



# What Do Community Bankers Want? What Do Community Bankers Need?



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What is the state of community banking in the US today? How are community banks evolving and transforming at a time of both potential opportunity and unprecedented challenge and competition?

Success stories about how community banks across the country are taking advantage of new technologies like generative AI and embedded finance will be a major part of the conversation later this year at **FinovateSpring**, May 5 through May 7, in San Diego.

With that in mind, today we're taking a look at the findings from the [2025 CSBS Annual Survey of Community Banks](#) that was unveiled at the Community Banking Research Conference last fall.

## **Rising competition from within and without the community**

The competitive challenge from nonbanks remains a major concern for community banks throughout the US. Especially in areas such as payment services and wealth management, these fintech competitors have effectively leveraged enabling technologies like AI and embedded finance to create digital platforms able to attract customers, especially younger customers who are digitally native and have fewer ties

to the traditional banking system. Nonbanks without a physical presence, for example, produced a 7% year-over-year change in competitiveness in payment services, according to the community bankers surveyed.

That said, nonbanks still trail other community banks as the biggest competition in seven out of nine product and service categories. Community banks identified local regional banks as their main competitors in payment services and nonbanks as their primary rivals in wealth management and retirement services.

The battle over deposits continues to be a significant challenge for most banks and financial institutions, and community banks are no different. While transaction deposit levels have stabilized in recent years, competition from nonbank institutions has grown, especially among those nonbanks that are out-of-market. This has compelled community bankers to adjust their pricing strategies based on local market rates; the survey noted that the number of community bankers that said that they “always” responded to rate changes increased by more than 38% to represent a quarter of all survey participants.

### **Fraud and financial crime remain paramount concerns**

In terms of internal risks, community bankers cited cybercrime as a top issue by far all others. Both credit and debit card fraud are the most common types of fraud reported in terms of dollar losses, with check fraud, identity theft, and account takeover also among the chief challenges. The survey noted that these financial crimes—card fraud, check fraud, and identity theft with account takeover—represent the lion’s share of both total fraud cases and dollar losses.

To this point, the community bankers surveyed indicated that they were putting resources to work combatting fraud and financial crime. After safety and soundness practices, money laundering and consumer protection standards maintenance accounted for the second and third largest commitments of total compliance expenses.

“We continue to put more resources into cybersecurity and technology risk,” one respondent noted, “which has grown rapidly as part of our cost structure. We’ve invested heavily in systems and processes and added staff to review outputs to protect customers and prevent fraud. Fraud is not yet a large loss item for us, but it could be.”

### **E-signatures and remote deposit over AI and BaaS**

For all the talk of AI and stablecoins, the technologies that are moving the needle for many community banks are more pedestrian and practical than one might imagine. Technologies viewed as “extremely” or “very” important included such solutions as e-signature, remote deposit capture (RDC), and integrated loan processing systems. At the bottom of the list of priorities? Interactive teller machines (ITMs) and fintech partnerships for Banking-as-Service were deemed “not at all important” by more than 50% and nearly 40% of respondents, respectively.

Asked to look forward over the next five years, the responses from the community bankers are similarly grounded. The top response by far, with more than 75% of respondents in agreement, was that the expansion of mobile banking services will be the most promising opportunity for their bank in the next half decade. Fully integrated loan processing systems came in second at just over 61% with cloud-based core systems at more than 53%. AI? As a tool for enhancing customer interactions, AI technology earned less than half the number of respondents. Partnerships with fintechs? For digital transformation, about a third. For BaaS, about a fifth.

### **What do community bankers want from fintechs?**

The [2025 CSBS Annual Survey](#) is a rich source of information and insight into the thinking of community bankers in the US right now. For fintechs looking to work with these institutions, either as partners or vendors, the survey offers a number of takeaways that can help make those connections fruitful for both fintechs and community banks.

**Boosting deposit growth**—Fintechs can support community banks in boosting deposit growth by offering tools such as personalized savings plans and competitive interest rate management solutions. Enhanced customer engagement platforms that heavily incentivize deposit loyalty can also be valuable. Fintechs can also provide community banks with analytics to help them identify and respond to deposit trends.

**Scalable loan management technology**—Making the process of loan origination, underwriting, and servicing easier for community banks is key to helping them win against competition in key financing areas such as small business, agriculture, and commercial real estate. This is also where AI-powered solutions can have a dramatically positive impact. Streamlining processes, improving applicant review, and enhancing the customer experience in lending overall are areas where fintechs have a significant track record of success and can greatly benefit community banks.

**Operational efficiency and compliance**—It is true for most businesses and community banks are no exception. Enabling technologies are making manual tasks increasingly unnecessary, as automation and agentic AI transform legacy workflows into smooth operational processes free of human error. These technologies are also making it easier for institutions—including community banks—to be more aware of their regulatory responsibilities and to be better able to act quickly and completely to ensure compliance. Fintechs specializing in compliance management tools and services can be key allies for community banks at a time of significant regulatory change and uncertainty.