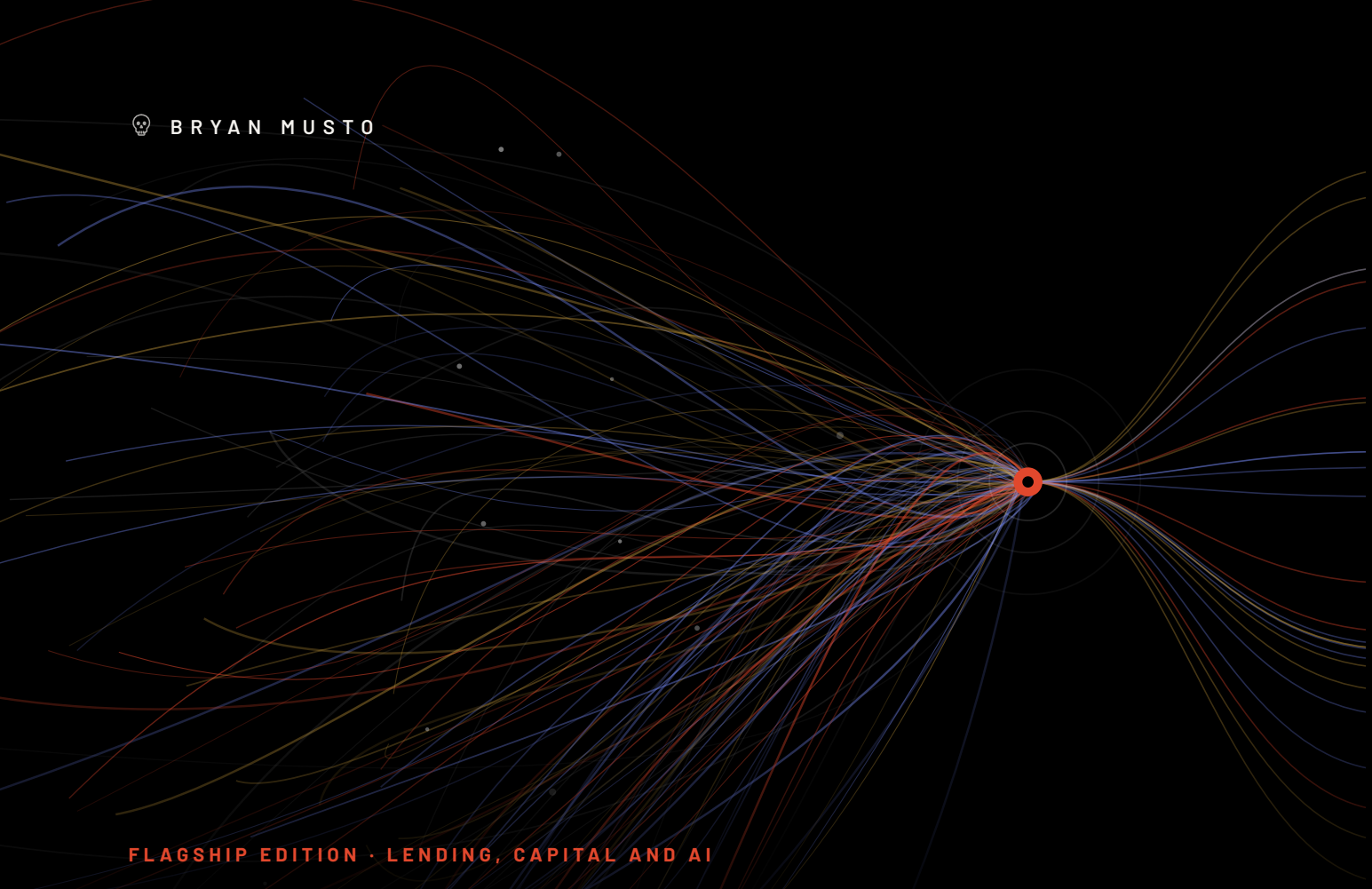
BRYAN MUSTO



FLAGSHIP EDITION · LENDING, CAPITAL AND AI

BEYOND ORIGINATION

The Reinvention of Lending in the Age of AI

Who will control the economics of lending in 2030?

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OPENING

The wrong finish line

A borrower can now apply for a mortgage from a phone and close in a record 37 days. The lender on the other side spends more to produce that loan than it did before the digital mortgage existed.

