

WTF IS MODERN CONNECTIVITY?

2021 Guide for Financial
Data Aggregation



WTF is Modern Connectivity : Summary

Consumers share their financial data every day, from accessing third-party apps for payments and account opening, to investment and financial management. The majority of that sharing is done via screen scraping; while this method is at times necessary, it provides a less than perfect consumer experience.

In this WTF Guide, we break down **Modern connectivity: a tokenized, consumer-permissioned method for data aggregation and enhancement**. And it goes beyond safely navigating financial data through traffic; it includes enhancing data, optimizing security, creating bidirectional data exchanges, and enabling permissioned-base use. That's Modern Connectivity.



Modern Connectivity : The Basics

WTF is Modern Connectivity?

Modern Connectivity is the next level of financial data aggregation. Instead of simply moving data from point A to B, Modern Connectivity is a broader approach to optimizing its potential. It does this through enhancing data, enabling permission-based use, creating bidirectional data exchanges, and optimizing for security.

Within the ecosystem of open banking and open finance, **Modern Connectivity puts power in the hands of consumers through their ability to approve, manage, and revoke access to their financial data.**

Why is Modern Connectivity important for consumers?

The financial industry is continuously evolving towards open financial data. **As it does so, it leaves behind legacy connectivity methods of data aggregation methods like screen scraping, and looks to direct connections that are safer, faster, and more reliable.** In the face of this trend, financial companies are tasked with the challenge of innovating in order to maintain safe data passages, while optimizing the consumer experience.

Legacy connectivity relies mainly on screen scraping, which gets consumers to share their personal credentials. This sensitive information -- passwords, identification numbers, and other personal details -- is used to access consumer financial data, leaving consumers and financial backend systems open to compromise.

What are the benefits of Modern Connectivity?

The modern consumer expects a digital experience -- and that includes banking. Financial institutions were born and raised in the physical branch, meaning that the transformation to digital consumer journeys is quite a leap. Fintechs, on the other hand, grew out of the digital-first age, knowing full and well the importance of delivering a seamless, secure, and reliable digital experience for consumers.

Modern Connectivity helps financial institutions, fintechs, and non-financial institutions make that leap. Since it is tokenized, Modern Connectivity requires neither consumer credentials nor multi-factor authentication -- protecting the sensitive information of consumers. Secondly, it is built on APIs that are consistently maintained, speeding up the process of updates -- which can be quite slow with legacy methods.

For the consumer, Modern Connectivity means looking at all of their financial data in a single view, and being able to share their data with apps that help make their lives easier. This big picture enables people to understand their financial behaviors through inflows and outflows, and with this information in hand, make wiser financial decisions. Through data enhancement with AI and machine learning technology, Modern Connectivity also enables people to receive financial guidance personalized specifically to them and support their financial wellness. Put together, Modern Connectivity empowers the consumer to understand better and act smarter in their financial life.

For the financial services provider, Modern Connectivity means ease and simplicity. With legacy connectivity, verifying accounts means things like using micro-deposits and waiting up to three days for identity verification, or having to re-authenticate accounts several times a month -- which cause major friction in the consumer journey. Modern Connectivity eliminates these friction points by verifying identities and accounts in a matter of seconds.

Modern Connectivity opens new doors by empowering consumers by putting financial data in their hands and making banking easy.

“It’s connectivity with a purpose. It’s connectivity that doesn’t just make access to a product possible -- it makes a product better.”

-- David Whitcomb, VP of Connectivity at MX

How Modern Connectivity works

Modern Connectivity case study: FormFree

FormFree is a digital asset verification provider founded in 2008, offering automated solutions to consumers, banks, fintechs, credit card companies, and crowdfunding platforms. As part of its loan application, FormFree helps lenders view the entire financial DNA of borrowers, from income to credit history to employment records, which helps them calculate and verify a borrower's ability and willingness to pay back loans.

In 2020, due to multi-authentication pop-ups in the application process, users were experiencing long connection times -- an average of 3 minutes and 30 seconds. This led to users giving up, cancelling their connection. Ultimately FormFree saw major drop-off in engagement and had great difficulty collecting financial data elemental to the loan origination process.

