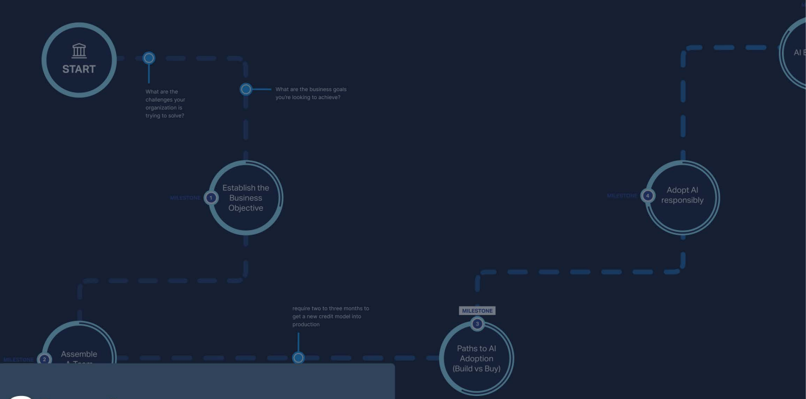
ZEST AI

A Lender’s Roadmap To AI


START
What are the challenges your organization is trying to solve?
What are the business goals you're looking to achieve?
MILESTONE 1
Establish the Business Objective
MILESTONE 2
Assemble
require two to three months to get a new credit model into production
MILESTONE 3
Paths to AI Adoption (Build vs Buy)
MILESTONE 4
Adopt AI responsibly
AI E

Start

What are the challenges your organization is trying to solve?

What are the business goals you’re looking to achieve?

Milestone 1

Establish the Business Objective

Most Commonly Used Business Goals:

- Increase Approvals
- Reduce Losses
- Increase Yields
- Descrease DIsparity
- Increase Automation

Milestone 2

Assemble A-Team

Champion:

Results that executives like to hear:

15%

Zest customers have seen approvals jump 15% with no added risk

30%

Charge-offs drop by 30% while holding approvals constant when switching to ML underwriting

Loan Orginations

AI Benefits:

- Better predictive abilities = avoid toxic borrowers & identify previously overlooked creditworthy buyers.
- Automation productivity gains by expanding their auto-decisioning thresholds.

Credit Modeler & Validator

AI Benefits:

- Build more accurate, consistent, and efficient models with speed.
- Automate tedious manual tasks to accelerate model development & production.

Regulatory - Compliance Officer

Address these explainability concerns:

01 How does the model make decisions?

02 How do you ensure that models are fair?

03 How much influence do they have over what data is used in the model and whether they can influence how the model makes decisions?

04 How will they explain the model's decisioning process to regulators and demonstrate that they are in compliance with all of the regulations and guidelines?

The Head of IT

Be prepared to answer these implementation questions:

01 How long will implementing an ML model take?

02 What are the resource requirements for the project?

03 What are the requirements for integrating with an LOS?

Milestone 3

Paths to AI Adoption (Build vs Buy)

Build Your Own

Pros:

01 Complete control over the process, with the ability to develop additional models for other products as needed.

Cons:

01 Requires resources with a particular skill set.

Buy

Pros:

01 Model is available very quickly. Comparatively less expensive than other options.

Cons:

01 Typically, a generic model is not tailored to an organization's specific customer base, region, or products. Customization is

02 Long cycle times to build and validate models. Heavy compliance burden to document and explain models.

03 Requires significant IT resources to translate the model built by data scientists into something like

04

Python, and then to a software language like JAVA that supports integration into production systems.

limited, and as a one-time purchase, updates require purchasing a new model.

Tip:

Get your Build vs. Buy Considerations Checklist →

Milestone 4

Adopt AI Responsibly

Lenders who are successfully adopting AI responsibly are doing two things:

01 Selecting the right explainability technique and making sure they can streamline model risk management (MRM) processes to address the specific needs of risk, data science, regulatory, IT, legal, and business functions.

02 What are the resource requirements for the project?

Tip

Get your Compliance and Regulatory Explainability Challenges List →

Milestone 5

Great, you've selected your approach. Now what?

AI Execution

AI-Powered models can be built, validated, and deployed in 3 months.

Data Gathering Considerations

01 Don't worry about missing or unlabeled data - ML models are exceedingly good at finding ways to relate messy or missing data

02 Should you use social media data? NO!

Model Validation

Compare your new Machine Learning model's performance vs. your incumbent model on a set of historical data. The results of this analysis will provide details on model accuracy, impact on approval and risk rates, and the economic impact of the new model compared to your previous.

Milestone 6

Congratulations, your model is in production and you can begin to track and report on the KPIs you selected to demonstrate value from your AI investment.

Track Ongoing Performance and Monitoring

Lending objective	**How to measure**
Increased Approvals	Construct a counterfactual portfolio to see the differences in the new models versus the old to understand who the new model will approve and deny versus what the old model did.
Reduce Losses	Same as above
Increase Yields	Using the same counterfactual, develop a pricing strategy to optimize yield.
Decrease Disparity	Report on the approval rate increase by protected class versus non-protected class.
Increase Automation	Calculate savings with increased automation: [manual process hours/year] x [rate] = [amount saved/year]

Monitoring

The Federal Reserve (SR11-7) offers guidance that models should be monitored in production to ensure safe operation.

Here are our recommendations.

Zest AI Customer Results

Smarter Predictions. Quicker Decisions. Better Lending

Some of the most common business goals and results our customers, financial institutions and credit unions, are using machine learning for include:

Increase Approvals

15%

Identify the best borrowers, safely increase approvals

Reduce Losses

30%

Mitigate risk, limit losses, maintain performance

Increase Yield

4%

Enhance pricing, segmentation, and recoveries

Decrease Disparity

13%

Fairer lending with less discriminatory model alternatives

Increase Automation

3x

Gain operational efficiencies and decisioning speed

Our latest guide shares key milestones and distills best practices at each stage from lenders who have moved to AI-powered underwriting to make more accurate risk assessments, accelerate modeling, and automate lending decisions. Equally as important, you'll walk away with a clear understanding of how to demonstrate ROI from your AI investment.

ZEST AI
THE ROAD TO AI ADOPTION

Download Lender's Roadmap to AI Adoption

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