CREDIT UNION INNOVATION READINESS:

August/September 2025 Index

How FinTechs Are Shifting Their Partnership Strategies

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Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies was produced in collaboration with Velera, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.

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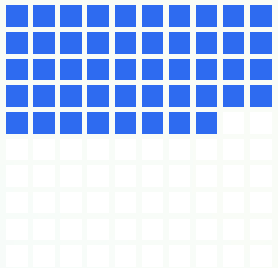
WHAT'S **AT STAKE**

As financial technology firms seek new growth, they are adjusting their business strategies—both regarding the types of companies they work with and how they deliver value. FinTechs are ramping up their partnerships with credit unions and smaller banks, as well as with software platforms and online marketplaces. These financial institutions and other businesses are focused on improving their end-user experiences, and they want the cutting-edge technologies that financial software firms provide. Some of the most in-demand features include biometric authentication, transaction management and account holder service powered by artificial intelligence (AI).

As part of their recent shift in focus, FinTechs are moving away from partnerships with national and regional banks. Those deep-pocketed institutions are increasingly likely to build their own solutions and compete with FinTechs, rather than buy their services. PYMNTS Intelligence's latest research shows that in the last year, FinTechs became 19% more likely to partner with credit unions and 56% less likely to work with national banks to offer products or services to end users.



48%

Share of FinTechs that currently partner with credit unions to offer products or services to end users

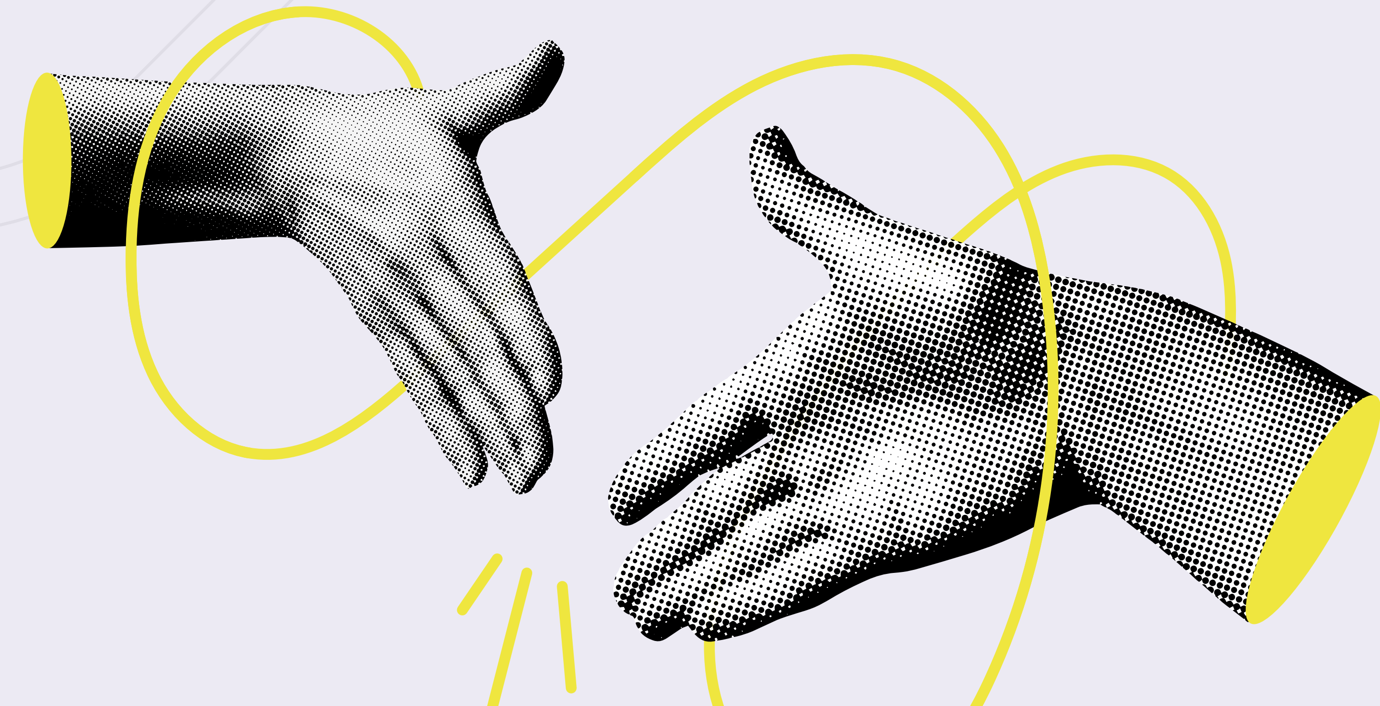
To ease their path to partnership with credit unions, FinTechs must ensure that they are "regulation ready"—in other words, that they can seamlessly integrate with credit unions in member-facing areas without introducing any compliance risk. FinTechs also need to understand where those institutions are coming from in terms of their organizational and technology capabilities and culture. The not-for-profit alternatives to traditional banks are owned and controlled by their members; most have far fewer resources to invest in technology compared to mainstream banks. They often make decisions and implement new processes and technologies more slowly, and have legacy systems that add additional complexity to the integration of new tools. Despite those constraints, FinTechs see a growth market.

