AI FOR SMARTER BANKING

What Leaders Need to Know, What Consumers Expect

vivalociti

POWERED BY LaMACCHIA GROUP

AI ADVANTAGE IN BANKING

PART 1

AI AT WORK: SMARTER BANKING FOR TODAY'S CONSUMER

Artificial intelligence (AI) is no longer emerging, it's taken root. AI helps banks and credit unions streamline operations, enhance customer experience, and improve security at scale. From personalized product recommendations to advanced fraud detection, AI is transforming nearly every aspect of the banking experience.

This whitepaper explores the evolving AI ecosystem in financial services. You'll find up-to-date use cases, implementation strategies, and expert insights to help your financial institution determine where AI delivers the most value, for both your business and your consumers.

WHAT AI IS, AND ISN'T

Today's AI tools rely on vast datasets, often using deep learning and natural language processing. But despite the hype, AI isn't plug-and-play. Most models are narrow, built for specific tasks like summarizing loan documents or flagging suspicious transactions. A tool that writes marketing emails can't assess credit risk. That's why clear use cases (and quality data) are essential. Poor data still leads to poor results.

BEYOND BASIC SUPPORT

TRANSFORMING SUPPORT WITH CONVERSATIONAL AI

Once considered simple FAQ tools, today's AI-powered virtual assistants have become dynamic engines for customer engagement, sales enablement, and service automation. Leveraging advanced natural language processing (NLP) and large language models (LLMs), these tools now understand intent, context, and tone with increasing precision.

According to Gartner's 2025 Financial Services Technology Report, over 75% of the top national financial institutions now use generative AI to power customer-facing chat interactions, which is a 30% increase from just two years ago. Even more telling, credit unions and regional banks are catching up fast, driven by cost savings and rising customer expectations for 24/7, real-time support.

MODERN APPPLICATIONS OF SUPPORT-BASED AI

- **ANSWERING COMPLEX QUESTIONS**
  Connected to core systems and CRMs, modern virtual assistants handle nuanced queries like loan payoffs, interest rates, or disputed transactions.
- **TASK AUTOMATION & GUIDED SUPPORT**
  Bots help users report lost cards, open accounts, or complete forms, which boosts self-service and eases call center traffic.
- **INTELLIGENT DATA CAPTURE**
  Every interaction reveals friction points and user intent, driving continuous improvement in products and digital experience.
- **PERSONALIZED PRODUCT RECOMMENDATIONS**
  By analyzing behavior and goals, bots surface relevant financial products or escalate to human advisors when needed.
- **SEAMLESS ONBOARDING & CROSS-SELLING**
  Bots now guide new users through ID verification, checklists, and documentation, often outperforming static forms.
- **COST SAVINGS WITHOUT COMPROMISE**
  Chatbots can cut service costs by up to 35% while maintaining or improving customer satisfaction, according to McKinsey.

A Word of Caution: AI Doom Loops Still Exist!

While chatbots have evolved, human oversight remains essential. Customers can still be trapped in "doom loops", endless cycles of irrelevant responses, if escalation protocols aren't built in. The most successful deployments ensure that virtual assistants know when to hand off to a live human.

FRAUD DETECTION

AI IN FRAUD DETECTION & PREVENTION: SMARTER, FASTER, SAFER

Fraudsters are evolving, and so are the tools to stop them. AI now plays a frontline role in financial fraud prevention, using real-time pattern recognition and anomaly detection to flag suspicious activity before damage occurs.

What sets AI apart is its adaptability. Unlike static rule-based systems, modern models learn continuously from new data, spanning transactions, behavior, geolocation, and device signals, so they stay ahead as fraud tactics shift.

According to IBM's 2025 Cybersecurity in Finance Report, AI-powered systems reduce false positives by **up to 72%,** dramatically lowering the cost and customer frustration of unnecessary account holds.

