

# **Adapting to Lending's 'New Normal' with Speed & Agility**

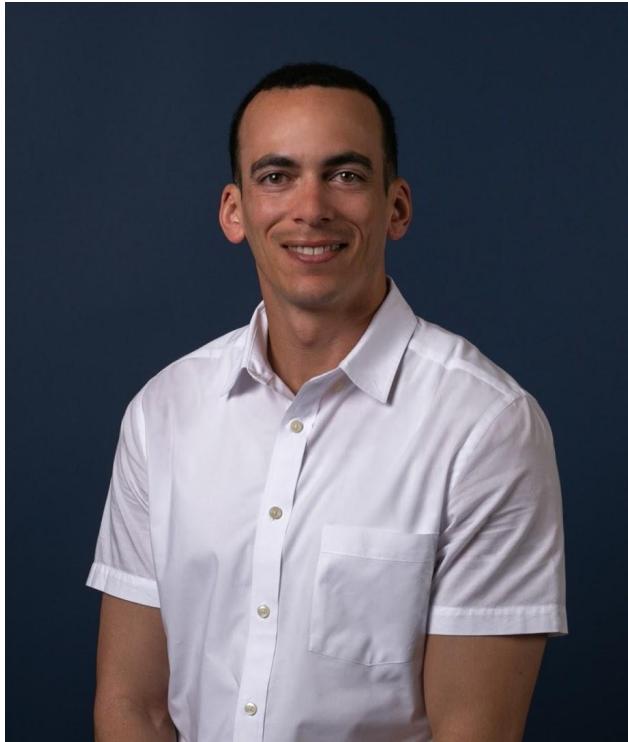
October 2020



# Presenter

## Jose Valentin

*VP, Corporate Development*



# Who is Zest AI?

We are a technology company on a mission to make **fair** and **transparent** credit available to all.

Our software and services enable financial institutions to deploy **powerful, compliant** AI models **swiftly** and **easily**.

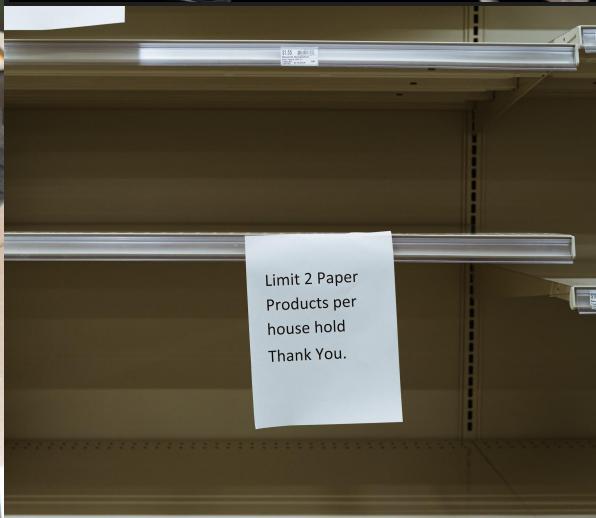
**Perfecting AI-enabled credit solutions for over a decade**



WORLD

THE WORLD IS  
TEMPORARILY CLOSED

hing.



