



Does Your Institution Need An AI Strategy?

by [Steve Brown](#) Topics: [AI](#), [technology](#), [strategic planning](#)

Summary: As AI becomes increasingly prevalent, community bankers may want to take the time to include an AI strategy in overall strategic goals. We provide some direction.

Scientists have figured out that neurons in the spinal cord help transmit signals to the brain to tell it when an itch needs to be scratched. Also interesting, scratching an itch turns off the nerves that transmit the sensation to the brain.

Sometime you just have to scratch an itch, and given the massive level of discussion about the benefits of using artificial intelligence (AI), bankers have begun to explore it further.

AI is here to stay and consumers seem to be just fine with that. People are rapidly embracing it for everything from security measures to customer service. As AI becomes increasingly prevalent, community bankers may want to include an AI strategy in their overall strategic goals. While still early, not doing so could put you at a disadvantage with competitors down the road.

In order to create an effective AI strategy, banks can start by first taking a hard look at the overall business strategy. Check to be sure it is still an accurate reflection of your business priorities and remains effective amidst a world of increasingly sophisticated technology-based products and service offerings. Most likely, this will be the case, as most bankers are pretty good at reviewing strategies regularly. Yet, you may want to review it with fresh eyes as you start to consider your AI strategy specifically.

One way is to begin by identifying any areas where the use of AI can potentially help your bank address any problems or challenges it faces, or make things run more efficiently. For example, there are likely many tasks within your bank that can be automated to enable employees to devote more time to things, such as customer service or marketing efforts. Among the things large banks are using AI for include chatbots, predictive analysis and more.

Given that AI is heavily dependent on data, it is also incredibly important to make sure your bank is generating the kind of data necessary to drive bigger picture AI initiatives. One question to ask is whether you have the technology in place that is necessary to generate the data you need. If your bank has fallen behind here, it is important to get back on track, and if necessary, enlist the help of third-party data providers. For more information on data aggregation, see our previous BID, [Data Aggregation - Current Options](#), on this topic.

Another thing to keep in mind when it comes to gathering data is the importance of ensuring customer consent to collect their data, according to the latest guidelines. Failing to gain necessary permissions or using AI in ways that are not fully authorized, could potentially open you up to legal issues down the road.

Effectively employing AI also means the need to have employees with skills in this area. That can be very tough. Options include hiring new employees, re-training existing staff or even bringing in a third-party AI specialty organization.

It is also important to make sure to clearly outline for employees who will be responsible for specific tasks and what the expected result is. Given the fact that many employees are apprehensive about AI initiatives and the possibility that such measures could negatively impact their jobs, it is also important to clearly communicate with people to dispel such fears and instead spell out that AI done right will actually make their jobs more interesting and better.

ECONOMY & RATES

Rates As Of: 09/24/2019 02:29PM (PDT)

Treasury	Yields	MTD Chg	YTD Chg
3M	1.90	-0.07	-0.45
6M	1.89	0.02	-0.59
1Y	1.78	0.02	-0.81
2Y	1.63	0.12	-0.86
5Y	1.53	0.14	-0.98
10Y	1.65	0.15	-1.04
30Y	2.10	0.14	-0.91
FF Market	FF Target	Fed Disc	
1.90	2.00	2.50	
SOFR	Prime	Unemp	
1.85	5.00	3.70	

[More Market Rates](#)

BANK NEWS

M&A

1) Reliant Bank (\$1.8B, TN) will acquire Community Bank & Trust (\$251mm, TN) for \$37.2mm in cash (50%) and stock (50%) or 1.42x tangible book. **2)** FirstBank (\$5.9B, TN) will acquire The Farmers National Bank of Scottsville (\$252mm, KY) for \$51.9mm in cash (28%) and stock (72%). **3)** First Commerce CU (\$620mm, FL) will acquire The Citizens Bank (\$248mm, GA) for an undisclosed sum. **4)** Summit Community Bank, Inc. (\$2.3B, WV) will acquire Cornerstone Bank, Inc. (\$170mm, WV) for \$28.5mm in cash (50%) and stock (50%).

Loan Data

According to the Wall Street Journal, credit reporting company Equifax said it will let customers allow lenders to review electric, phone and cable payment information, if requested. The move expands the pool of data available to lenders during underwriting and may also expand access to new borrowers with limited credit histories.

Deposits

The FDIC Deposit Summary finds the top 3 banks hold 31% of all US bank deposits. By bank, Bank of America had \$1.365T, JPMorgan was \$1,311T and Wells Fargo was \$1.301T. Rounding out the rest of the top 5 and coming in a distant 4th was Citibank at \$551B and US Bank at \$343B.

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