

Beyond the Algorithm

The Next Wave of AI in Consumer Lending

The Friction Point Between Intention and Support

AI as the Stabilizing Agent



*Borrowers don't abandon applications because they are lazy.
They abandon them because they are confused.*

AI Does Not Replace Lending Expertise

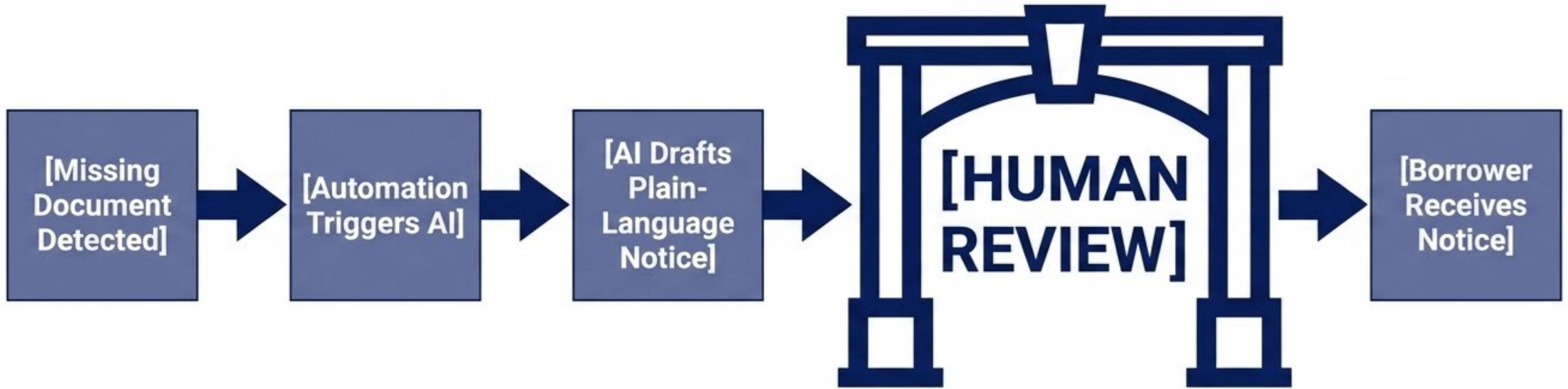
It should help responsible lenders work faster, communicate more clearly, reduce friction, and make better informed decisions with the right human oversight.

In an AI-first lending world, responsible adoption is the competitive advantage.

The Four Architectures of Lending AI

Predictive AI	Generative AI	Conversational AI	Automation + AI
Analyzes data to find patterns. Flagging fraud, predicting default risk. Points attention, does not decide.	Creates net-new text and drafts. Policy summarization, checklist generation. High hallucination risk.	Chatbots and digital agents. Basic hours, FAQs. Breaks down on complex queries.	Rules-based triggers + AI drafting. Missing document follow-ups. The most powerful operational tool today.

The Foundational Rule of AI Execution



AI can draft. People must review.



[ORIGINATION]

Underwriting

Funding

Experience

Collections

Protecting the Relationship at Origination

Public Chatbots

Can invent policy and alienate frustrated borrowers during complex application moments.

Internal AI Assistants

Retrieves precise, approved policy for staff instantly, allowing the employee to focus entirely on the borrower's needs.

AI frees human attention for the relationship work only humans can do.

