

the payment wars have already begun

To Thrive in 2026, Banks and Credit Unions Must Be Ready to Manage Disruption and Uncertainty More Than Ever Before



introduction

The banking industry entered 2026 facing a mountain of uncertainty.

Emerging technologies and changing accountholder expectations make financial institutions vulnerable to competition from non-traditional organizations with a focus on technology and a streamlined accountholder experience. The [issuance of charters](#) to several neobanks in late 2025 brings additional pressure to bear on traditional banks, while [additional trust charter](#) applications from cryptocurrency companies and large retail concerns remain pending. Smaller banks and credit unions with fewer resources to muster against these forces face increasing risk as the number of potential disruptions and the size of their impact continues to mount.

In October and November 2025, Arizent, parent company of American Banker, surveyed 174 leaders and staff at banks and credit unions to find out what trends they think will shape their industry and inform their business strategies for 2026 and beyond. The results show an industry on edge – but they also suggest leaders may be underestimating the amount of disruption already taking place, as well as the potential negative impact it could have.

bank and credit union leaders anticipate disruption on multiple fronts

As financial institutions prepare for the near future, uncertainty is a common theme. Banking leaders are tracking a variety of high-risk, high-probability scenarios, from macroeconomic crises to tariff-related volatility and a deterioration of quality in key sources of government data and credit performance. This level of uncertainty requires agility and flexibility. Financial institutions must understand the potential impact of these disruptions on their accountholders if they want to navigate these uncertain waters.

Not all of these threats are on the horizon, however. In fact, financial institutions' hold on accountholders has become increasingly tenuous as non-bank companies increase their market share in key areas – particularly within the payments sector.



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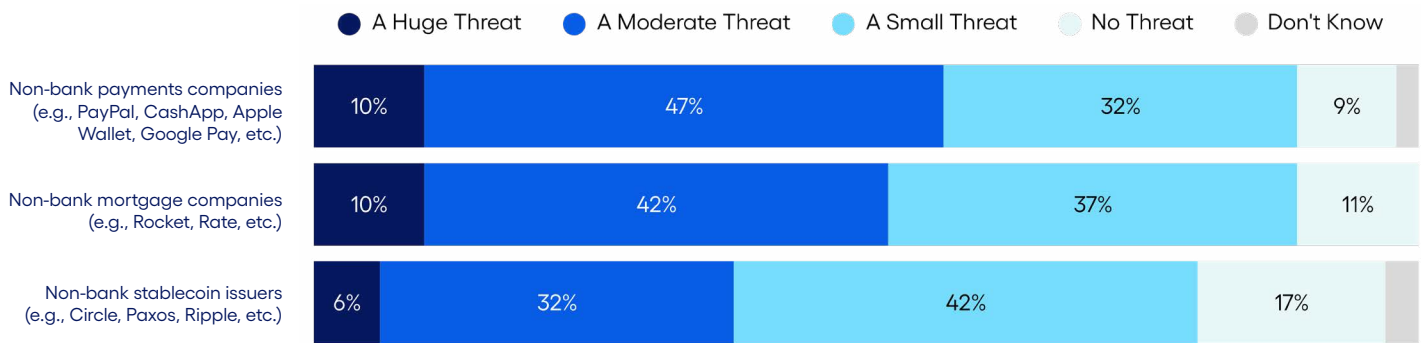
Lee Wetherington

Sr. Director of Corporate Strategy at Jack Henry®

financial institutions see non-bank companies as a looming threat

Among the many threats bank leaders are facing, competition from non-bank companies looms large. At least half see competition in the payments and mortgage spaces as a threat, with competition from non-bank stablecoin issuers coming in close behind (see Figure 1).

Figure 1: Non-traditional Competition is a Looming Threat



Source: Arizent/American Banker, 2025
Values of 5% or less are not shown. Numbers are rounded.

Smaller financial institutions feel this crisis more acutely than their larger peers – community banks and credit unions are more likely to consider non-bank competitors a threat. This threat is particularly pronounced in the mortgage space, where community banks are significantly more likely to be worried about competition (59%) than national banks (41%).

Overall, leaders expect the payments industry to be the major front in this battle, with 89% saying non-bank companies are likely to expand their payments market share. More than half of respondents (52%) believe the government will wind up providing bank charters to non-bank payment companies, increasing the intensity of competition in this area.

That sentiment appears to be at the root of a broader-based sense of uncertainty, as 81% of financial institutions expect a loosening of the regulatory environment overall in 2026. In this looser environment,

the ascendancy of stablecoins could open another front in the payment wars by giving non-bank companies an easier way to provide real-time transfer and payments while avoiding traditional banking rails.

Indeed, banks and credit unions are keeping a close eye on stablecoins and cryptocurrency, ranking them the tech trend most likely to change the payments industry this year (see Figure 2). Real-time payments technology is close behind.

