6 Modernization Considerations for *Community Banks*

A guide for helping pave a strategic path forward



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The Financial Services Industry Is Experiencing Continuous Evolution

With fast-growing competition from fintechs and large banks, community banks are feeling the pressure. One bank leader even noted that **this pressure is exacerbated by the rising cost of new technology,** which limits smaller banks from offering the latest digital tools and services that customers expect.

Modernization is becoming increasingly important for all types of financial institutions. And this need for change is fueled by:

- Accelerating AI and tech innovation
- Changing customer expectations
- Rising cybersecurity threats
- Ongoing fraud management and regulatory compliance
- New payment models

However, every institution's challenges are unique – and therefore, their modernization journey is as well.



More than 90% of community banks say they're preparing for digital transformation, with many acknowledging that effectively competing with larger institutions and fintechs requires technology upgrades.

AI is transforming almost every area of financial services, not only automating manual processes, but also speeding product development, driving banking strategies and improving experiences for customers and staff.

Modernization is a journey – a continuous process of aligning business agility and flexibility with ever-changing customer needs. There's no single path for this. It really all depends on the institution's requirements and goals.

There are some important things for community banks to consider as they navigate their path forward. Let's take a look at six of these key points of consideration.

Consideration #1:
Embrace a Modern Core

No matter how the banking reality changes, one truth remains: the core is the system of record. The core has evolved over time – what was once a static ledger is now a dynamic platform empowered by AI, open architecture, APIs, apps and third-party tech.

How modernization can help

To compete, community banks need a platform that is adaptive to support current and future needs. They need a flexible, modular, AI-enabled architecture that enables next-gen solutions and insights, while layering on capabilities over time and maintaining stability. There are a couple of paths that can be taken here: optimize the existing core while progressively modernizing over time, or transform the core by migrating to a platform built for growth and adaptability.

Benefits of a modern core

- Greater adaptability without sacrificing relationships
- Faster time to market
- Reduced development costs
- Increased operational agility
- Fewer manual processes and workarounds
- Control over modernization pace and priorities

"Our core needs to be nimble and able to accommodate the software platforms we choose to adopt. No matter what you do long term, the core is the core — it's where your data lives."

–Jackie Mahler, EVP Chief Financial and Chief Operations Officer, Availa Bank

Consideration #2:
Invest in Fraud Prevention

Fraud is growing faster, more sophisticated and harder to manage, especially for smaller institutions with lean teams and tight budgets. AI compounds the challenge, helping fraudsters automate attacks, mimic legitimate customers and create synthetic identities at scale.

$38B

Combined fraud and scam losses.

According to Javelin Strategy & Research, fraud and scams resulted in $38 billion in losses, including $15 billion from account takeover and $7 billion from new-account fraud.

How modernization can help

Modernization helps institutions shift from fragmented, reactive fraud management to real-time intelligence and proactive decision-making. Modern core platforms connect signals across identities, accounts, devices, transactions and behaviors, while AI and machine learning surface anomalies that traditional rules may miss. For smaller institutions, automation also eases operational strain, helping lean teams prioritize risk and focus specialists on complex cases.

Fraud prevention investment benefits can include:

- Earlier detection of emerging fraud patterns
- A more unified view of risk across channels and the customer journey
- Reduced operational burden for lean fraud teams
- More targeted, risk-based controls with less unnecessary customer friction
- Greater transparency and stronger customer trust

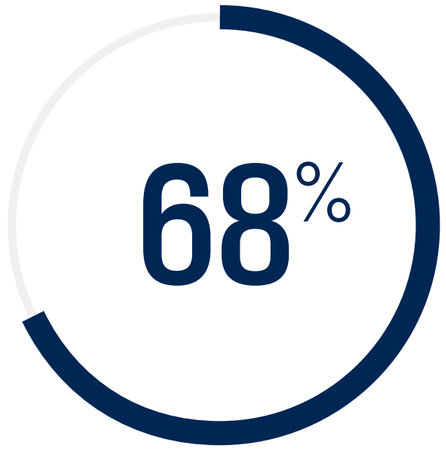
"Customers are looking for solutions to make their days easier. And if we can bring more of those pieces together under one login, where they can know and trust … who they're giving their information to — that should be their bank."

–Brandi Schweigert, VP and Business Relationship Director, Community Bank of Montana

See the full perspective

Consideration #3:
Grow Small Business Accounts

Among small businesses (SMBs), **68% consider optimizing and consolidating disparate financial solutions as very or extremely important.** The big opportunity here is in connecting the fragmented products and services they already have, allowing them to interact with their financial institution in ways that feel collaborative and supportive.



How modernization can help

By delivering modernized solutions that integrate receivables, payables, cash-flow visibility and real-time payments into a single experience, community banks can offer the digital capabilities SMBs are actively seeking and increase their share of wallet, strengthen retention and reduce attrition, too.