Origination

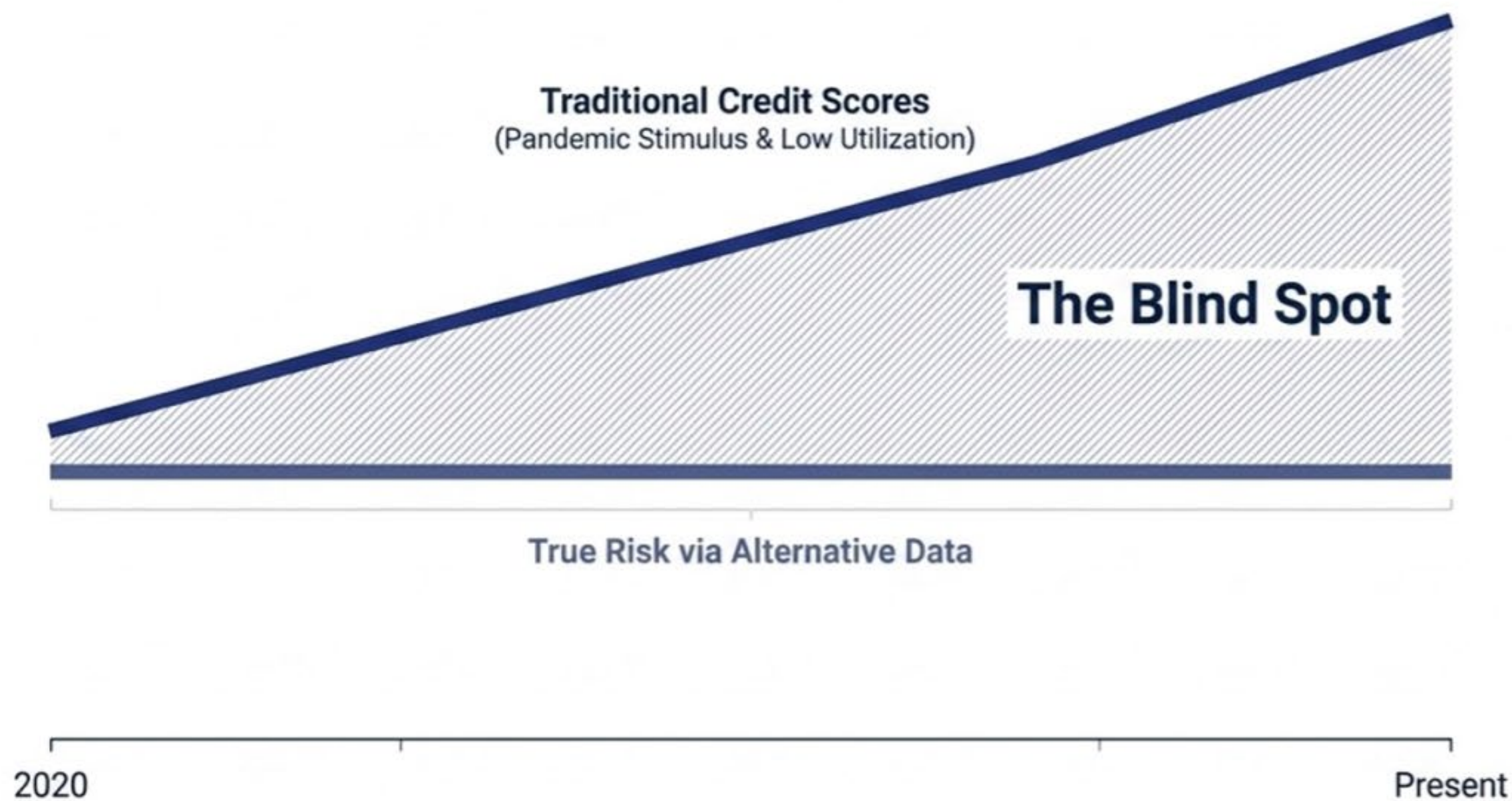
[UNDERWRITING]

Funding

Experience

Collections

Seeing Through Artificial Score Inflation



Data Points Sidebar

- **TransUnion:** Unprecedented score migration led to higher-than-expected delinquency in upgraded tiers.
- **Federal Reserve:** Drops in card utilization created artificial score inflation.
- **NBER:** Digital-footprint/alternative signals predict default as accurately as traditional scores; combined use is superior.