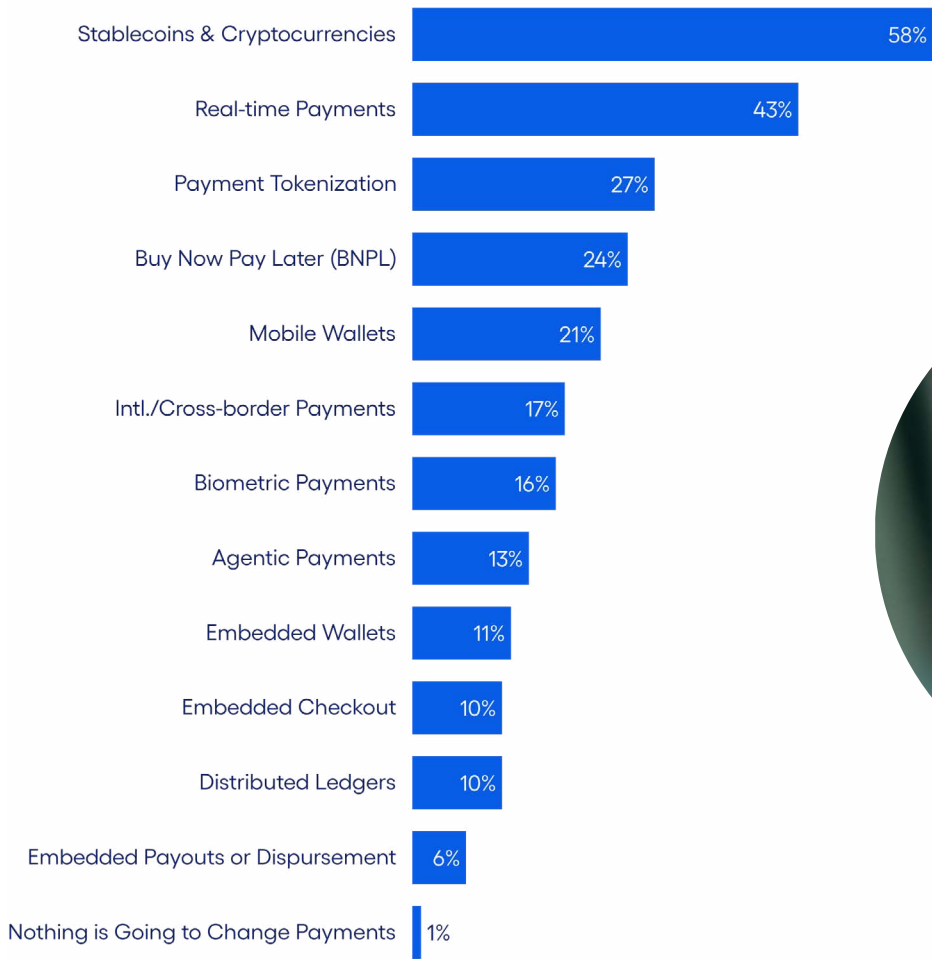


“The payments landscape is evolving rapidly, and non-bank challengers are driving that change.”

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Figure 2: Stablecoins, Real-Time Payments, And Crypto Top The List Of Things Expected To Change Payments The Most In 2026



Source: Arizent/American Banker, 2025

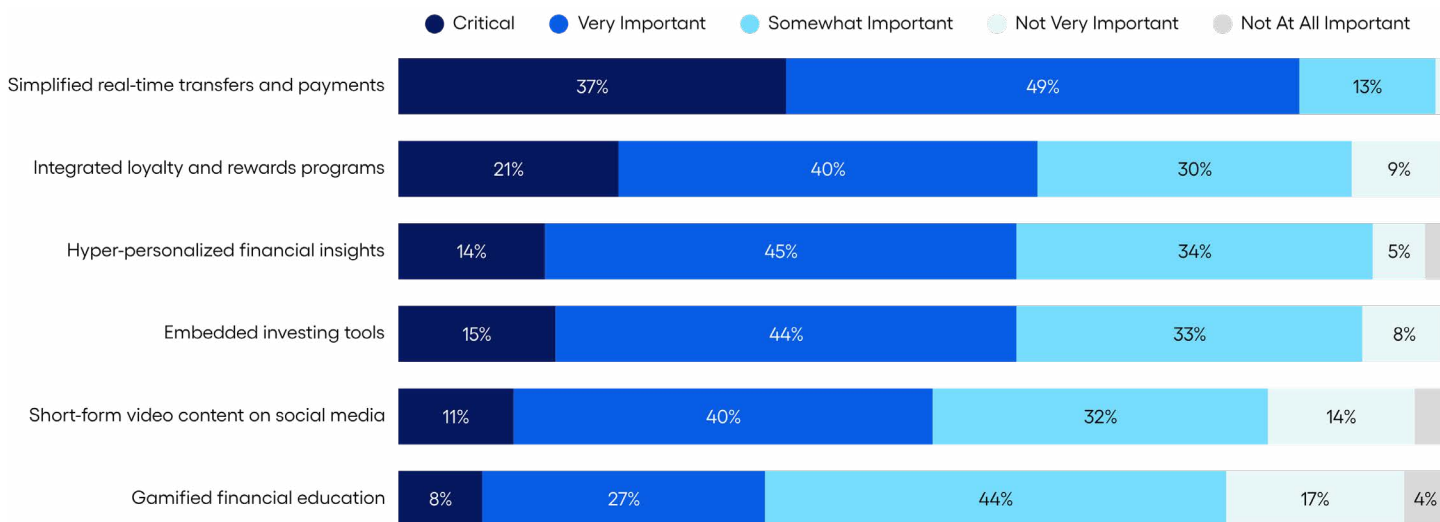


younger accountholders are becoming harder to attract

Deposit losses ultimately represent the greatest existential threat for financial institutions in this uncertain environment. Younger accountholders' changing preferences have made banks and credit unions more vulnerable to competitor non-bank players, even as the regulatory landscape has shifted to those non-bank competitors' advantage.