# Economic outlook is also filled with uncertainty

## Millions Of Americans Skip Payments As Tidal Wave Of Defaults And Evictions Looms

June 3, 2020 - 5:00 AM ET

Heard on All Things Considered

CONSUMER LENDING

### Lenders fear mass defaults unless unemployment benefits are extended

By Jon Prior July 23, 2020, 3:43 p.m. EDT 3 Min Read

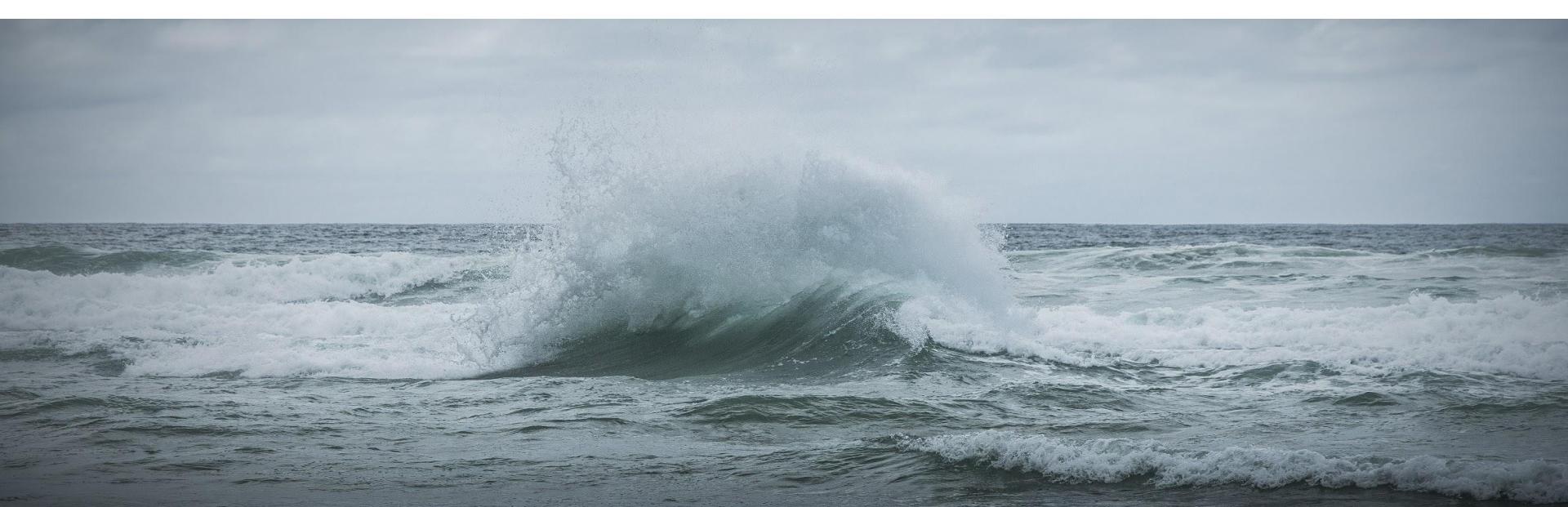
### We'll be stuck in this economic slump for years, economists say

By Anneken Tappe, CNN Business  
Updated 7:29 AM ET, Mon August 24, 2020

HEARD ON THE STREET

### Consumer Lenders Enter Fog of Uncertainty

Credit-card and auto lenders don't yet believe borrowers will perform as badly as they did in 2009



# How Lenders Respond in Times of Economic Uncertainty

## The Existing Methods

Booked Loans



Re-evaluate  
Portfolio



Understand &  
Mitigate Losses

New Loans



Tighten  
Policies



Lend less

# Our Track Record on Preparedness . . .



\$4 Tn

IMF estimate cumulative losses of FIs globally

Source: [IMF](#)



4 years

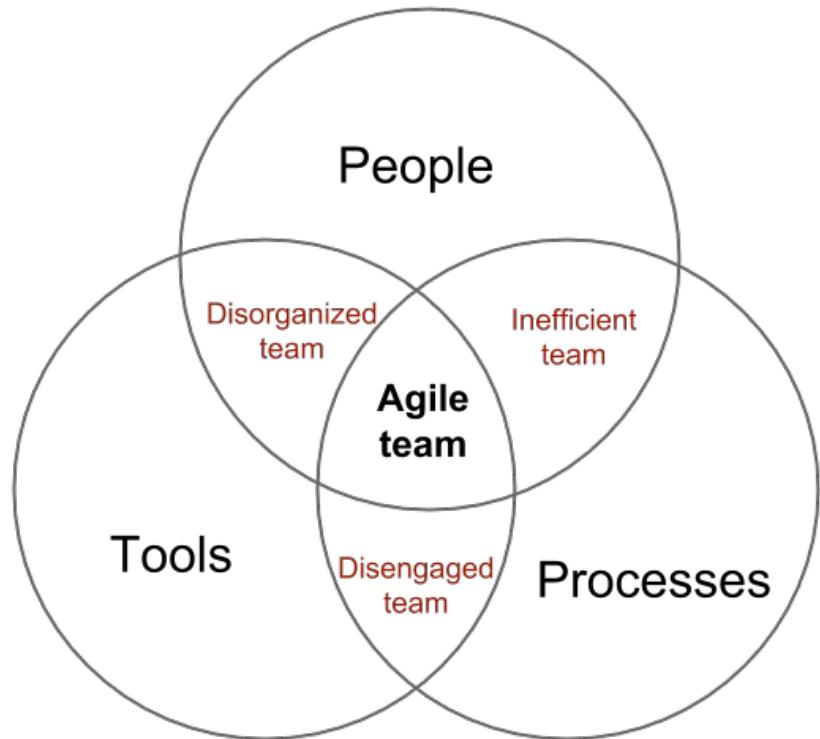
From 2007 it took to return to normal lending levels

Source: [Baker Institute](#)

# Operating Principles

Within teams, agility and speed are artifacts of a strong synergy of:

