credit unions has become a budding digital marketplace with 30 product offerings. Constellation has demonstrated that collaboration invites participation and divergent players to come together, develop together, and grow together.

"Having an idea doesn't mean anything, it has to germinate, flow and let others touch it… the idea person should step back to let people collaborate and build the idea further. Bring people on board to make it a reality."

Gene Pranger,
POPin Video Banking

"Credit unions can keep more of an open mind and try not to prescribe a certain thinking. Things may not be as buttoned down [with fintechs], and that can sometimes be on purpose. It's because they are trying to do it a better, not that they don't know what they do."

Chris Hilliard,
Chief Compliance Officer,
Happy Money

"Fintechs need to meet credit unions where they are, make introductions in the community not through cold call sales pitches…. For credit unions, don't fear fintechs. This fear will be a set up for failure."

Kristopher Kovacs,
Constellation

How collaborative ready are you?

As you consider the stories shared and the summary of key ingredients for collaborative success, can you envision forming a partnership with a fintech that promotes collaboration? How would you answer the following questions in light of a prospective fintech partner?

1. Shared Beliefs	*What are your credit union's key beliefs?* *Which beliefs are shared with the fintech?*
2. Play to Strengths	*What strengths are shared between your credit union and the fintech? Which strengths are different or complementary?* *Would you agree that opposites attract?*
3. Long Term vs. Short Term Focus	*How important is it for your credit union to build partnerships over time and explore outcomes that would benefit you and the fintech?* *Is there a willingness to sacrifice speed in order for mutual benefits to be realized?*

How collaborative ready are you?

4. Talk Often and Ask Plenty of Questions	*How often does your credit union talk to or meet in person with a partner?* *Do the conversations between your credit union and partners center on the asking for and sharing of information? Or, is it more exploratory in nature with questions posed with no obvious answers?* *How much trust is built over time with your partners?*
5. Embrace Divergent Perspectives	*Is" more the merrier" a motto at your credit union?* *Does your credit union welcome participation from different players?*

Ultimately, a collaborative relationship between a credit union and fintech strives to uncover common ground, create common goals, and deliver outcomes that both sides will benefit from.

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About Filene

Filene Research Institute is an independent consumer finance think and do tank. We are dedicated to scientific and thoughtful analysis about issues vital to the future of credit unions and consumer finance.

We live by the famous words of our namesake, credit union and retail pioneer Edward A. Filene: “Progress is the constant replacing of the best there is with something still better.” Together, Filene and our thousands of supporters seek progress for credit unions by challenging the status quo, thinking differently, looking outside, asking and answering tough questions, and collaborating with like-minded organizations.

Filene is a 501(c)(3) not-for-profit organization. Nearly 1,000 members make our research, innovation, and impact programs possible. Learn more at filene.org.

About the Author

Linda Young is the founder of ponderpickle, a consultancy firm based in Vancouver, Canada. Her extensive background in research and product development allows her to work with clients in various industries to develop insights-driven new products, innovation programs, and strategic plans.

Prior to launching ponderpickle, Linda was the Director of Research & Products at Coast Capital Savings, a credit union based in British Columbia. She continues to work with credit unions across North America with their product innovations needs and has authored or co-authored various reports covering topics such as financial services innovations, digital lending, big data, and leadership coaching.

While Linda's 15 year plus career has allowed her to connect the dots of consumer behavior to design products and corporate strategies, she considers her most rewarding work to be seeing firsthand, the power of people coming together to find common ground, generate ideas, and build real business solutions and outcomes.