AI ON BOTH SIDES OF THE FENCE

Hackers are increasingly using AI to power social engineering, deepfakes, and phishing campaigns. **Recent studies show that 85% of cybersecurity professionals report attacks powered by AI, and 87% say their organizations faced AI-driven threats in the past year.** To stay ahead, institutions must equip themselves with equally sophisticated AI defenses.

FRAUD DETECTION

HOW AI DETECTS AND PREVENTS FRAUD IN 2025

Transaction Monitoring in Real Time
AI flags suspicious activity instantly, like out-of-pattern spending, account takeovers, or geographic mismatches. These tools work 24/7 across all digital and physical channels.

Identity Verification
AI supports advanced identity verification using biometrics (facial recognition, voiceprints), behavioral signals (typing cadence, device usage), and document analysis. These tools reduce onboarding fraud and streamline KYC (Know Your Customer) compliance.

Risk Scoring & Alerts
Every transaction or login attempt is assigned a real-time risk score. When thresholds are breached, customers are notified instantly, and the account may be frozen or escalated for human review.

Continuous Learning with ML Models
Machine learning (ML) algorithms improve over time by ingesting new data, minimizing the need for manual rules updates. This allows for early detection of new scam tactics, including phishing variants, social engineering trends, and synthetic identities.

> **Wells Fargo** reported a **43% drop in fraud-related call center volume** after deploying a generative AI-enhanced fraud detection platform.

SECURITY

BALANCING SECURITY WITH PRIVACY

As fraud detection becomes more advanced, so must the ethical standards behind it. AI tools rely on vast amounts of sensitive data, making privacy protection essential. Institutions must:

- Comply with evolving laws like GDPR, CCPA, and GLBA
- Be transparent about how consumer data is used and stored
- Uphold ethical AI practices that prevent bias and discrimination

Strong governance, including audit trails, explainable models, and human oversight, is no longer optional. It's the foundation of trust.

SMARTER CREDIT SCORING & RISK MANAGEMENT WITH AI

In 2025, financial institutions are moving beyond static credit models like FICO scores and income statements. AI enables a more dynamic view of a borrower's financial health by incorporating behavioral, transactional, and psychographic data.

Key Advancements in AI for Risk Management

Expanded Data Analysis
AI assesses a broader set of signals, including transaction history, cash flow trends, utility payments, and even digital behavior. This benefits thin-file borrowers, such as the unbanked and underbanked, often overlooked by traditional models.

Predictive Modeling & Risk Forecasting
Machine learning spots early warning signs like missed rent payments or sudden spending changes to forecast potential defaults or fraud. This allows for proactive risk mitigation.

Real-Time, Automated Decisions
AI-powered underwriting dramatically reduces loan processing time, by 40–60% at some institutions, and supports more consistent, less biased decisions.

Dynamic Credit Scoring
Unlike one-time assessments, AI models update in real time. Borrowers are evaluated continuously, rewarding positive financial actions and enabling adaptive lending strategies.

According to America's Credit Unions, Indiana's FORUM Credit Union adopted AI-enabled underwriting and **saw loan processing volume rise by 70%, all without increasing staffing.** This modernization freed staff to tackle more complex cases and improved both efficiency and service.

WHAT’S NEXT?

GETTING PERSONAL

Hyper-personalization goes deeper than demographics or behavior; it combines real-time data, predictive analytics, and behavioral signals to create financial experiences that are not only customized, but context-aware and time-sensitive.
Examples include:

- Recommending a debt consolidation loan just after a customer receives a major deposit or increases credit card balances
- Delivering micro-budgeting advice via push notification when spending spikes outside normal patterns
- Offering fee waivers or overdraft protection automatically during a temporary income drop

These experiences are powered by advanced models using geolocation, calendar events, financial behavior, device patterns, and even sentiment from support chats.

RIGHT OFFER, RIGHT MOMENT

Research shows that personalized, context-aware offers, such as a loan or budgeting advice delivered at the right financial moment, not only enhance satisfaction and trust, but can **increase sales by 10–15% and reduce acquisition costs by as much as 50%.** Hyper-personalization is no longer optional, it’s a competitive advantage.