Independent mortgage banks and bank mortgage subsidiaries spent $11,094 to produce each loan in 2025, against an average of $7,903 since 2008.[1,2] Lower volumes, labor costs, compliance and loan complexity all contribute. But fifteen years of digital investment have not bent the cost curve. The industry has spent fifteen years making credit easier to apply for, and the scoreboard it chose, the digital application, now shows a win. It was the wrong finish line. The application is the most visible part of lending and among the least decisive for its economics. Lenders make or lose money on credit selection, pricing, funding, fraud, servicing, and the length of the relationship.

This paper asks one question: **who will control the economics of lending in 2030?** It treats AI as one of several forces, alongside real-time data, embedded distribution and private capital, that are changing where value is created in credit and who captures it. The answer depends less on who builds the fastest application than on who owns the decisions, the capital and the relationship that make a loan profitable.

Three findings

01

The digital transformation of lending is unfinished

Lenders digitized the customer's experience faster than they changed the work and economics behind it. Personnel are still about two-thirds of mortgage production cost, and only 17% of mortgage lenders run AI in live production.[3,4]

02

The frontier is economic intelligence

Durable advantage now comes from decision quality, funding cost and portfolio performance more than from application speed. Which lever pays depends on the business model. Where expected losses are high relative to origination cost, better credit decisions beat faster origination. In prime and originate-to-sell lending, origination efficiency often wins. Section III shows where the line falls.

03

AI will redistribute competitive advantage

AI lowers the cost of capabilities anyone can buy and raises the value of three that cannot be bought: relationships, proprietary outcome data and capital that holds through a downturn. Lending is already coming apart into separate businesses, and US banks now lend more than $2 trillion to other lenders.[5] Advantage is likely to settle with institutions that own one scarce asset and connect it to the others.

> FROM THE AUTHOR
>
> *I started on an equity derivatives desk at BNP Paribas, where the first lesson is that risk always gets priced, whether you price it or not. Two decades later, after corporate strategy at Vanguard, building the financial services business at LiquidHub, scaling sales at Luxoft, leading Capgemini Invent's capital markets practice and running growth at A5, I read lending the same way. A technology earns its place when it changes how risk and capital are priced. A better screen is not enough.*

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01

SECTION I

The digital lending paradox

Lenders have digitized access to credit. Most have not digitized the production of credit, and the economics follow production.

The marketplace lenders of the early 2010s showed that unsecured credit could be originated online and funded by investors. The following decade brought digital front ends, point-of-sale lending and e-closing into the mainstream. The results are real. Technology-based mortgage lenders were shown to process applications about 20% faster with no higher defaults.[6] Fintechs originated about 42% of unsecured personal loans in Q3 2025.[7] Online lenders' share of small-business applicants rose from 17% to 29% in five years.[8]

Behind the screen, the production function barely moved. A digital application typically feeds a process in which people read documents, check them against systems that do not share data, re-key fields and assemble a file for another person to review. These persistent operational inefficiencies help explain why digital investment has not consistently translated into lower mortgage production costs, although volume, labor, compliance, and loan complexity also shape the industry's cost structure. It is also why the gap between lenders is so large. The most profitable fifth of firms in MBA's 2025 study produced loans for $10,074. The least profitable fifth spent $12,603, more than the $11,879 average loan earned.[2] In fee-based mortgage, operational excellence is the business model, and most of the industry has not achieved it.

EXHIBIT 1

The digital lending paradox OBSERVED

The surface of lending has been transformed. The production system underneath has not. The ladder shows the five changes usually grouped as "digital transformation," and where the US industry broadly sits.

SURFACE What the borrower sees	**36.8 days** to close a purchase mortgage, fastest on record (Mar 2026)	**~42%** of unsecured personal loans originated by fintechs (Q3 2025)	**29%** of small-business applicants applying online, up from 17% in 2020
PRODUCTION What the lender runs	**$11,094** to produce a mortgage in 2025, vs a $7,903 average since 2008	**~2/3** of mortgage production cost is still personnel	**17%** of mortgage lenders with AI in live production; 83% evaluating

1 · Digitization	2 · Automation	3 · Integration	4 · Intelligence	5 · Orchestration
Paper becomes screens; applications move online	Discrete tasks run without people	One real-time record of borrower, loan and decision	Models learn from outcomes to price, decide, detect	Software coordinates work; people handle exceptions
BROADLY ACHIEVED	WIDESPREAD, UNEVEN	BINDING CONSTRAINT	CONCENTRATED IN LEADERS	EARLY PILOTS

Sources: ICE Mortgage Monitor (May 2026); TransUnion Q4 2025 CIIR; Federal Reserve SBCS 2026; MBA Annual Performance Report 2025 and Q1 2026 release; Freddie Mac Cost to Originate (2024); The Mortgage Collaborative (Jul 2026). Ladder placement is my assessment.