- People
- Processes
- Tools



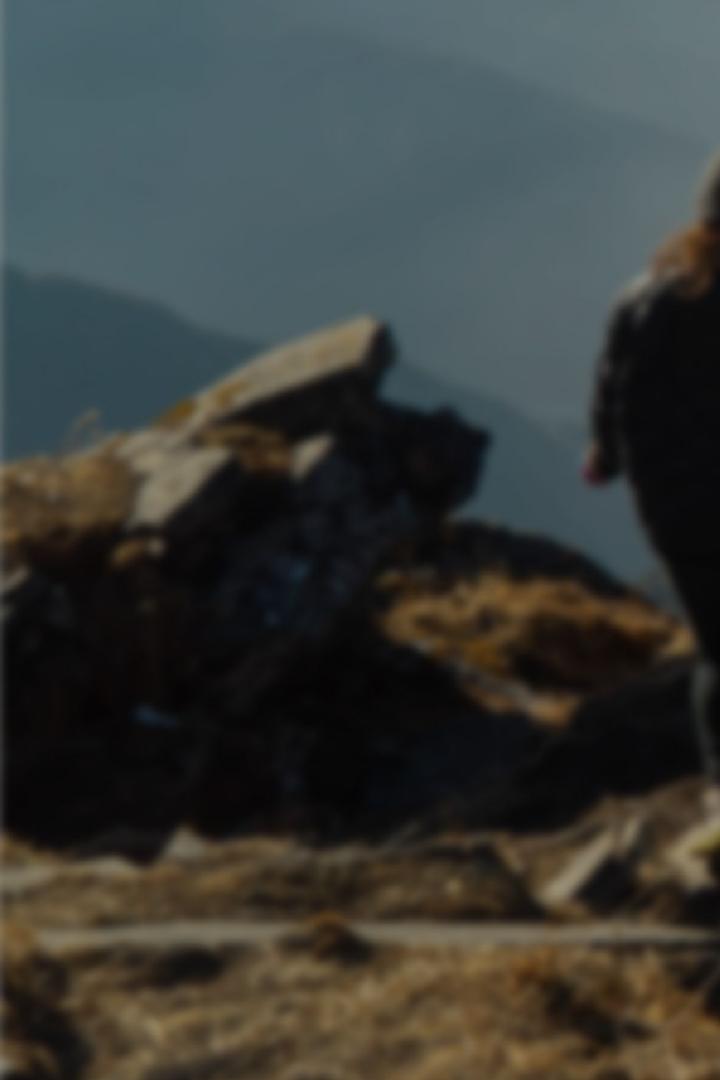




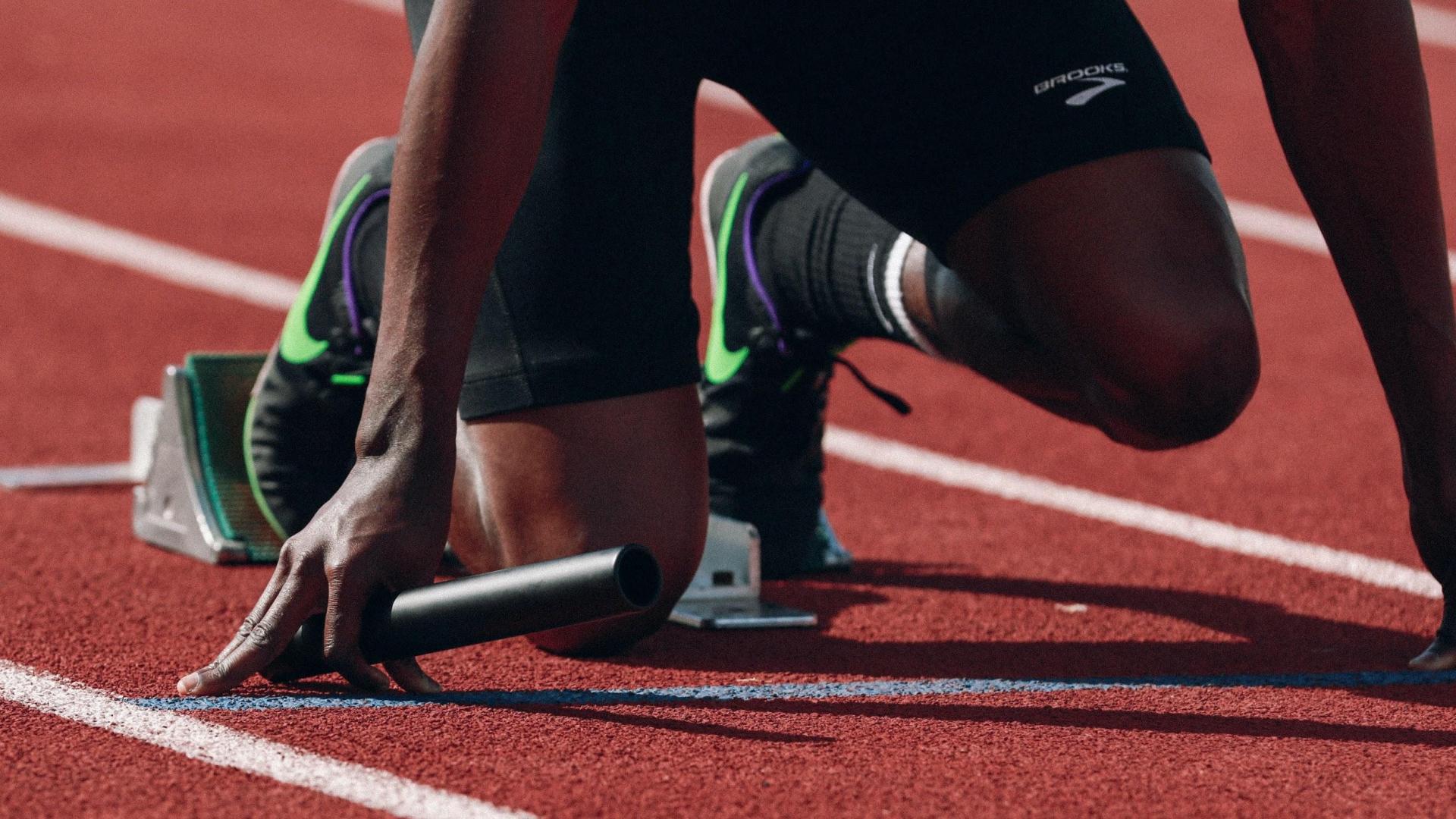




ZEST<sup>AI</sup>

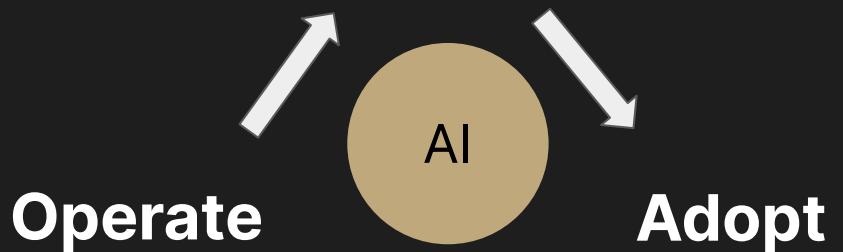






# **Build**

Adjust underwriting  
models & policies quickly



# **Operate**

Detect market &  
borrower trends earlier

# **Adopt**

Fast analysis &  
automated workflows



# Build

Adjust credit models  
and policies more  
quickly and accurately.

## Get a clearer picture of your customers' risk profile

- ▶ Consider hundreds to thousands of data points
- ▶ Learn 'new' realistic relationships between data points
- ▶ Captures more variable interactions
- ▶ Overcome limitations of traditional methods

### Agility and Speed Benefits

- ▶ Easily iterate on dozens of models, combining the best ones into a powerful algorithm tailored to your business
- ▶ Leverage advanced math with full explainability to satisfy the toughest regulators and skeptics
- ▶ Automatically document modeling process saving time and resources



# Adopt

Perform analysis quickly using automated workflows to streamline the approvals needed to get your models into production.

## Streamline Stakeholder Approval

- ▶ Dynamic tools for rapid analysis and validation
- ▶ Champion / challenger analysis to compare model statistical and economic performance
- ▶ Automated documentation to efficiently serve your model validation and risk management processes

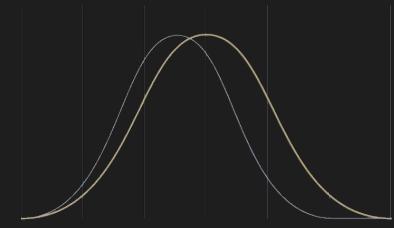
### **Everything needed to meet compliance**

- ▶ Comprehensive fair lending analysis including disparate impact review, business justification, and less discriminatory alternative search
- ▶ Feature mapping to adverse action reason codes and edge case review to ensure the right codes are returned in production