CONSUMER ADOPTION

PART 2

CONSUMER INSIGHTS: AI TECHNOLOGY IN BANKING

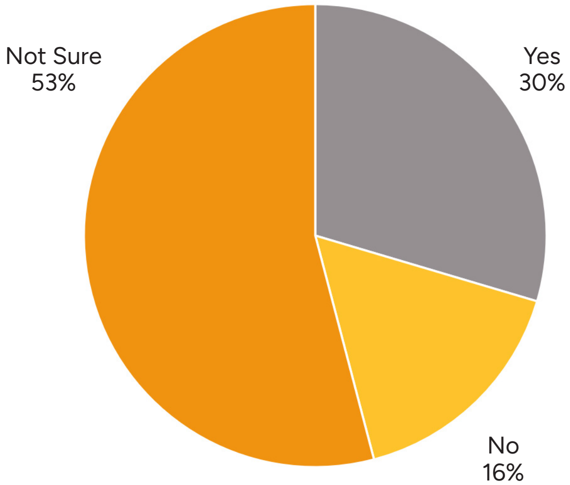
To gain deeper insight, the Insights team at La Macchia Group, parent company of Vivalociti, conducted a nationwide survey to explore consumer attitudes toward AI and its use within the branch environment. The findings indicate that although artificial intelligence and digital solutions are reshaping how consumers interact with their financial institutions, comfort levels differ across demographics.

The results reveal both enthusiasm and hesitation: while many see value in AI for customer support and fraud detection, fewer are comfortable with applications that feel more institution-driven, such as targeted marketing. Generational divides also emerge, with younger consumers generally more open to AI and digital adoption, while older adults remain cautious yet supportive of practical uses like fraud prevention. These insights provide financial institutions with a clearer picture of where technology can enhance trust, convenience, and engagement.

The following pages highlight key survey findings, offering a closer look at how consumers think about AI technology in banking.

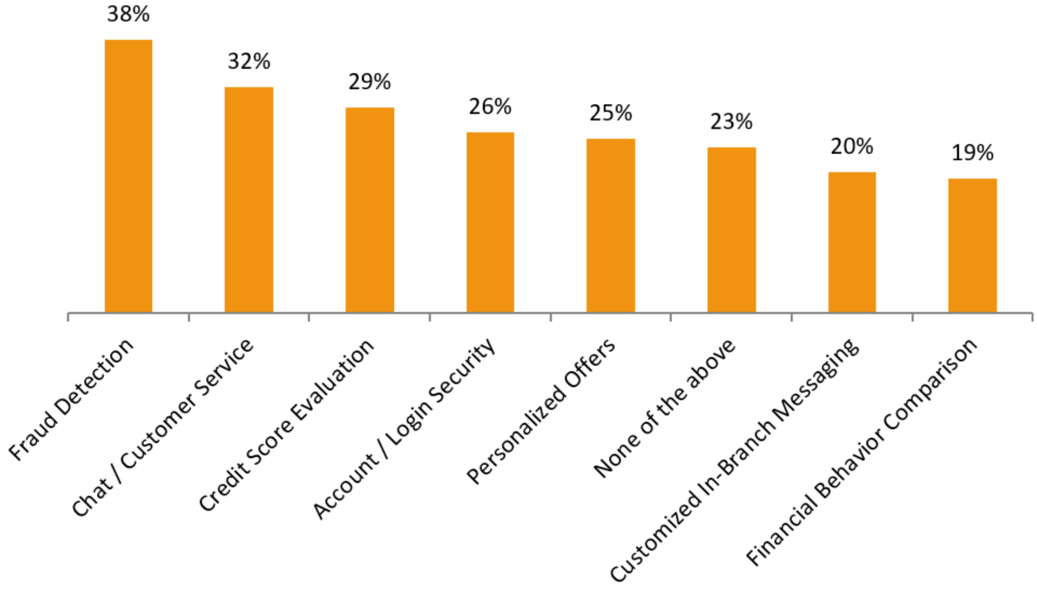
DOES YOUR FINANCIAL INSTITUTION USE AI?

