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5 ways small financial institutions innovated in 2022

By Miriam Cross | December 20, 2022

Community banks and credit unions don't always get the credit they deserve for innovation.

In 2022, five institutions with assets under $3 billion were ahead of the curve. They introduced or expanded their use of technologies that were unique or notable not only among their peers, but among financial institutions of any size. Some of these launches, such as a payment ring, effectively boiled down to a gut decision; the seeds for others, such as an unbiased rate-comparison website, were years in the making.

Here are five examples of community banks or credit unions that were either the first — and only — financial institutions to concoct a tech-forward product or service, or proved to be firmly in the lead among traditional players.

There is this underappreciated market of savers out there," said John Blizzard, president and CEO of Seattle Bank.

Rewards in the form of stock shares

Several challenger banks kick back shares of publicly traded companies to their customers when they make purchases using their debit cards. Transportation Alliance Bank, or TAB Bank in Ogden, Utah, appears to be the first traditional bank to do the same.

In February, the $1.2 billion-asset bank announced two checking accounts that use application programming interfaces from stock ownership company Bumped to reward customers for certain debit card purchases with fractional shares of the companies from which they purchased. For consumers, it's a safer, if perhaps less lucrative form of investing than buying securities outright, because the investments are funded by cash back from everyday spending.

The bank hoped this type of reward would encourage customers to prioritize usage of their TAB debit cards. By November, three months after the product's formal launch, TAB saw promising results. During the third quarter, which included the no-fee TAB Flow account's debut, the bank saw its number of deposit accounts holding less than $250,000 jump nearly 12% to 13,755. Demand deposits rose nearly 7% to $203.7 million in the same period.

"We're tracking metrics that show new customers are touching our product four or more times a week, which is just incredible," said Nick Craven, senior vice president of consumer and commercial banking at TAB.

A way to pay with your ring

Consumers who don't want to haul their wallets around have streamlined their credit and debit cards onto a digital wallet app on their smartphones. Those who want to carry an even lighter load can enable a digital wallet on their fitness tracker or smartwatch.

For those who find even that too burdensome, there is the Pay Ring from Quontic Bank.

In April, the New York City bank, which has community development financial institution designation, introduced a sleek black band embedded with contactless payment technology that customers can use at point-of-sale terminals. It appears to be the first payment ring offered by a financial institution in the U.S.

The venture is what chief marketing officer Aaron Wollner calls a "big swing," meaning the decision was made more on instinct than detailed research. Users can pay at contactless terminals by lightly pressing their ring-clad knuckle against the terminal, sort of like they are booping someone on the nose. For now, the ring is free, but non-customers must open a checking account at Quontic.

Quontic, which has $793.4 million of assets, declined to share recent numbers about its pay rings, but said it has seen "steady adoption month over month in the second half of the year." Roughly two-thirds of customers discover the ring organically or directly, rather than through paid advertising; for instance, by searching a relevant term or through word of mouth. It has brought Quontic new business: 80% of ring-wearers are new customers to the bank and 20% are existing customers.

"We did this because it fits our identity as an innovative digital bank," said Wollner. "We want to be the bank that got you into wearables."

A greeter in the form of a hologram

Holograms may be unnerving to some and fascinating to others, but either way, they grab people's attention.

"Olivia" is one such draw for Workers Credit Union in Littleton, Massachusetts. The life-size hologram, which is cast on a screen, is of a woman dressed in a yellow button-up shirt and gray slacks. She appears in Workers' four PlanIt Centers, what it calls its more tech-centric branches, and speaks four languages. She is largely stationary, except for when she moves her hands to communicate in American Sign Language. She largely serves as a greeter, delivering information about Workers' products and pointing out the tablet where they can check in to their appointments. The $2.5 billion-asset credit union hopes to integrate conversational artificial intelligence abilities over time.

Few banks use holograms as prominently as Workers does, but some use the technology behind the scenes, for instance by beaming employees into faraway events or conferences. Some are exploring the possibilities of holographic tellers or customer service representatives. Meanwhile, Workers installed Olivia in two branches in 2020, a third in 2021 and a fourth in 2022.

"We decided that because the PlanIt branches are a new concept, we would change out the technology. We wanted to put things in there that you wouldn't see in a typical branch," said Joanne White, chief information and operations officer at Workers.

A unit dedicated to building climate technology

Climate First Bank's mission is in its name.

The de novo bank in St. Petersburg, Florida, launched in June 2021 with the purpose of reducing levels of atmospheric carbon dioxide and promoting sustainability by way of personal and commercial banking services.

In the summer of 2022, the $249.9 million-asset bank took its mission a step further. It announced the formation of a standalone technology company called OneEthos that will develop technology for Climate First to start and later white-label to other financial institutions that want to build on environmental, social and governance principles. This could include deposit accounts with an environmental twist, green loans, dashboards that could illustrate the emissions being saved by the customer's solar additions, and more. The longer-term vision is to be the sponsor bank for like-minded fintechs and challenger banks.

In October, Climate First Bancorp, the holding company for Climate First Bank and OneEthos, acquired Encountabl, a climate and social justice company. Encountabl indexes ESG-related data on more than 10,000 companies so customers can assess their purchases on a linked credit or debit card through an ESG lens. OneEthos is integrating Encountabl technologies into its core platform for use by Climate First Bank customers in the first or second quarter of 2023.

"[Technology] is expensive and difficult to build, but once it is validated — which it will be by Climate First Bank — it makes sense to scale it by partnering with other financial institutions and fintechs," said Marcio deOliveira, chief technology officer of Climate First, in a July interview.

A competitor to the behemoth bank-comparison sites

NerdWallet and Bankrate dominate Google search results when one types in a phrase like "best CD rates." But the lists of top-yielding offers that pop up are influenced by advertising or affiliate dollars, and may deemphasize banks with high yields that don't pay to play.

A community bank in Seattle wanted a fairer way for small banks like itself to compete.

Seattle Bank, which has $775.4 million of assets, launched CD Valet in November. It's a consumer website that collects certificates of deposits rates of banks and credit unions and defaults to displaying them by the highest rate, although users can also filter by name, term and investment amount as well, or discover atypical terms, bump-up CDs and other promos. The bank does not make money off this website. That appears to make CD Valet the first website built by a bank to aggregate CD rates and one of the few that aim to be both comprehensive and unbiased.

The launch is also timely as CDs are making a comeback. The Federal Reserve continues to raise interest rates and people will even pay the early withdrawal penalty for a low-yielding CD and reinvest the money in a higher paying one, finds John Blizzard, president and CEO of Seattle Bank.

"We've had customers come in from an ad and put a million dollars in CDs," said Blizzard in a December story. "There is this underappreciated market of savers out there."