26%

Share of FinTechs that **will offer biometric authentication solutions** by 2031 via third-party partners

These are just some of the insights explored in Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, a PYMNTS Intelligence and Velera collaboration. This report is based on a survey of 100 U.S. FinTech executives whose firms provide services to commercial banks, community banks, credit unions and individual consumers that was conducted from Feb. 7, 2025, to March 25, 2025.

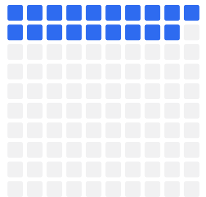
This is what we learned.



KEY FINDINGS

01 FINTECHS GO SMALLER

FinTechs are increasingly staking their future growth on partnerships with smaller financial institutions and platforms—and shifting away from national and other large banks.

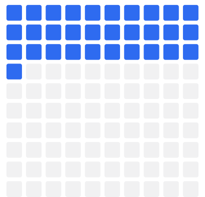


19%

Increase since 2024 in the share of FinTechs that partner with credit unions to sell end-user products or services

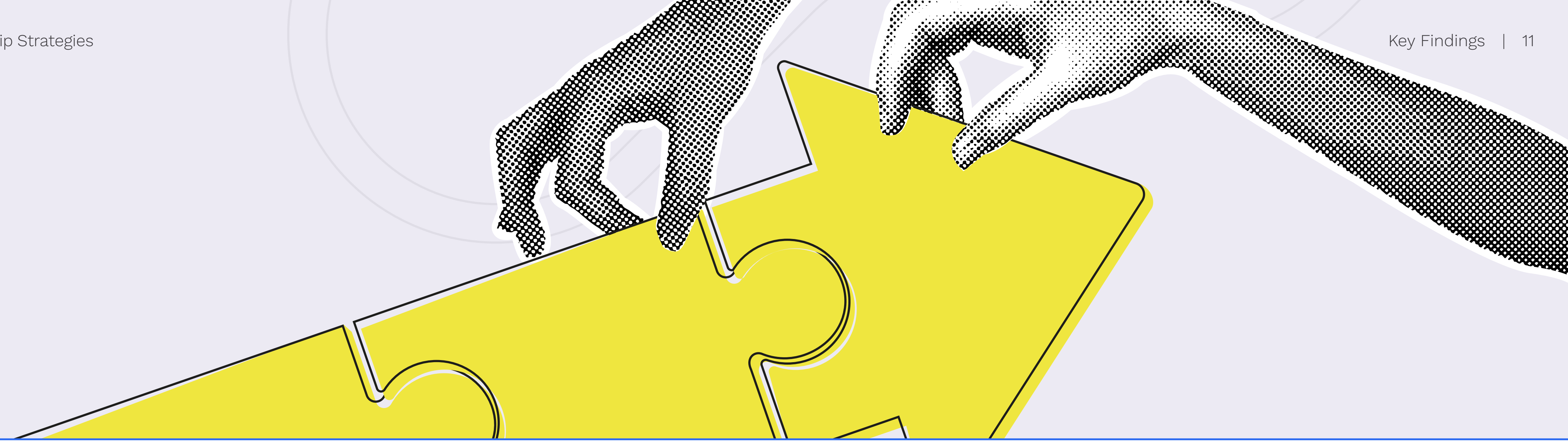
02 MAKE END-USERS SECURE

FinTechs are teaming up with credit unions and marketplace platforms to deliver software solutions that keep the end-user experience safe and secure.



31%

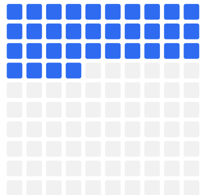
FinTechs that offer or plan to offer card transaction management or alerts solutions through external partners



HONE A COMPETITIVE EDGE

03

FinTechs should leverage their strategic ability to help smaller financial institutions be more competitive.



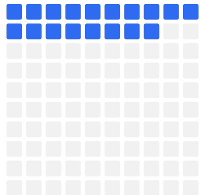
34%

Share of FinTechs that sell to credit unions citing their ability to help financial institutions be more competitive as a comparative advantage, twice the rate seen among other FinTechs

FINTECHS TACKLE CREDIT UNION COMPLIANCE

04

Regulatory compliance is a critical concern for credit unions, so FinTechs must be regulation-ready to secure a partnership.



18%

FinTechs that cite complex regulations as the biggest barrier to selling to credit unions, among those that do not do so currently

PYMNTS **IN DEPTH**

To stay competitive, FinTechs are shifting their partnership strategies while doubling down on user-focused innovations.

FinTechs are 19% more likely to partner with credit unions than a year ago—and their national bank collaborations are down 56%.

FinTechs have been making major adjustments to their partnership strategies, moving away from large banks in favor of smaller financial institutions, merchants and platform businesses.

Credit unions represent the most important shift. Among FinTechs that offer end-user products or services through third parties, 48% now work with credit unions, up from 40% in 2024, a 19% jump. They also increased their partnerships with digital-only banks and local banks, by 11% and 3%, respectively. These trends indicate that smaller institutions increasingly want to offer their individual and business members embedded services such as real-time transaction management and embedded rewards programs that require specialized solutions.

48%

Share of **FinTechs offering end-user products or services** that partner with credit unions