Most people aren't sure whether their financial institution uses AI. Awareness differs by group. Women are less likely than men to know if their institution uses AI, while individuals under 45 are more likely to say their financial institution uses AI, and are more likely to recognize when it does. ▼



IN WHAT WAYS, IF ANY, WOULD YOU BE COMFORTABLE WITH YOUR FINANCIAL INSTITUTION IMPLEMENTING AI TOOLS?

Respondents were most comfortable with their financial institution using AI for customer support, such as fraud detection or chat assistance. Uses that seemed to benefit the institution, like customized marketing or product comparisons, were less acceptable, though younger respondents were more open to them. ▼



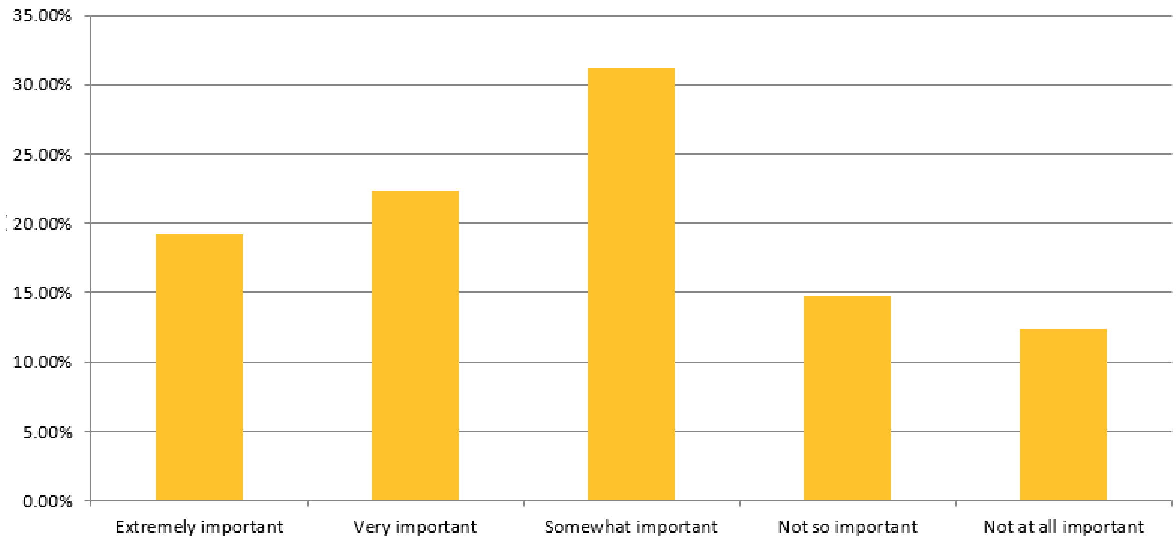
SENIOR CITIZENS SKEPTICAL OF AI, EXCEPT IN FRAUD PROTECTION

Respondents over 60 were the least likely to view AI in financial institutions favorably, though they strongly supported its use in fraud detection.