AUTHOR'S CONCLUSION

Most institutions are buying stage 4 and 5 technology on stage 3 foundations. Integration, the least glamorous stage, sets the ceiling on returns from everything after it.

Why the investment underdelivers

The common explanations, weak vendors and scarce talent, miss the structural causes. The first is that business cases target the wrong cost. Programs are justified by labor saved in the step being digitized. In balance-sheet lending, though, the largest costs are credit losses, funding and acquisition. The second is that savings are rarely harvested. An hour saved becomes money only when capacity is cut or redeployed, and mortgage staffing that tracks volume through hiring cycles absorbs most of it. The third is integration debt. Three core processors serve most US banks, with Fiserv alone serving 42% in 2022 survey data.[9] Every new tool adds connections to cores and to other tools until the mesh itself becomes the constraint.

The adoption data fit this picture. Interest in AI is close to universal; production deployment is not. Of the 50 large banks in Evident's October 2026 index, only 12 reported a realized or projected return on their AI activities.[4,10] Undisclosed returns are not absent returns. The point is narrower: the evidence that AI has changed lending economics at scale is not yet public, outside a handful of leaders.

> **FROM THE AUTHOR**
> *From 2013 to 2015 I built the financial services practice at LiquidHub around digital customer engagement for banks, insurers and asset managers. That wave delivered what it set out to deliver. Its mandate was the customer's screen, and the work behind the screen was left for later. Later has arrived.*

> **IMPLICATION FOR LEADERSHIP**
> Before funding another customer-facing program, fund the integration layer: one real-time record of borrower, loan and decision across products. Every AI investment after that point earns more.

02

SECTION II

The state of the lending market

The US lending market is best understood as six business models that make money in different places, not as a list of charters.

US households owed $18.8 trillion at mid-2026, of which $13.1 trillion was mortgage debt. Annual mortgage originations of about $2.1 trillion are roughly a sixth of that mortgage stock.[11,12] The distinction matters for every argument that follows. Spread

income, credit losses, funding costs and servicing expenses accrue on the stock. Application processing touches only the flow. In my assessment, the industry's most visible technology investments (digital applications, point-of-sale finance, e-closing and origination platforms) have been aimed mostly at the flow. No public dataset measures that allocation, so I offer it as an observation rather than a statistic.

The macro backdrop is tighter than many 2026 plans assumed. The Federal Reserve raised its target range to 3.75–4.00% in September 2026 and held it in October, with two voters preferring another increase. The 30-year mortgage rate was 7.24% at the end of October.[13] Banks remain profitable, with $90.1 billion of second-quarter net income and a 3.32% net interest margin.[14] Those healthy margins are part of the problem, because they let institutions defer operating-model change.

Six models, six economics

National and regional banks hold the cheapest durable funding and the primary checking relationship, yet they run product-siloed operations. Regionals add a concentration problem: $875 billion of commercial and multifamily mortgages mature in 2026 alone.[15] **Community banks and credit unions** keep trust and low funding costs, and credit union loans grew 4.9% to $1.76 trillion.[16] But they depend on a few core vendors, and credit unions' share of auto loans slipped to 19.6% as dealer-channel speed decided more of the flow.[17,9]

Consumer and mortgage lenders divide into balance-sheet consumer lenders, whose profit depends on losses and funding, and originate-to-sell mortgage companies, whose profit depends on production cost and volume. Independent mortgage companies originated roughly two-thirds of first-lien owner-occupied purchase and refinance loans in 2023, and the top ten lenders took about 23.5% of 2025 volume.[18] Rocket's acquisitions of Redfin and Mr. Cooper, the latter valued at about $14.2 billion at close, show where scale players think the next loan comes from: servicing books and search traffic.[19]

Commercial and small-business lenders face a split market. Above roughly $250,000, relationships and judgment protect incumbents. Below it, speed decides. Small banks still deliver the best small-business outcomes, with a 57% full-approval rate, while 60% of online-lender borrowers say costs were higher than expected.[8] The pattern suggests banks are losing small-ticket share on process rather than product.