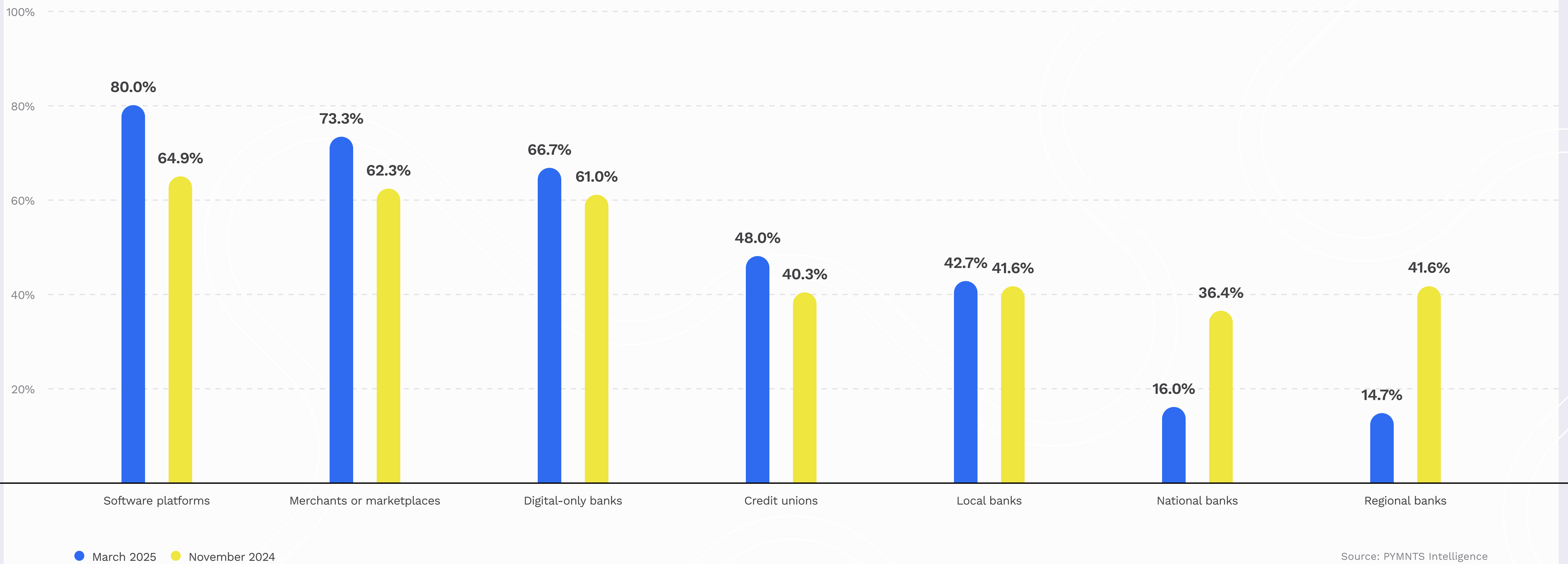
Conversely, just 16% of FinTechs that offer end-user products or services through third parties work with national banks—a 56% decline since the previous year. FinTech partnerships with regional banks dropped even more sharply, falling to 15%, a 66% drop from the previous survey. The divergence between these results and the ramp-up in FinTech partnerships with smaller financial institutions suggests that large banks with deep pockets are building their own solutions and increasingly view FinTech providers as competitors in this space. Going a step further, this means credit unions and other smaller institutions must embrace third-party partnerships to keep up with critical innovations.

FinTechs have expanded their already extensive partnerships with non-bank businesses as well. Eight in 10 now work with software platforms, up 24% since 2024. Similarly, 73% partner with merchants or marketplaces today, a 17% climb in an industry that includes Amazon, Poshmark, Etsy and Upwork. These increases underscore demand from online businesses for embedding financial services directly into their products and broader user experiences.

FIGURE 1

FinTech partnerships

FinTechs that partner with selected institution types to offer products or services to end users



Source: PYMNTS Intelligence

Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, August/September 2025

N = 75: Executives at FinTechs that partner with third-parties to offer products or services to end users, Feb. 7, 2025, to March 25, 2025

Streamlined and safe user experiences, including **card transaction management and biometric authentication, rank as the most in-demand FinTech offerings through partnerships.**

5

key capabilities top the FinTech innovation portfolio

FinTechs partner with credit unions, platform businesses and other third-parties to bring modern, intuitive tools to end users, both individuals and businesses. The data shows five capabilities at the top of FinTech innovation portfolios—features that they either currently offer or plan to bring to market by 2031.

AI-operated customer support chat leads, at 38% of FinTechs, and another 30% cite call center or customer service solutions. Both responses highlight strong demand for solutions that improve the customer service experience. Two other top features help enhance and streamline security: card transaction management or alerts, at 31%, and biometric authentication or digital identity solutions, at 26%. Rounding out the list is loyalty or rewards programs, at 26%, a crucial tool for deepening customer relationships.