CONSUMER INSIGHTS

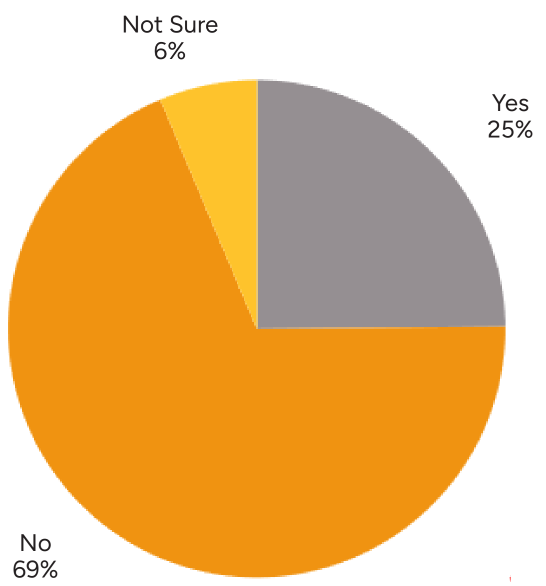
HOW IMPORTANT, IF AT ALL, DO YOU THINK AI IS IN THE FUTURE OF FINANCIAL SERVICES?

Overall, 72% of respondents believe AI will play at least a somewhat important role in the future of financial services. Agreement is strongest among adults ages 30–44, with 82% expressing this view, followed closely by 18–29 year olds at 77%. Men are also significantly more likely than women to agree, at 80% compared to 65% and more likely to recognize when it does. ▼



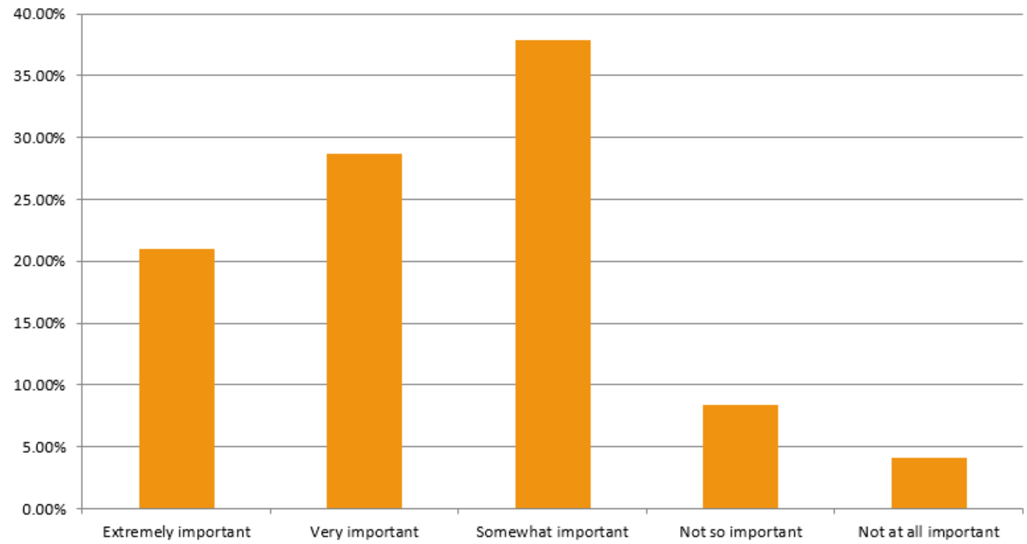
HAVE YOU EVER USED AN AI-ENABLED TOOL?

Only about one in four respondents report using an AI-enabled tool, such as Monarch, Cleo, or Qapital, to help manage their money. Usage skews younger, with younger adults more likely to adopt these tools, and men report higher usage than women. ▼