Fintech and embedded lenders win on distribution and decisioning but rent their capital. PayPal sells its US Pay in 4 receivables to Blue Owl, Affirm funds a $50 billion GMV business through capital markets, and Shopify purchased $4.2 billion of merchant loans and cash advances in 2025.[20,21,22] BNPL issuance reached $156.7 billion in 2025.[23]

Private credit and specialty finance supply that capital, and banks finance them in turn: loans to nondepository financial institutions reached $2.06 trillion in September 2026, up about 20% in a year.[5]

Where disruption is structural

Three segments face structural rather than incremental change. Small-ticket business credit is shifting toward platforms that see a merchant's sales every day. Indirect auto rewards whoever decides at the dealer in seconds. Mortgage origination is consolidating toward the lowest unit cost and the largest servicing books. Large commercial and CRE credit faces a different threat, from inside: incumbents that use AI for analysis will price and close faster than incumbents that do not.

The capital behind the unbundled models is already tightening. In the Federal Reserve's October 2026 loan officer survey, banks reported tighter standards on loans to every category of nonbank lender.[24] The Tricolor and First Brands collapses, both involving alleged double-pledging of collateral, showed what happens when every participant assumes someone else verified it.[25] Private credit, the FSB notes, has never been tested in a severe downturn.[26]

> **IMPLICATION FOR LEADERSHIP**
> Map your portfolio by the role you play in each loan: distributor, decision-maker, funder or servicer. For each role, name what protects it if a platform with better distribution or cheaper capital performed it instead. Where nothing does, partner, specialize or exit.

SECTION III

03 The economics of intelligent lending

Which part of the lending lifecycle is most valuable has no single answer. It depends on how the lender makes money, and simple arithmetic shows where the line falls.

A loan's profit is a short equation. Yield, less funding cost, expected credit loss, fraud, acquisition and origination cost and servicing, gives a pre-tax margin. That margin must then cover the cost of the equity the loan consumes. Technology can move every term, but

not by the same amount, and the weights differ sharply by business model.

Consider an illustrative near-prime consumer installment loan held by a deposit-funded bank. Per $100 of average balance, it yields 14.0 a year, pays 3.0 in funding (a 3.3% rate on the 90% of the balance funded by debt), loses 4.0 to credit and 0.3 to fraud, and spends 2.0 on acquisition and origination (amortized over the loan's life) and 1.0 on servicing. That leaves a pre-tax margin of 3.7 points.[27] After a capital charge of 10% equity at a 12% cost, economic profit is 2.5 points. Put the same loan on a nonbank funded at 5.8% with 15% equity costing 15%, and the margin falls to 1.8 points. Economic profit turns negative.[21] On these assumptions, a nonbank holding the loan cannot earn its cost of capital. That is the economic logic behind forward-flow sales and the 2025–26 wave of fintech charter applications.

The crossover rule

Which lever matters more, better credit decisions or cheaper origination? Compare a 15% reduction in credit losses with a 30% reduction in acquisition and origination cost. The loss improvement is worth more whenever expected credit loss exceeds twice the acquisition and origination cost, both measured as a share of balance. More generally, if losses fall by a% and origination cost by b%, the crossover sits where expected loss equals b/a times origination cost. The factor of two follows from the improvements assumed. It is not a law, and lenders should substitute the gains their own models and processes can credibly deliver.

On these assumptions, subprime lenders sit well to the right of the line, where decision quality dominates. The illustrative near-prime lender sits on it: the two levers are worth the same, and decision quality pulls ahead as losses rise. Prime lenders sit to the left, where origination efficiency pays more. Speed can also cost money. If a cheaper process loosens verification enough to raise expected losses by just 5%, a third of the near-prime gain disappears (Panel B).