The Regulatory Reality of Credit Decisions

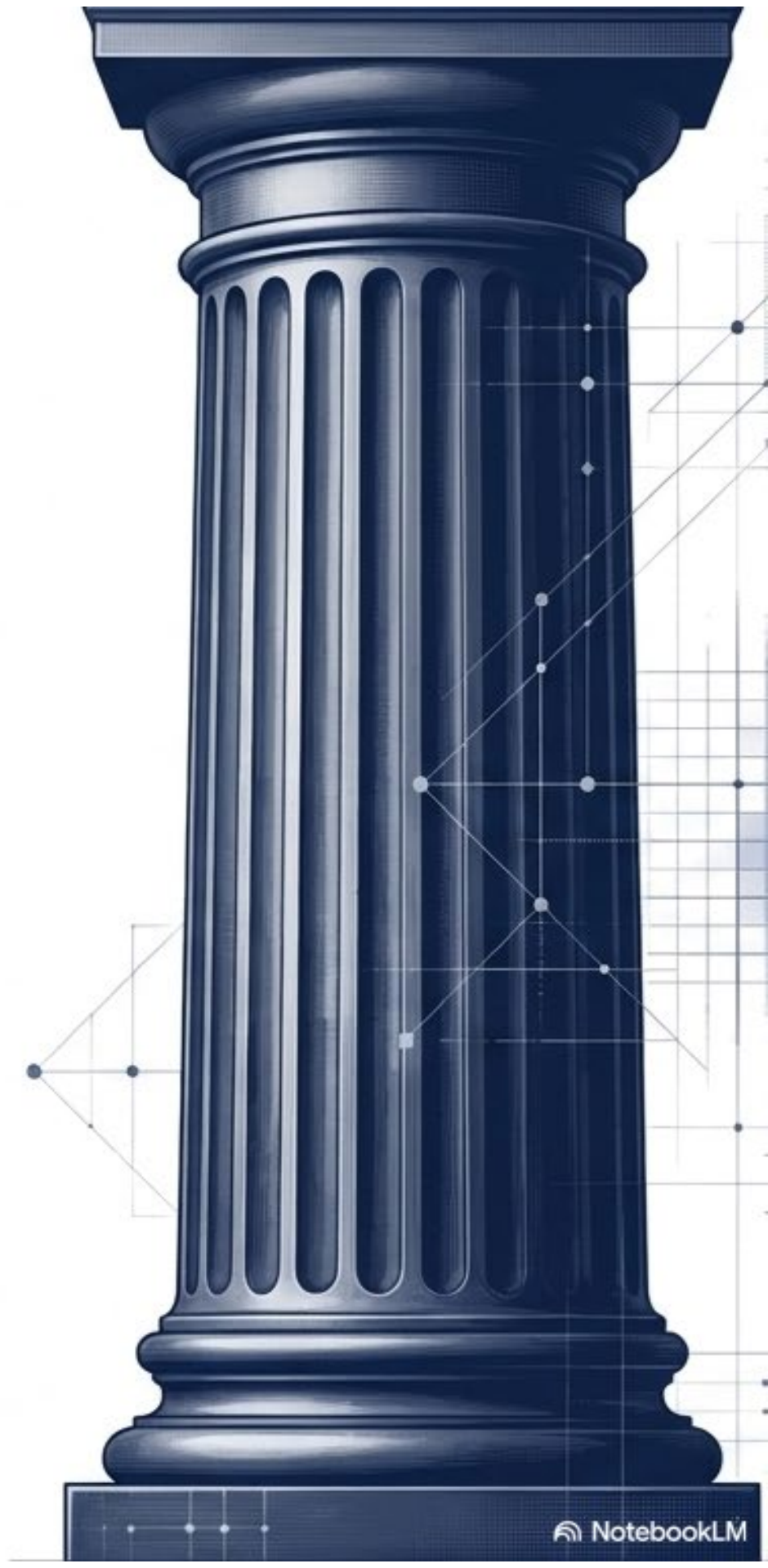
The moment an AI model touches a credit decision or pricing, you own the explanation.

Regulatory Anchor Point

Regulation B (ECOA): Lenders must provide specific, accurate, **principal reasons** for adverse action.

Context: While CFPB interpretive guidance on complex models is actively in flux, the underlying statute is not.

Actionable Rule: Use AI to organize file information faster, not to recommend the final answer. The organization stays accountable.



Accelerating Funding Operations

Manual



(Slow)

AI-Assisted



(Fast)

- **Ideal environment:** document-heavy, exception-driven, routing-focused.

- AI makes no judgment calls on the borrower's creditworthiness.

The Promise: The work that needs a human gets to a human faster.

Lifecycle Track

Origination

Underwriting

Funding

[EXPERIENCE]

Collections

Personalization Meets the Plain-Language Mandate

Complex, dense legal clause (Grade 12+)

Example: "In the event of a default in payment, the creditor hereby reserves the right to accelerate all outstanding indebtedness, notwithstanding any prior agreements to the contrary, and pursue all available legal remedies."



Approved AI Translation Filter

Simplified Translation (Grade 8.0):

If you miss a payment, the lender can demand you pay the entire loan amount immediately, even if you had other agreements before.