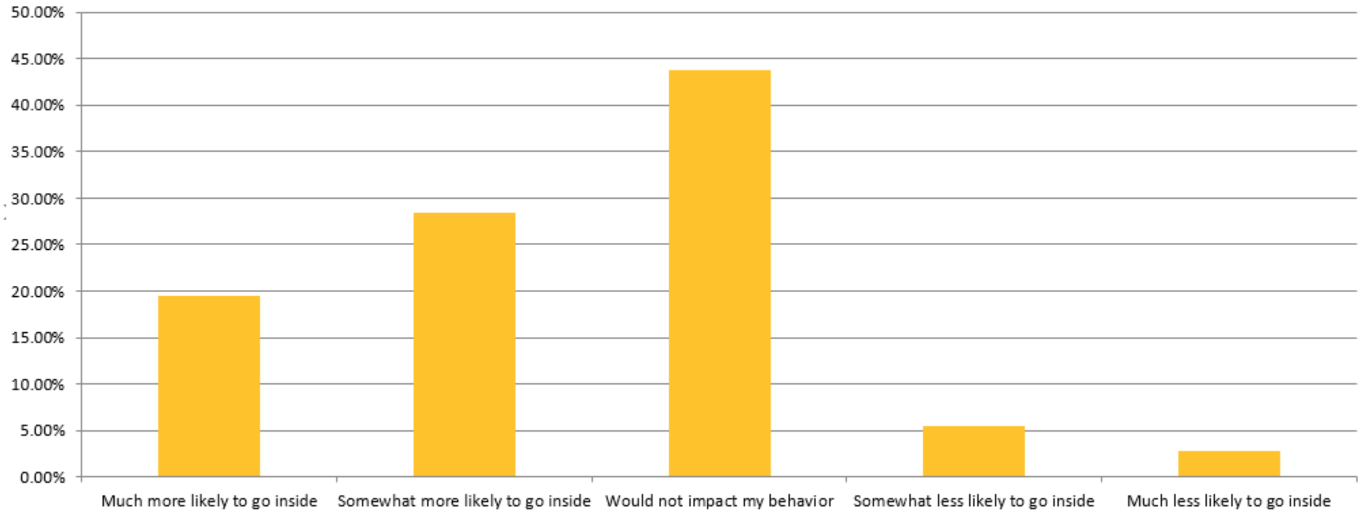
HOW IMPORTANT TO YOU, IF AT ALL, IS IT THAT YOUR FINANCIAL INSTITUTION BRANCH UTILIZES TECHNOLOGY / DIGITAL SOLUTIONS?

Half of respondents believe it is extremely or very important for branches to use technology and digital solutions. This view is stronger among men and adults ages 18–44, though slightly lower for the 18–29 group compared to those 30–44. Only 12.5% consider it unimportant, with this perspective most common among adults 45 and older.



IF YOU SEE THAT A FINANCIAL INSTITUTION HAS TECHNOLOGY / DIGITAL SOLUTIONS IN THEIR BRANCH, HOW WOULD IT IMPACT YOUR LIKELIHOOD OF GOING INSIDE, IF AT ALL?

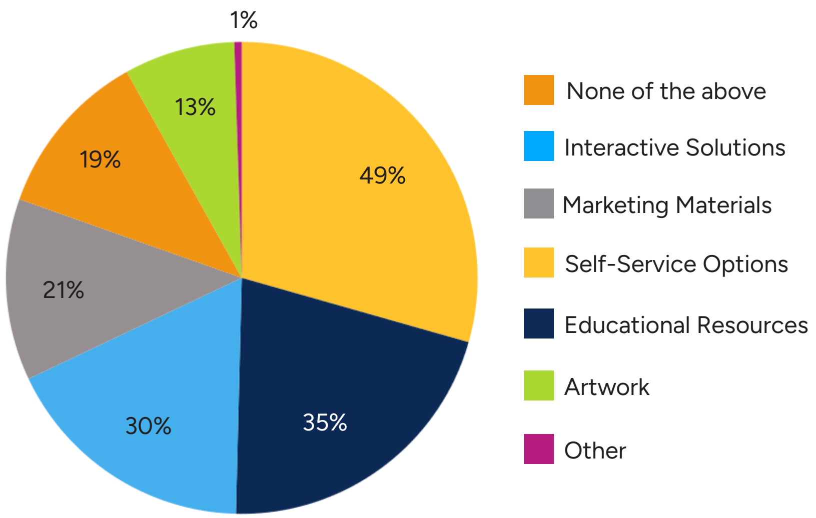
More than 60% of respondents under 45 say they would be more likely to visit a branch if they saw it offered technology or digital solutions. ▼



