



## Insight & Inquiry - Fraud, Branches, CRE

lending branch strategies fraud protection

**Summary:** Today we answer your questions on fraud detection, branch traffic and CRE lending.

Do you like butter? You might not think much about it, one way or another. But, if you did, you might be interested to note that someone wrote a 368-page book on it, appropriately titled, *Butter*. The questions we answer are a bit more relevant than that one. So, we hope you find some good insight in today's publication.

**Q:** What are some strategies to achieve smarter fraud detection?

**A:** Artificial intelligence (AI) is becoming significantly more important for community financial institutions (CFIs) in reducing fraud. One of AI's main use-cases is anomaly detection or trolling for unusual behavior that smacks of potential fraud. AI can also be particularly useful when it comes to the vexing issue of employee-caused security threats. Through ongoing monitoring, AI can help CFIs identify breaches and suggest fixes before problems escalate out of control. For many, building the necessary capabilities in-house will be beyond the budget and expertise. Here, you can seek out third-party vendors to help implement solutions, based on your specific needs and budget.

**Q:** What should my financial institution be doing to encourage branch traffic?

**A:** Despite the proliferation of internet and mobile banking, branches remain an important part of the ecosystem. As such, you will want to encourage customer engagement. Part of this strategy should involve training branch personnel, so they are better prepared to offer high-quality service, and answer complex questions beyond what a customer can find online. Banks might also consider offering longer service hours to better meet customers' needs. This can be accomplished through a combination of branch personnel and video banking options. It could also be a good investment to transform older, sleepy branches into more upbeat, modern-looking specialist centers. Another idea is to appeal to the younger demographic and include areas in your branch to grab a cup of coffee, work, and recharge devices while taking care of banking needs. These can all help drive more traffic into branches.

**Q:** What are your thoughts about CRE heading this year?

**A:** For 2020, some industry watchers are predicting sustainable, albeit slower, economic growth. That translates into similar expectations for the CRE market. The end of the trade war should add stability, as long as global markets find balance too. A prudent move could be to balance your CRE lending with cautious optimism as you focus on capitalizing on pockets of strength. Certain areas such as ground-up development are likely to continue being hampered by rising construction costs, but others (such as large scale mixed-use properties) might continue experiencing significant demand. Multi-family also seems poised for continued, though perhaps somewhat more subdued, growth. Alternative real estate investments and new data centers may also be areas to explore, in addition to area-specific opportunities.

## WHITE PAPER: CECL AND PREPAYMENTS

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