



More Advanced Tracking Of Loan Collateral

🔗 technology lending IoT

Summary: Imagine the power of knowing where your guarantors are for each loan using connected sensors to better monitor collateral. IoT allows banks to do this.

Have you heard about the technology that allows computers to figure out how to accomplish things by associating behaviors they take with a given desired outcome? It comes from artificial intelligence (AI) and is known as data reinforcement learning. Computers update their data as they learn to do very large and complicated things. Doing this allows computers to better drive cars in complex environments, beat humans when playing games and other things - all without specific human programming to do so.

Let's face it, technology is advancing very fast and this is true when talking about the Internet of Things (IoT). The concept of IoT is all about connecting devices to each other that are all around us to the internet and each other. IoT uses sensors and software to connect objects like home heaters, toasters, heart monitors, cars and a whole bunch of other things to each other. Doing so reduces the need for humans to do certain tasks, resulting in benefits such as greater efficiency, health, accuracy and other things. In short, connecting humans to their devices and those same devices to one another provides yet another level of technological advancement.

In banking, imagine the power of knowing where your guarantors are for each loan, what they are doing and how the loan is performing using connected sensors to better monitor collateral perhaps.

Some banks are already working with cattle ranchers to track rapidly moving herds via wireless sensor network ear tags. The ranchers are better able to know the location of every animal using these wireless readers - gathering the information from the tags, which is then downloaded to laptops. Banks financing these cattle ranchers can then use the information about the herd (the collateral on their loan) to better monitor things.

Knowing this emerging technology is being used may even prompt you to take on some customers previously considered higher risk. After all, these sorts of sensor arrays can give you information you never thought possible.

If cattle aren't your thing, consider a family-based pig farm. It is using IoT sensors to track humidity levels inside their trucks. That lets them know if the ventilators need to be adjusted when hauling pigs. Banks could use this information as well, to know that their pig collateral is healthy and thus providing the best possible return. These sensors can also track the location of the truck at any time to provide real-time information on product delivery (which could let the bank know when cash flow is about to increase or loan prepayments might occur).

For banks not interested in cattle or pigs, perhaps manufacturing fits the bill. Here, banks that provide open lines of credit or working capital loans could also take advantage of IoT. Sensors on customer assembly lines to track raw, in-process, and finished inventory, along with receivables/payables information could be updated in real time. This information can in turn be synced with the customers' accounts to ensure the loan is paid down appropriately when sales are made.

Customers can also capture invoices and other documentation needed by the bank by using their smartphones to upload this documentation to the bank via the mobile app.

A growing number of businesses of all sorts are already embedding sensors and other types of IoT technology. The goal is to obtain greater opportunity, but for bankers it just might mean more advanced and expanded lending opportunities.

An estimated 3B devices will be connected in 2017 and a whopping 30B by 2020. As this technology develops, opportunity for bankers will rise, so keep reading and we will eventually show you how. In the meantime, we will be reinforcing this learning so you can get ready to leverage IoT.

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