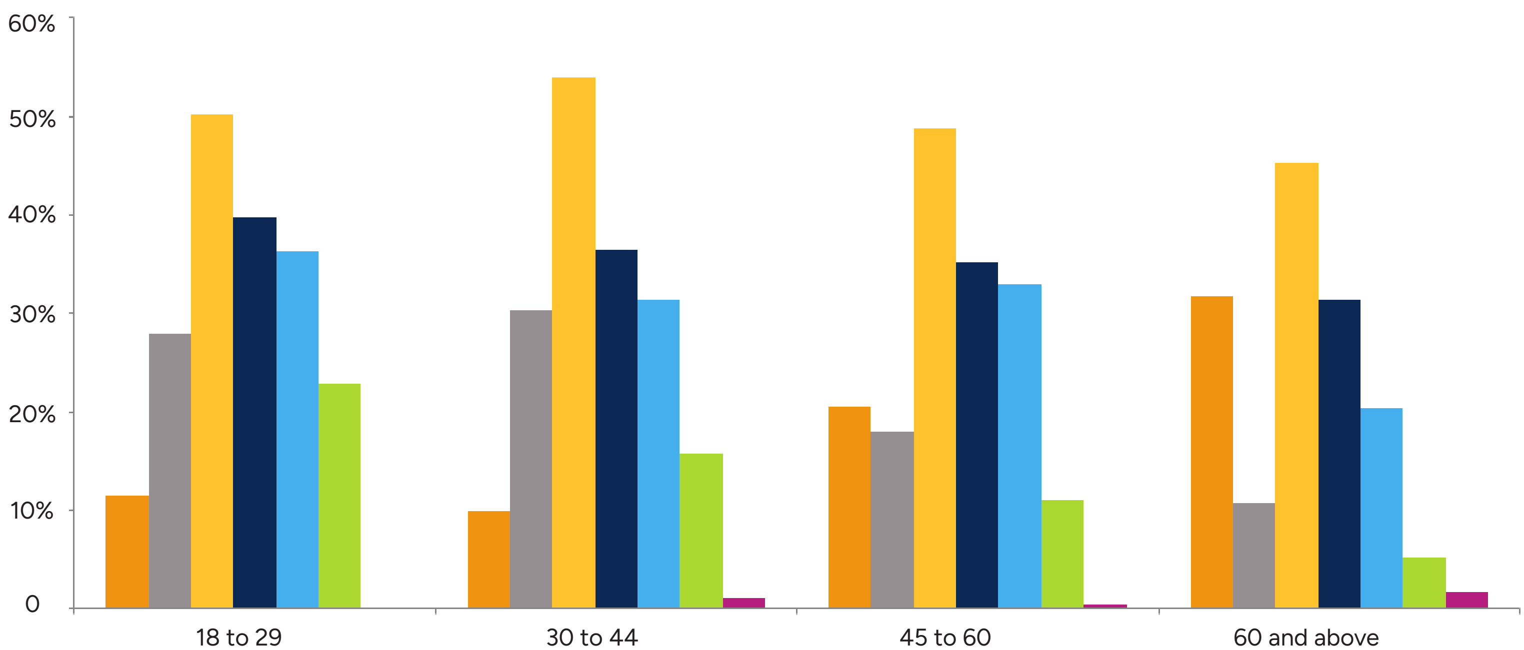
CONSUMER INSIGHTS

WHAT TYPES OF TECHNOLOGY / DIGITAL SOLUTIONS, IF ANY, WOULD BE OF INTEREST TO YOU?

When asked what types of technology or digital solutions would interest them, respondents across all age groups showed the most interest in self-service options, followed by educational resources and interactive tools.