Benefits of an SMB growth strategy

- Increased deposit growth
- Higher loan yields
- Deeper loyalty across customer segments
- Greater portfolio and revenue diversification
- Strategic differentiation for smaller institutions
- New, untapped opportunity

"Small businesses no longer view financial services as a single relationship, but rather as a network of capabilities that help them operate efficiently. Research indicates that ... roughly four in 10 are exploring technology–enabled financial tools."

–Matt Wilcox, Deputy Head of Financial Solutions, Chief Growth Officer, Fiserv

Consideration #4:
Enhance Digital Banking Experiences

For many customers, digital banking isn't just part of their experience – it's their whole experience. In fact, **76% of consumers prefer using their mobile device or a computer for managing their bank account.**

As consumers continue to embrace digital banking channels, prioritizing robust, modern digital interactions is critical to today's success. This is especially true as a significant wealth transfer approaches – baby boomers preparing to pass trillions down to their heirs – and remote work becomes more prominent globally.

How modernization can help

Community banks can leverage modern, AI-enabled platforms to deliver personalized digital experiences designed to increase engagement. Think: seamless onboarding, intuitive mobile apps for self-service banking and virtual agents that can help support customer service. The first interaction truly sets the tone, and modernization can help reduce account opening times.

Benefits of enhancing digital experiences

- Higher customer engagement
- Improved Net Promoter Scores
- Increased deposits and spending
- Retained market share against digital-only fintechs
- Faster account opening
- Competitive differentiation

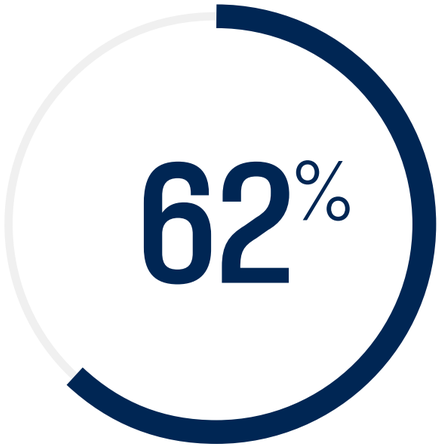
"A strong client experience matters, because there's so much opportunity for [them] to go elsewhere. And if we don't have a strong platform that really attracts those clients, we're not going to win."

–Cathy Franzoni, Chief Operating Officer, Manasquan Bank

See the full perspective

Consideration #5:
Create an Omnichannel Experience

For consumers, banking experiences are not determined by the channels they're interacting with – they're based on the overall financial institution relationship and how connected those channels are. Today's reality is that **62% of bank customers think experiences should flow naturally between physical and digital spaces,** so community banks need to ensure any disconnected touchpoints are linked into a single, smooth experience.



How modernization can help

When web, mobile and branch experiences don't work together, customers become frustrated, loyalty declines and relationships can suffer. This is why a modernized omnichannel experience is so critical. Fortunately, much of this process can now be automated and streamlined by AI. Implementing unified, AI-enabled interactions supports digital wallets and real-time, person-to-person payments that build trust, loyalty and repeat business.

Benefits of creating omnichannel experiences

- Increased spending
- Better utilization of bank services
- Improved customer satisfaction and retention
- Strengthened and expanded relationships
- Enhanced support for security and compliance programs
- Unified, positive banking experiences

"Our web and mobile sites are exactly the same. There's not a difference between what functions or features are available, and it's also allowed us to deploy additional services."

–Shelly Doll, EVP, Chief Operating Officer, United Prairie Bank

See the full perspective

Consideration #6:
Leveraging AI and Agentic Banking

Artificial intelligence is rapidly evolving from a tool that provides insights to one that can help financial institutions take action. Agentic AI represents the next phase of banking innovation, helping banks analyze information, recommend actions and automate tasks with appropriate human oversight.

The opportunity extends beyond efficiency gains, too **– it enables a shift from reactive service to proactive engagement.**

How modernization can help

As banks modernize their technology foundations, agentic AI can serve as an intelligence layer, helping institutions anticipate customer needs and personalize engagement, in line with applicable privacy requirements. Ultimately, this helps improve customer experiences, accelerate growth initiatives and strengthen risk management, all while helping support governance, security and auditability requirements.

Benefits of leveraging AI and agentic banking

- Faster decisioning support and exception handling
- Increased efficiencies and operational scalability
- Guided recommendations on next best steps
- Improved customer experiences
- Accelerated growth initiatives
- Stronger risk management, governance and security



"The paradigm is intelligence, not infrastructure. If technology were not a constraint, what would you do? That's the real shift, moving away from thinking in terms of infrastructure and toward thinking in terms of outcomes."

–Vishal Dalal, Chief Product Officer, Financial Solutions, Fiserv





Modernization is about more than technology. **It’s about continually strengthening your institution to better serve your customers today and in the future.**

Wherever you are in your journey, Fiserv can help you build on a foundation of trust, stability and service with the expertise and solutions to move forward confidently.

Talk with your relationship manager or contact us to get started.

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Results may vary. Benefits depend on the institution’s implementation, configuration and use.

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