Data Aggregation - Current Options

by Steve Brown Topics: technology, AI, performance

Summary: Data aggregation is growing quickly, especially in the banking industry. Is your institution prepared?

When evaluating how bad things are in a given area after a big storm, the Federal Emergency Management Agency (FEMA) among other things takes a look at Waffle House restaurants and operating hours. The more that are open, the less the storm has impacted the region.

As you enjoy your breakfast waffle this morning, we shift our discussion to point out that community banks don't have the same capabilities as the big banks when it comes to an ability to mine data. That said, it certainly doesn't mean you can't remain competitive on this front too.

One area that will eventually take hold in community banking, as with the entire industry, is artificial intelligence (AI). These technologies can be prohibitively expensive for smaller institutions, but that is slowly shifting as competition is increasing.

According to research firm Gartner, 40% of data science tasks will be automated by the end of next year. That shift is expected to significantly boost the amount of data available, as well as the ways that banks and other companies are able to utilize it.

Gartner also predicts that by next year, some 25% of businesses within the financial arena will begin buying data from third party providers. This is likely given the number of data sources and providers have exploded in recent years.

A look at the industry's biggest banks shows they have been moving forward aggressively on this front. They are actively data sharing in some areas and not in others, but they are very focused on the importance of sharing data securely to avoid regulatory issues from developing.

So far, a group of 36 banks and other financial institutions, including PNC Bank, Bank of America and JPMorgan, among others, have partnered with a group of fintechs and data aggregation specialists to create The Financial Data Exchange. This non-profit organization says its goal is "promoting and enhancing a common interoperable standard and operating framework for sharing consumer financial data."

Though such efforts are being undertaken by the industry's largest players, community banks have the ability to benefit from such initiatives too and should not hesitate to look at ways to use data for your own efforts.

If your bank is interested in more data sharing opportunities, you may want to consider exploring partnerships, perhaps even with fintechs or other data aggregators. Be sure security is first and foremost in the discussion though to protect your own franchise from issues down the road.

More and more models use more and more data these days. Some models are using synthetic data to aid with everything from identifying customer spending patterns, risk and management decision making, or even identifying potential money laundering. This may mean nothing more than augmenting the data your bank already generates on its own.

Data aggregation is definitely only getting more important and we have multiple initiatives underway here to help community bankers. Be sure to do this safely and securely, as you leverage the information in the best interest of your bank and your customers to get the best lift.

BANK NEWS

De Novo Banks

The latest analysis by S&P Global Market Intelligence finds 12 new banks have applied and filed with regulators to form and 9 new banks have been established so far this year.

Mortgage Warning

Regulators are warning mortgage originators who do what is known as asset depletion or asset dissipation loans to follow prudent underwriting standards. These unconventional mortgages are designed for people who don't have a normal paycheck, like retirees or gig workers. The loans are based on hypothetical income calculations using borrower assets - typically based on 401k holdings.

Video Content

Buffer research finds the frequency with which businesses say they publish video content is monthly (37%), weekly (24%), never (15%), daily (13%) or every other week (12%).

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Managing interest rate risk is both art and science. Regulators have raised the bar and community bankers have more to do than there are hours in a day. To see how easy it is to outsource & get expert help, contact us today.