FormFree turned to a partnership with MX, who provided them tokenized, credential free API connections through Modern Connectivity. **As a result, FormFree's connection time decreased to an average of 22 seconds -- a 89% decrease.** Naturally this improved the user experience, and according to FormFree, translated to about 15% increase in their annual revenue.

Modern Connectivity fintech usecases

Modern Connectivity can be leveraged across a number of important sectors for fintechs -- from payments to lending, and from digital banking to financial wellness.

Connectivity in payments

As the payments landscape expands rapidly, new players join the space and grow the competition. The modern consumer expects a seamless payments experience -- and a digital one, too, as e-commerce continues to expand into the retail market. Credit card solutions for receiving and transferring funds can be costly, and the direct-transfer solution through connecting bank accounts can be high-friction. Modern Connectivity solves both these issues through secure and direct API connections that seamlessly and quickly aggregate the financial data needed for payments. **Through instant account verification (IAV), Modern Connectivity sets up payments solutions without needing micro transactions, making it fast and frictionless.**

Borrowell, a credit education company, offers free credit reports, education, and monitoring, as well as AI-powered financial stability assistant. The company leverages Modern Connectivity to further help their consumers. Through their partnership with MX, Borrowell launched a new tool -- Boost -- that helps consumers maintain and improve their credit scores by making sure they never miss a bill payment. Through Modern Connectivity's fast and expansive financial data aggregation and enhancement abilities, Boost protects consumers' credit scores by using their expense history to predict upcoming payments, cash flow, and send low balance alerts.

Connectivity in lending

Much like payments, the lending landscape runs on financial data. Therefore, it depends on the seamless and secure aggregation of it. When making lending decisions, lenders require information about a borrower's financial background to assess their credit risk and ability to repay. **Modern Connectivity allows borrowers to share the full spectrum of financial information -- in ways that go beyond the credit score -- in just a few clicks.** By providing more information, and in-real time through APIs, lenders are able to make wiser decisions about a person's actual financial behavior, and thereby help more people qualify for assistance.

Besides seamlessly aggregating a consumer's financial data, Modern Connectivity also streamlines the loan application process. It does this by verifying accounts instantly, securely connecting the financial data of applicants. This keeps applicants engaged in the digital journey by making the process frictionless and reliable end-to-end for the consumer, as well as accurate and helpful for the lender.

Connectivity in digital banking

As fintechs expand into the landscape of everyday life, the traditional banking structure is making increasingly more room for digital banking that offers consumers seamless online experiences for every step of their financial journey. Modern Connectivity supports the move to digital in a few ways. First, consumers can easily and securely connect all their accounts -- which is the backbone of a digital-first experience. Secondly, the more external accounts are connected, the fuller the picture of the consumer's financial behavior and needs. This can increase an institution's ability to serve that consumers. Lastly, **Modern Connectivity allows an institution to go beyond just responding to a consumer's needs, into offering proactive financial wellness services** that understand a customer's behavior well enough to anticipate whatever financial advice and products she'll require in the future.

Connectivity in financial wellness

Many of the financial wellness tools on the market today fall short in their usefulness. For a financial wellness tool to provide a seamless and helpful experience, it needs access to a consumer's full financial data -- which requires high-friction persistence on their end. By being tokenized and credential-free, Modern Connectivity powers financial wellness tools in a way that helps consumers put to action all their useful financial data, securely.

In the outbreak of the pandemic in 2020, many bank customers were financially impacted and needed a hand in managing their daily spending. M&T Bank, which offers banking, insurance, investments, and mortgage, and commercial lending in the northeastern region of the United States, decided to lend a hand to their consumers in need. M&T Bank used MX's Modern Connectivity solution to create a predictive and forward-thinking product that calculates a consumer's future cash forecast based on transaction history, thereby giving them the power to manage their finances with insights and forethought.

Preparing for the future with Modern Connectivity

As the world is increasingly becoming digital-first, the financial industry follows suit -- and innovations in the aggregation and enhancement of financial data are pushing those changes. Modern Connectivity -- with tokenized, credential-free API connections -- makes it possible to wield open financial data with more security, reliability, and agility than before.