In general, banks and credit unions have fallen short in their response to this shift. Fewer than half of respondents (39%) have even a moderate amount of confidence in their ability to deliver the personalized digital experiences Gen Z accountholders desire. Reversing this trend has proven challenging because the things non-bank insurgents do well also happen to be the things Gen Z really wants (see Figure 3).

Figure 3: Simplified Real-Time Transfers And Payments Are Top Digital Features For Gen Z



Source: Arizent/American Banker, 2025

“The payments landscape is evolving rapidly, and non-bank challengers are driving that change,” says Maf Sonko, President of Victor Technologies at Jack Henry. “Traditional financial institutions are right to be concerned about non-bank challengers. The payments war is already here, and financial institutions should reinforce their armor by investing in the right technology and providers that can help them win in the marketplace.”

deposit attrition is data attrition

Potential risks have slowed financial institutions’ embrace of the payment solutions most likely to influence Gen Z. Fraud remains a primary concern for leaders. Real-time payment fraud, in particular, sits at the top of the list of potential negative impacts organizations expect in 2026. The shifting regulatory environment has also clouded views on open banking among bank and credit union leaders. Only 6% see it primarily as a way to attract deposits. The others see

either a mix of risks and opportunities (68%) or a way of protecting accountholder data (25%).

Slowing down in the face of these risks has consequences. Deposits are already migrating rapidly from traditional financial institutions to fintechs, neobanks, and “wealthtechs” to the tune of an estimated [\\$3 trillion](#). This deposit loss has the potential to snowball further if financial institutions don’t arrest it. A new generation of AI tools can identify strategic opportunities to manage risk and guide financial institutions’ decision-making, but those tools are only as efficient and effective as the data that feeds them.

“Eighty percent of banks’ digital data comes from payments,” says Lee Wetherington, Senior Director of Corporate Strategy at Jack Henry. “No data means no AI, less efficiency, higher fraud risk, and tighter margins.”

win the payment wars by focusing on deposits, demographics, and data deficits

Halting the silent migration of deposits will require financial institutions to put more urgency behind meeting Gen Z where they are today so they can keep both those accountholders on the books and retain access to the data they will need to keep them satisfied in the future. That effort can start today across four critical areas:

1. Make digital banking your front door. Non-bank competitors offer seamless, intuitive experiences to their customers. With more choices available to Gen Z consumers than ever before, streamlined, secure, low-friction digital interactions are critical. A simple, secure, engaging [digital front door](#) is a must for meeting Gen Z accountholders where they are.

2. Focus on debit rails. Gen Z prefers the ability to do rapid transfers with debit accounts. Banks and credit unions need to support that preference. Since all the big fintechs, neobanks, and wealthtechs issue debit cards, being able to accommodate transfers from the debit rail can help banks and credit unions reclaim deposits among [Gen Z accountholders](#).

3. Leverage data to expand services. Gen Z accountholders aren't just retail clients – they're also potential business owners and entrepreneurs. In many cases, it can be hard for financial institutions to know the difference. The average small business has one employee, so business owners often use retail checking accounts and offload payment acceptance to third-party fintechs or apps. Banks and credit unions that can use analytics to identify these camouflaged small business owners can then use the information they have to offer automated approvals for products that allow them to accept payments deposited directly into the institution. The earlier financial institutions identify and cater to [small business](#) entrepreneurs, the more likely those entrepreneurs will be to turn to them for services as their businesses grow.

4. Start developing a strategy for stablecoins and cryptocurrency. Work with vendor partners to put the infrastructure in place to survive in an on-chain world. Financial institutions with the ability to bridge the crypto and fiat worlds will be better positioned to address use cases that arise when greater regulatory clarity emerges.

“Gen Z deposit losses should be the canary in the coal mine for traditional financial institutions,” says Wetherington. “Engaging these accountholders today will help banks and credit unions accumulate the data-driven insights they need to respond to ongoing uncertainty and competitive pressures across the industry.”



methodology

A total of 174 leaders and staff at banks and credit unions completed an online survey during October and November 2025 to find out what trends they think will shape their industry and inform their business strategies for 2026 and beyond. This survey is conducted annually.



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Arizent delivers actionable insights through full-service research solutions that tap into their first-party data, industry SMEs, and highly engaged communities across banking, payments, mortgage, insurance, municipal finance, accounting, HR/employee benefits, and wealth management. They have leading brands in financial services including American Banker, The Bond Buyer, Financial Planning and National Mortgage News and in professional services, such as Accounting Today, Employee Benefit News, and Digital Insurance.

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