Grade
8.0
Level

Flesch-Kincaid Step-Down Graphic

Texas Compliance Note

The OCCC **rigorously enforces maximum Flesch-Kincaid reading levels** (e.g., Grade 8.0 for Chapter 342 Subchapter F loans). **2025 examiner rejections prove this is strictly enforced.**

Application

Legal owns the contract. AI tools are used to rewrite instructions, FAQs, and borrower communications to strictly hit **Grade 8.0 readability without losing meaning.**

Revolutionizing Attention in Collections



All Accounts

Segmented by
Urgency

Hardship
Signals
Surfaced

The Upside:

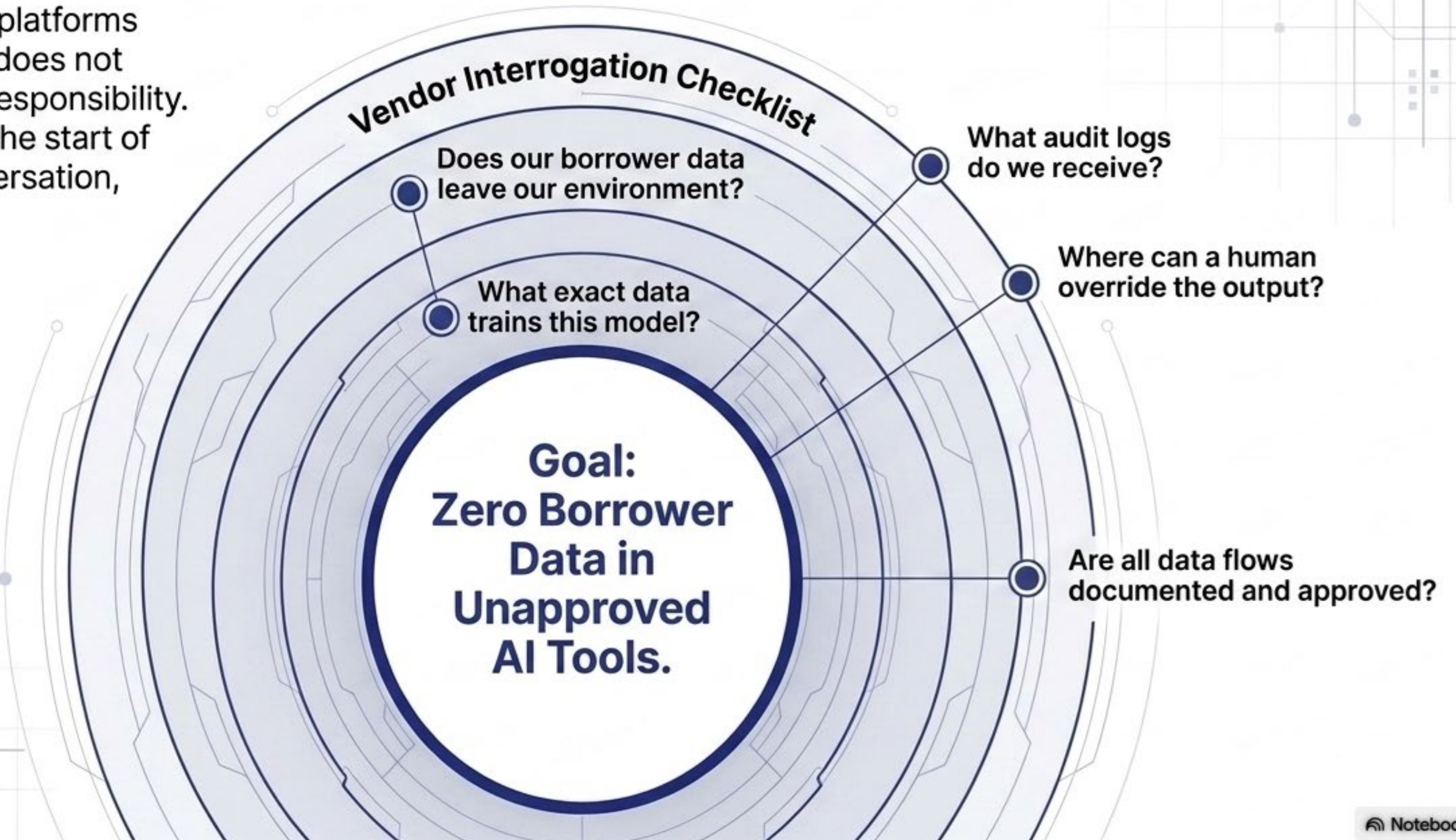
Summarize account notes instantly, surface hardship flags, draft respectful outreach.

The Boundary: The Fair Debt Collection Practices Act (FDCPA) / Regulation F prohibits harassment and false statements.