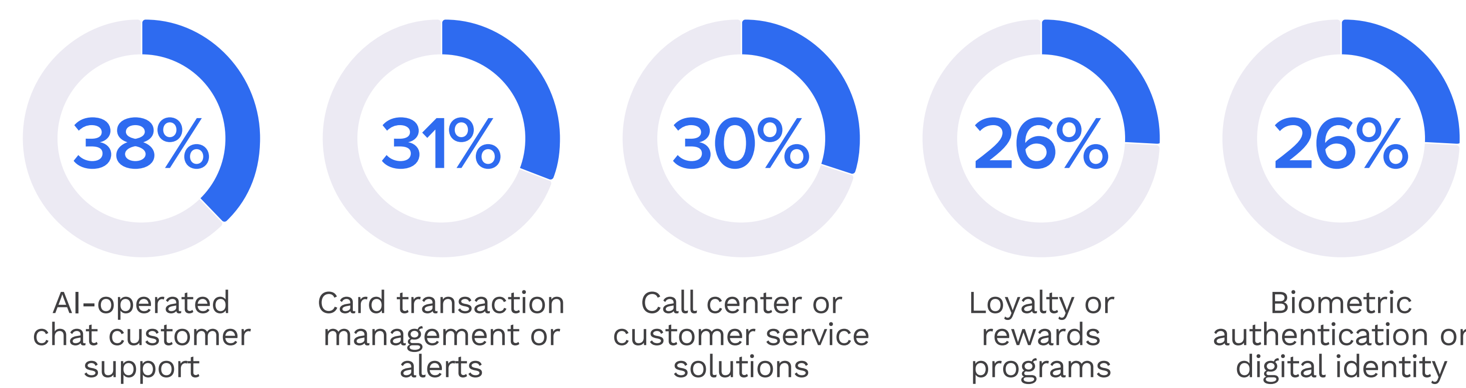
31%

Share of FinTechs that offer or **plan to offer transaction management or alert solutions** through external partners

FIGURE 2

Most in-demand FinTech solutions

The top five features and capabilities that FinTechs offer or will offer by 2031 with external partners



Source: PYMNTS Intelligence

Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, August/September 2025

N = 100: FinTech executives, Feb. 7, 2025, to March 25, 2025

FinTechs serving credit unions are twice as likely as others to **see their edge as enhanced ability to help financial institutions stay competitive.**

65%

Share of FinTechs that **cite faster onboarding as one of their competitive advantages**

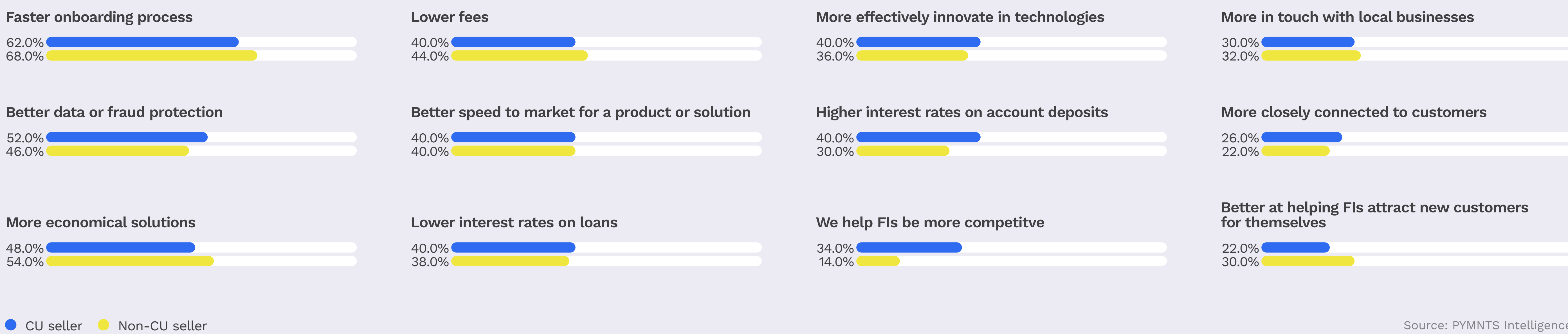
FinTechs work to stay ahead of the competition in different ways depending on their market positioning and core competencies. The most frequently named advantages include faster onboarding, cited by 65% of FinTechs, better data or fraud protection, at 49%, and more economical solutions, at 51%.