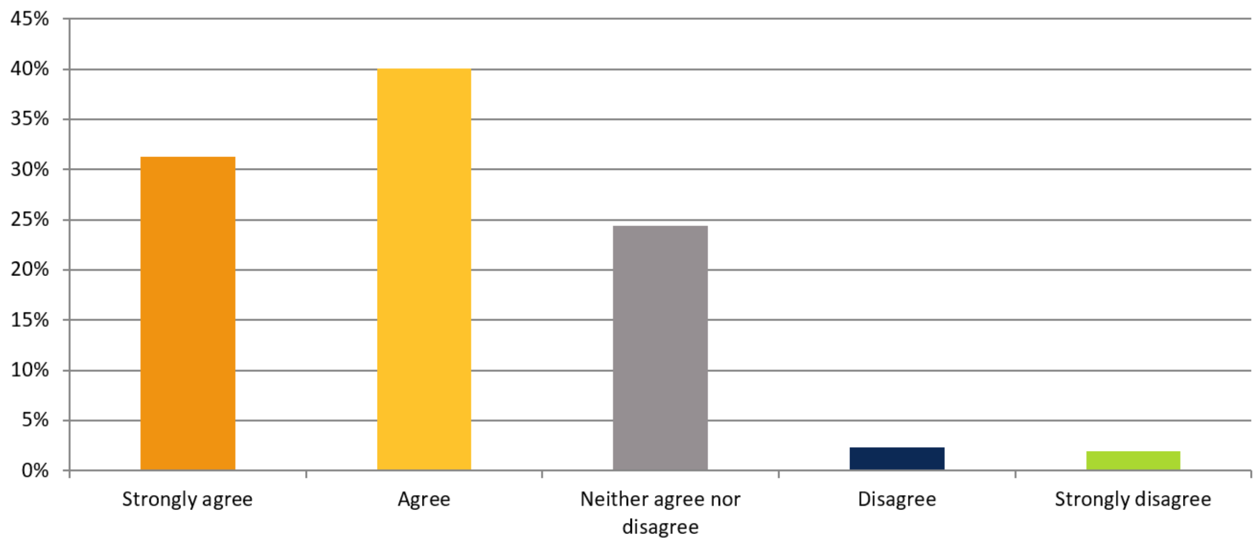


Younger adults stood out as more interested in digital solutions for marketing materials and artwork compared to older groups, raising questions about whether this reflects greater comfort with technology, familiarity with digital content, or a clearer understanding of what's possible.



IS IT IMPORTANT THAT MY FINANCIAL INSTITUTION HAS THE LATEST IN-BRANCH TECHNOLOGY?

Seventy-one percent of respondents believe it is important for their financial institution to have the latest in-branch technology. Agreement is strongest among adults ages 30–60, with those 60 and older close behind, while 18–29 year olds are the least likely to share this view. Men are also more likely than women to agree.



IMPLEMENTATION

BUILDING A RESPONSIBLE AI STRATEGY: FROM HYPE TO EXECUTION

AI is no longer optional; it's an essential capability for financial institutions aiming to remain competitive. But integrating AI effectively requires more than plugging in new technology. It demands a strategic, ethical, and intentional approach.

Here's what separates successful AI adopters from the rest:

- Prioritize customer trust. Consumers respond best to AI that delivers clear benefits like fraud detection or support.
- Start with the use case, not the technology. Focus on real pain points (e.g., onboarding friction, fraud losses, support costs).
- Ensure your data is clean, consistent, and labeled. Poor data is still the number one reason AI fails.
- Build cross-functional AI teams, combining IT, compliance, risk, marketing, and customer service.
- Incorporate strong model governance, including explainability, testing, and audit trails.
- Train your people. AI tools don't replace humans, they require them to think differently.
- Be transparent about AI use. Consumers value knowing how AI is being used and what benefits it provides. Explain use cases, especially in areas like personalized recommendations or decision-making.

IN CONCLUSION

The AI advantage starts with you.

AI is reshaping everything from fraud detection to customer experience. But the value lies in thoughtful application, not just the tech itself.

By focusing on consumer needs, using high-quality data, and applying AI with care and transparency, your institution can lead in the age of intelligent finance.

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