The Rule: No unsupervised AI voices. All generated language must draw from **pre-approved templates** with **mandatory human review** before sending.

The Ultimate Vulnerability is Unmanaged Access

Buying AI inside platforms you already use does not outsource your responsibility. "AI-powered" is the start of the vendor conversation, not the end.

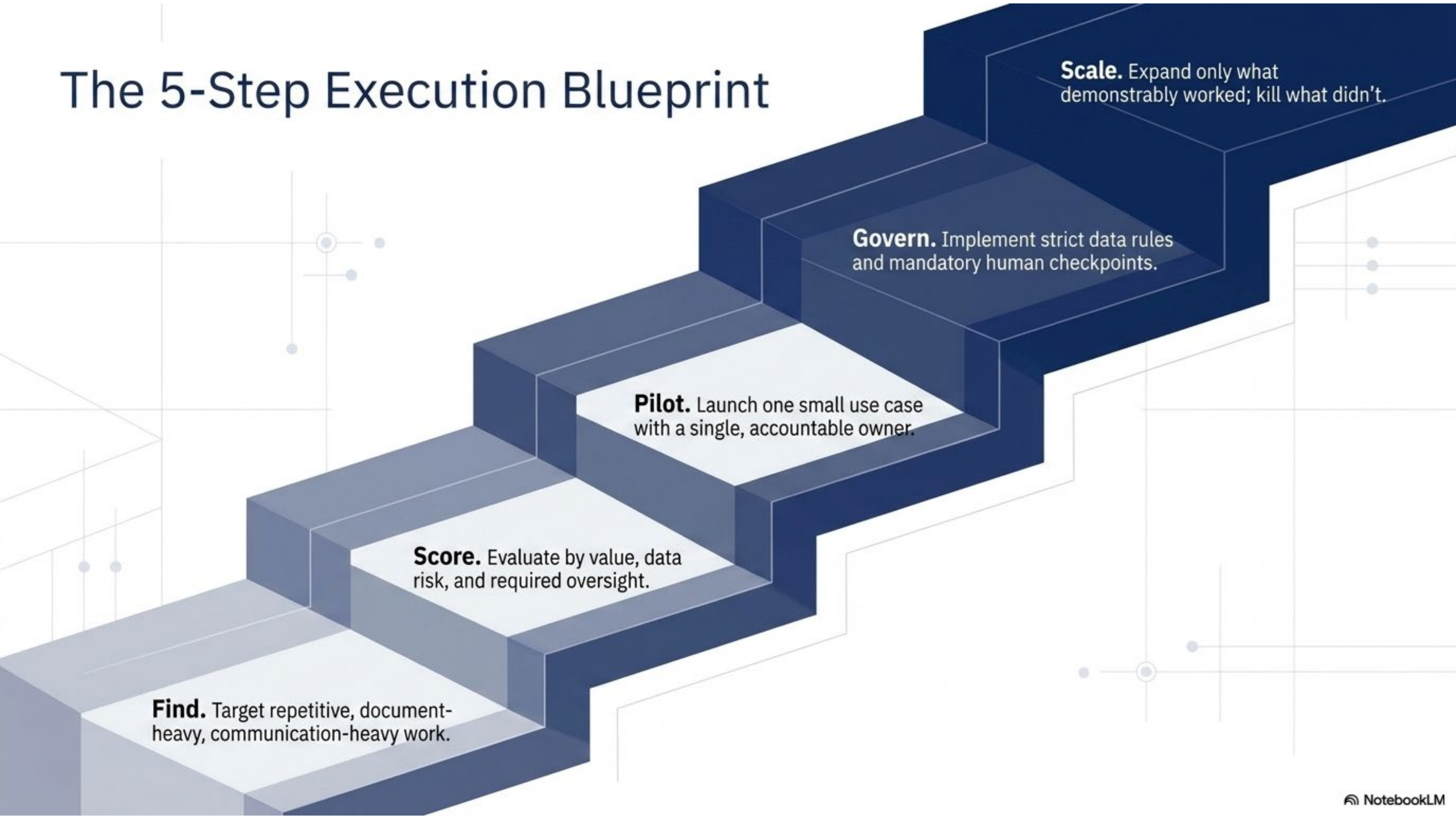


The Architecture of Trust

AI compliance is not a mysterious new set of laws. It is the structured application of existing Texas and Federal consumer protection principles to a new set of tools.