For FinTechs that sell to credit unions, another critical factor stands out: 34% cite the ability to help financial institutions be more competitive. This is about 2.5x the rate seen among other FinTechs, at 14%. The wide gap here points to two important takeaways. First, many FinTechs that serve credit unions have correctly realized that the competitive benefits of partnership are a selling point in themselves, something that credit unions and their historically member-collaborative culture value. Second, about two-thirds of FinTechs that sell to credit unions lack this critical perspective. These findings point to the need for many FinTechs to do a strategic assessment of how effectively they position themselves as partners for credit unions, not just providers of specific solutions.

FIGURE 3

Key FinTech competitive advantages

FinTechs citing selected factors as advantages they have over competitors



Source: PYMNTS Intelligence

Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, August/September 2025

N = 100: Executives at FinTechs, Feb. 7, 2025, to March 25, 2025

To win credit unions, **FinTechs should make compliance solutions a core part of the partnership.**

50%

Share of FinTechs that **currently sell to credit unions**

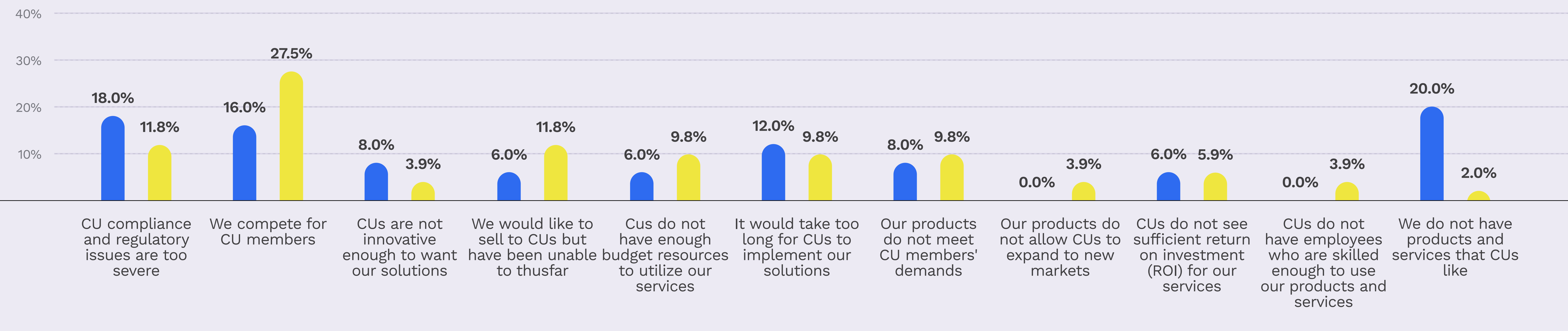
Of the 100 FinTechs surveyed, only half currently sell to credit unions. The rest perceive many obstacles to doing so. One in five FinTechs that do not currently sell to credit unions cite a lack of products and services that credit unions like as the biggest challenge. Another 8% of this group said their products do not meet credit union members' needs.

Although many FinTechs that gave these responses may be focusing on other commercial strategies, this finding suggests at least some complacency and missed opportunity. The same may be true for those that say it would take too long for credit unions to implement their solutions, at 12%, or that credit unions are not innovative enough to want their solutions, at 8%.

Compliance and regulatory issues are the other main reason FinTechs do not serve credit unions, cited by 18% of this group. Credit unions operate under strict regulations and oversight, such as disclosure requirements and know your customer (KYC) rules. To consider working with a FinTech, credit unions must have complete assurance their would-be-partner is regulation ready.