# How long does it take your organization to refresh underwriting models?

Poll

- A. <6 months
- B. 6-12 months
- C. 12- 18 months
- D. > 18 months



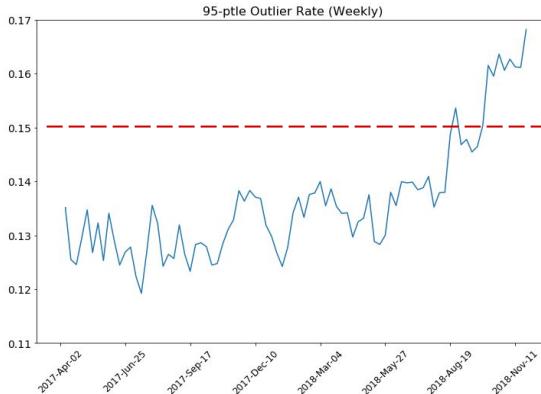
# Operate

Monitoring tools help detect subtle changes that may impact your business.

## Boost responsiveness with monitoring

- ▶ Use AI tools to monitor your live scoring model, detecting subtle changes that may impact your business to keep you responsive and ahead of the default curve
- ▶ Assess application volume, score distributions, and inputs on-demand without waiting for ad-hoc analysis

### MONITORS SHOW MULTIVARIATE OUTLIERS ARE GROWING

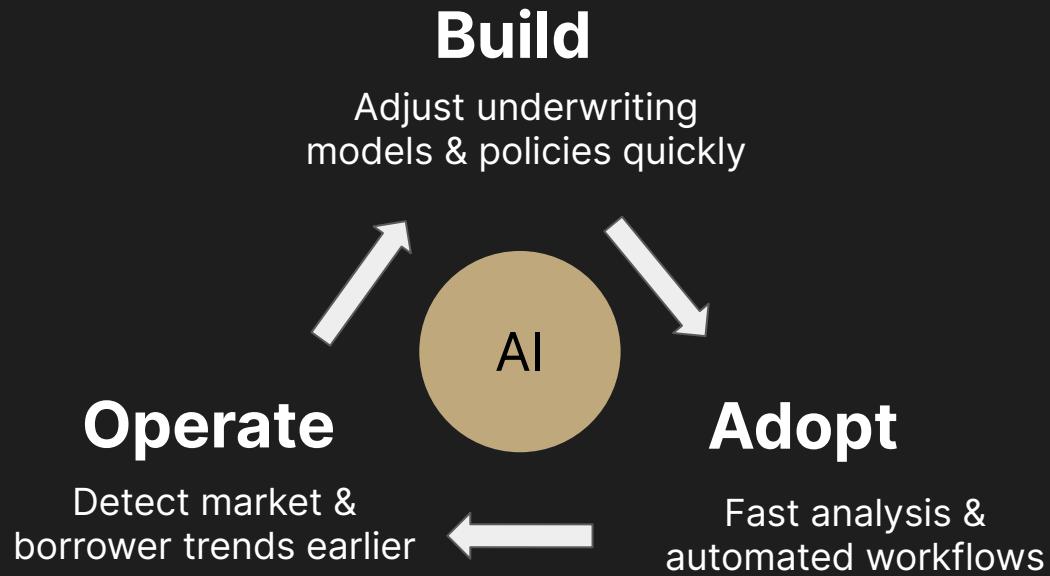


Outliers increasing

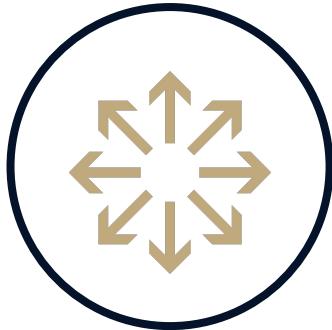


Defaults coming

# AI Tools Enabling Your Processes Provide the Foundation



# And Help Lenders Adapt to the ‘New Normal’ with Speed and Agility



Compete Effectively



Protect from  
significant losses



Respond Faster

# What is keeping you from adopting AI?

Poll

- A. Talent
- B. Regulatory concerns
- C. IT
- D. Unfamiliar with AI
- E. Other

# Not All AI Tools Are Created Equal



Of financial firms plan to explore AI & ML before 2021



Of financial firms are interested in AI underwriting



Of AI companies have true AI

# The Right Tools Will Help Lenders Adapt to New Normals with Speed & Agility



Better Predictions



Faster iteration



Advanced Monitoring



Existing  
Loans



New Loans



UnProtect  
and  
ReBuild  
Your  
Portfolio  
to  
Minimize  
Losses

Lend  
Smarter

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# The Right Tools Will Help Lenders Adapt to New Normals with Speed & Agility



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# Questions?

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