The 5-Step Execution Blueprint

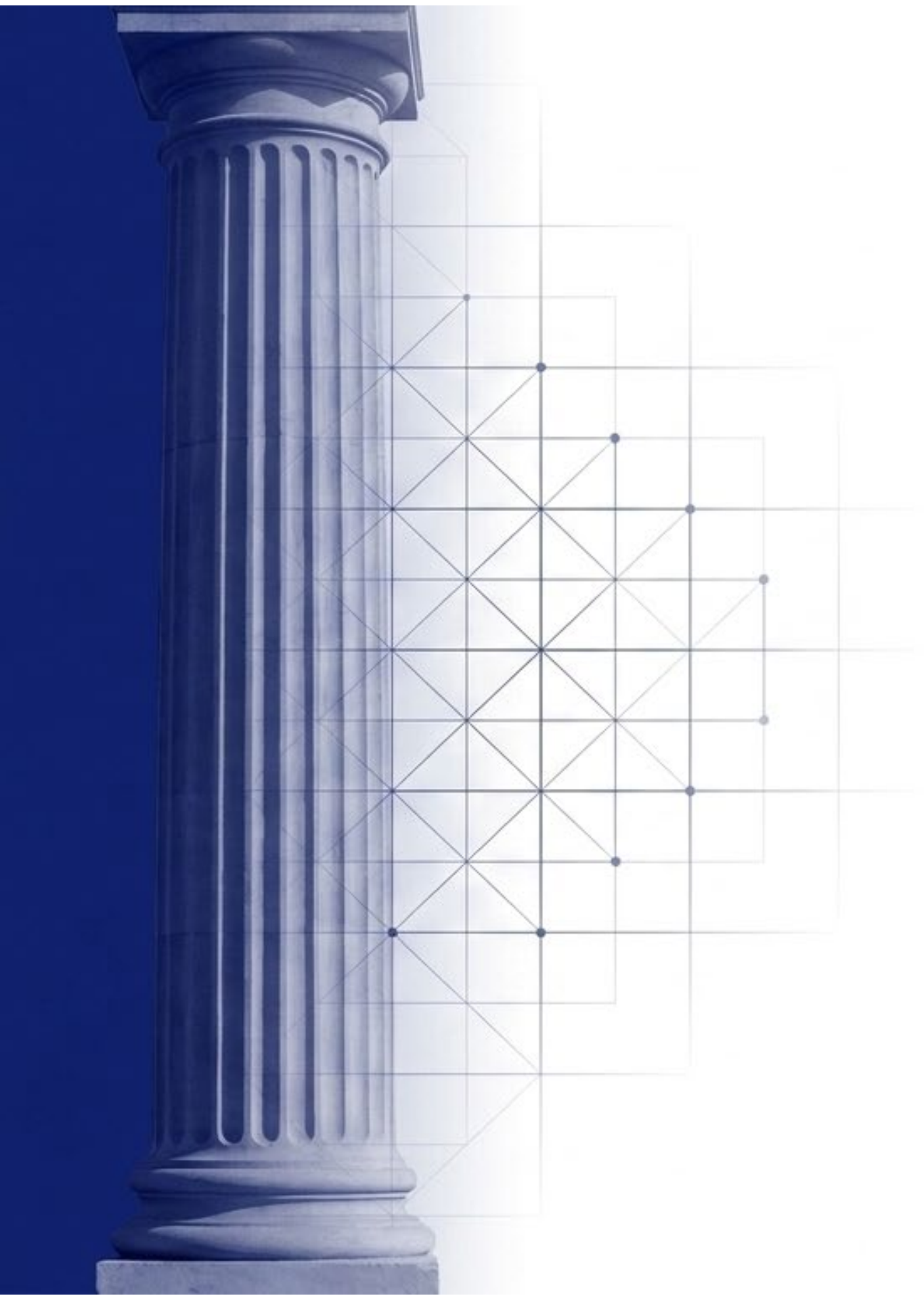




Make a copy and work through the **30-day Action Planner** with your team. Connect with others in the room for support and ideas of what part(s) they are tackling first and any tips they can share.

<https://bit.ly/4asjpDM>





The Future of Lending Expertise

AI will not remove the need for lending expertise; it makes it more valuable. The scarce skill in an AI-first world is judgment.

The most valuable professional of the next decade translates seamlessly between the business, the borrower, and the technology.

**Choose one process. Test it with guardrails.
The advantage is yours to keep.**