FIGURE 4

Why FinTechs do not partner with credit unions
FinTechs citing selected responses as the biggest reason for not selling to credit unions

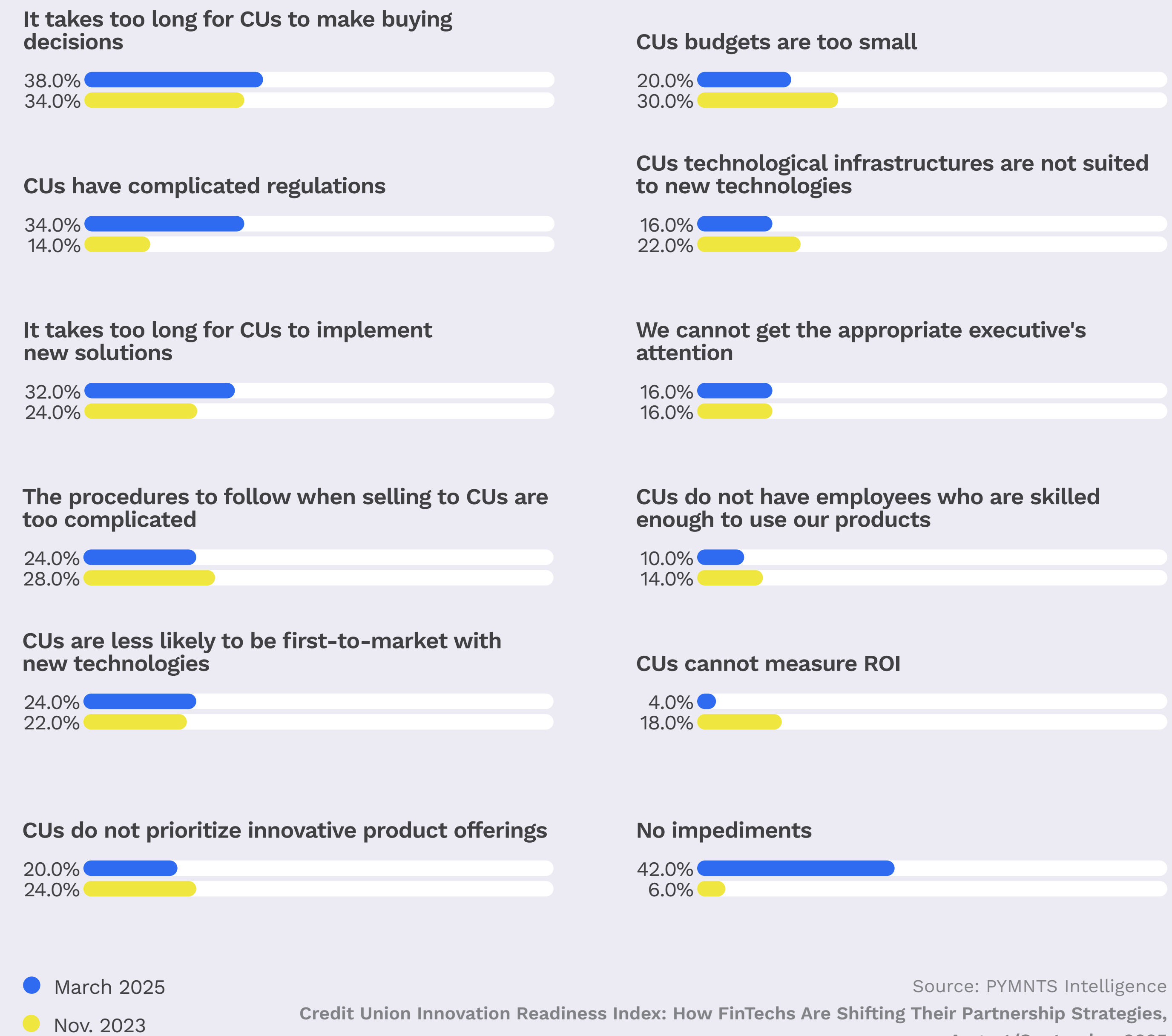


Source: PYMNTS Intelligence
Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, August/September 2025
N = 50: Executives at FinTechs that do not sell to credit unions, Feb. 7, 2025, to March 25, 2025

