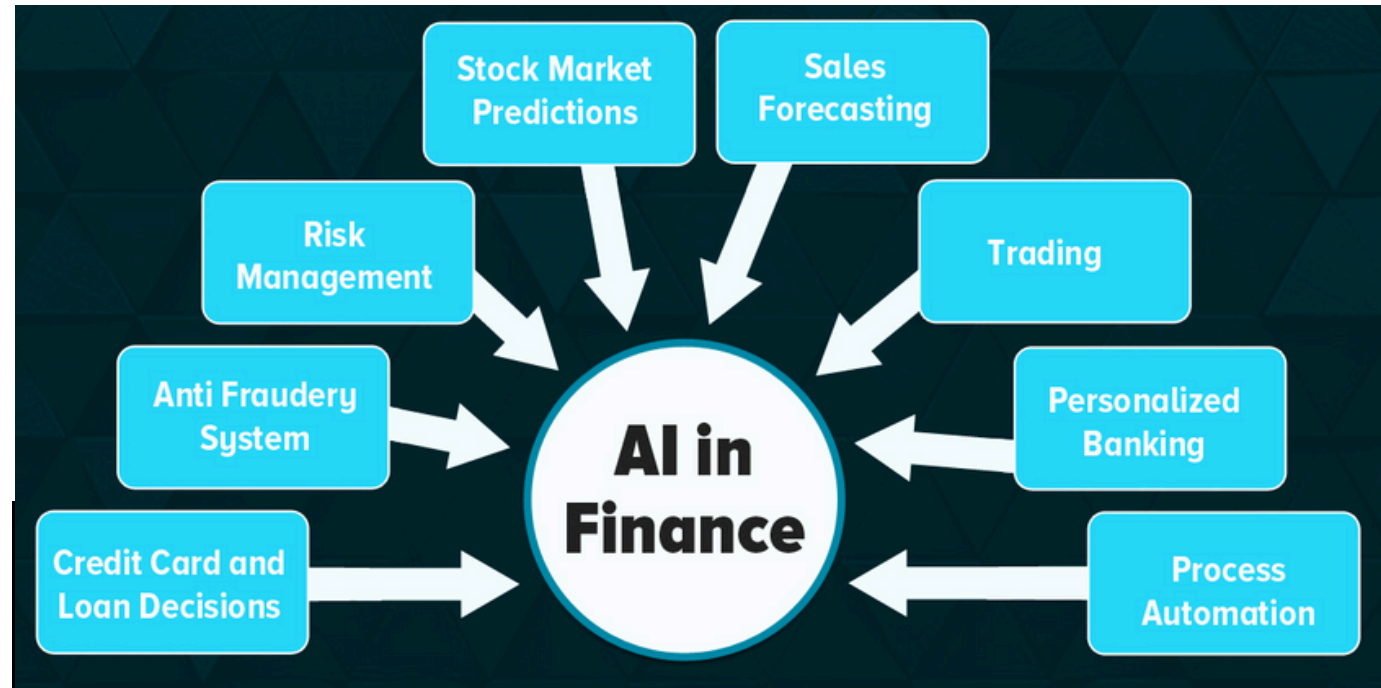


AI in Credit Decisions

AI is revolutionizing credit decisions by enhancing accuracy and efficiency in finance. Financial institutions use AI-powered models to improve credit assessments (Schroer, 2024; Oracle, n.d.).



Source: onlinedegrees.sandiego.edu



Source: aismartz.com

Key Applications

Predictive Modeling: AI algorithms analyze extensive customer data to predict credit risk and default probability, aiding in informed loan approvals and pricing decisions (Schroer, 2024; Oracle, n.d.).

Fraud Detection: AI models monitor transactions and customer behavior to swiftly detect fraud, improving risk management (Google Cloud, n.d.; Schroer, 2024).

- Automated Underwriting:** AI automates tasks like document processing and risk assessment, accelerating the credit underwriting process (Schroer, 2024; Oracle, n.d.).
- Personalized Offers:** AI analyzes customer data to deliver personalized credit products, rates, and terms, enhancing the customer experience (Google Cloud, n.d.; Oracle, n.d.).

Improving AI Solutions

The use of diverse data sources, including real-time income, spending patterns, or social media, can improve the AI models. This results in higher quality credit scores, especially for those consumers who have thin files, thus increasing the credit available to the less privileged groups (Schroer, 2024; Oracle, n.d.). Data to include are:

Behavioral Data: The addition of behavioral data like the payment history and the transaction records can help in the determination of the credit worthiness of the borrowers.

Alternative Financial Data: Data from non-conventional credit reference sources like utility bill payments, rent payment, and peer to peer lending can also provide extra evidence of the credit worthiness of a borrower.

Geospatial Data: Exploration of geospatial data could potentially uncover the flow of economic activity within certain areas.

Mobile Data: Mobile phone transactions such as payment of phone bills and other mobile transactions can be used as a proxy for credit behavior.

Social Network Analysis: AI can use data from social networks to evaluate credit risk since the credit history and solvency of a borrower's acquaintances can be analysed.

Sentiment Analysis: AI models can also use sentiment analysis from the social media and online reviews to determine the perception that people have about an individual or a business.

Dynamic Data Integration: Dynamic data inputs, including current economic variables and market trends, can offer a timely and accurate evaluation of credit risk.

Ethical Considerations

Algorithmic Bias: AI can be a reinforcement of human bias hence promoting discrimination in lending. Testing and controlling the sources of bias are critical (Schroer, 2024; Deloitte, 2023).



Transparency & Explainability: It is vital that AI models used in credit decisions are transparent and comprehensible (Oracle, n.d.; Deloitte, 2023).

Privacy & Data Rights: The employment of other data sources creates privacy issues. The existence of sound data governance is required to safeguard the information (Schroer, 2024; Deloitte, 2023).



Oversight & Accountability: It is especially important for human beings to be involved in the process and regulate AI since credit decisions start to be made independently by machines (Oracle, n.d.; Deloitte, 2023).

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