Looking at FinTechs that already serve credit unions helps put these concerns into perspective. Nearly half of these FinTechs, at 42%, say that they face no impediments at all, making clear that it is possible to create a smooth path to partnership. That said, the other 58% report facing at least one barrier. The challenge FinTechs encounter most often is credit unions' slow decision-making processes, at 38%, followed by complex rules and regulations, at 34%. Other frequently cited issues are that credit unions take too long to implement solutions, selling procedures are too complicated, and that credit unions do not prioritize being first-to-market with new technologies. These and other responses underscore the need for FinTechs to understand the needs and constraints of credit unions, which typically have legacy systems and relatively slow tech adoption cycles.

FIGURE 5

Challenges partnering with credit unions
FinTechs currently selling to credit unions that cite selected issues



Source: PYMNTS Intelligence
Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, August/September 2025
N = 50: Executives at FinTechs that sell to credit unions, Feb. 7, 2025, to March 25, 2025

ACTIONABLE **INSIGHTS**

01

FinTechs are rapidly shifting their partnership strategy in response to evolving market dynamics. They have pivoted away from partnerships with large national and regional banks in favor of teaming up with credit unions and other smaller financial institutions, along with platform businesses. FinTechs need to be aware of these trends and ensure they are focusing on the best-fit partnerships with strong long-term potential.

02

The end-user experience drives FinTech partnerships with credit unions and platform businesses. Solutions that keep the end-user experience safe, secure and convenient are the most in-demand, including AI-powered customer service, transaction management and alerts, reward programs, and biometric authentication. FinTechs should assess their innovation portfolios to ensure alignment with demand from credit unions and other target partners.

03

FinTechs can capitalize on their ability to increase the competitiveness of their partners. This strategic advantage is a critical selling point that can help FinTechs secure lasting partnerships, especially with credit unions. Today, relatively few FinTechs are focusing on this approach, however, revealing an opportunity for innovators to get ahead of the competition.

04

To secure partnerships with credit unions, FinTechs must zero in on compliance. Credit unions face very strict regulations and accordingly must be sure that an external partner will not bring compliance risks. This need not be a roadblock, however. Today, nearly half of FinTechs that work with credit unions say they face no major impediments in doing so, making it clear that smooth partnerships are attainable.

CREDIT UNION INNOVATION READINESS:

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How FinTechs Are Shifting Their Partnership Strategies

METHODOLOGY

Credit Union Innovation Readiness Index: How FinTechs Are Shifting Their Partnership Strategies, a PYMNTS Intelligence and Velera collaboration, is based survey of 100 U.S. FinTech executives whose firms provide services to commercial banks, community banks, credit unions and individual consumers that was conducted from Feb. 7, 2025, to March 25, 2025. The report examines the deepening partnerships between FinTechs and credit unions and the key factors driving this collaboration.

THE PYMNTS INTELLIGENCE TEAM THAT PRODUCED THIS REPORT:

Lynnley Browning
Managing Editor

Yvonni Markaki, PhD
SVP, Data Products

Daniel Gallucci
Senior Writer

Javier Fik
Senior Analyst

ABOUT

PYMNTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multi-lingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

velera

Velera is the nation's premier payments credit union service organization (CUSO) and an integrated financial technology solutions provider. With over four decades of industry experience and a commitment to service excellence and innovation, the company serves more than 4,000 financial institutions throughout North America, operating with velocity to help its clients keep pace with the rapid momentum of change and fuel growth in the new era of financial services. Velera leverages its expertise and resources on behalf of credit unions and their members, offering an end-to-end product portfolio that includes payment processing, fraud and risk management, data and analytics, digital banking, instant payments, strategic consulting, collections, ATM and POS networks, shared branching and 24/7/365 member support via its contact centers. For more information, visit velera.com.

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