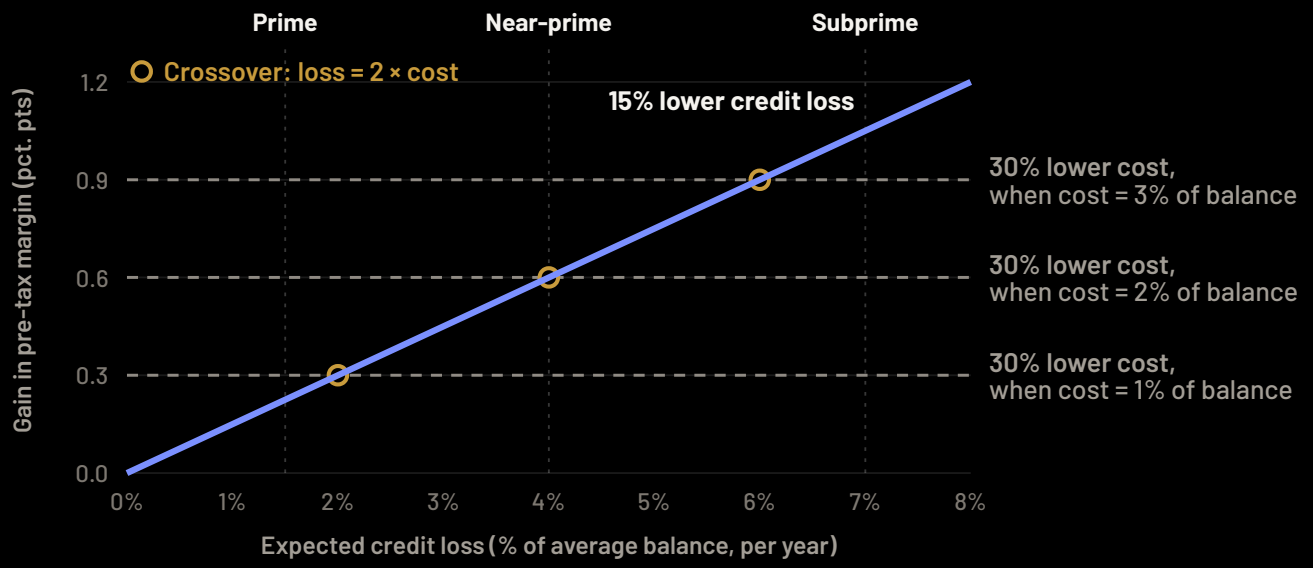
EXHIBIT 2

When decision quality beats origination efficiency

ILLUSTRATIVE

Annual economics per $100 of average loan balance, for a loan held on balance sheet. The chart compares two improvements: 15% lower credit losses (blue line) and a 30% cut in acquisition and origination cost (dashed lines, at three cost levels).

A · THE CROSSOVER MODELED



B · ASSUMED INPUTS, PER $100 OF AVERAGE BALANCE PER YEAR ILLUSTRATIVE ASSUMPTIONS

MODEL	YIELD	FUNDING	CREDIT LOSS	FRAUD	ACQUISITION & ORIGINATION	SERVICING	PRE-TAX MARGIN
Near-prime, held	14.0	3.0	4.0	0.3	2.0	1.0	**3.7**
Prime, held	10.0	3.0	1.5	0.2	2.5	0.8	**2.0**

C · SENSITIVITY: CHANGE IN PRE-TAX MARGIN MODELED

LEVER	NEAR-PRIME pct. pts · % of margin	PRIME pct. pts · % of margin
15% lower credit loss	**+0.60 · +16%**	**+0.23 · +11%**
30% lower acquisition and origination cost	**+0.60 · +16%**	**+0.75 · +38%**
...the same cut, if losses rise 5% (adverse selection)	**+0.40 · +11%**	**+0.68 · +34%**
50 bp better risk-based pricing	**+0.50 · +14%**	**+0.50 · +25%**
50 bp lower funding rate (on 90% debt)	**+0.45 · +12%**	**+0.45 · +23%**
30% lower servicing cost	**+0.30 · +8%**	**+0.24 · +12%**

+424%
OF PROFIT PER LOAN

Different denominator: originate-to-sell mortgage. MBA's observed 2025 averages are one-time production revenue of $11,879 and expense of $11,094 per loan, a profit of $785. A 30% cut in production expense (–$3,328) would raise that profit by 424%. Credit risk is mostly sold to the GSEs, so the loss lever barely applies. This per-loan figure is not comparable with the annual, per-balance economics above. OBSERVED BASE MODELED CHANGE

Notes: Funding of 3.0 equals a 3.3% rate on the 90% of the balance funded by debt; the remaining 10% is equity, charged separately in the text (10% at 12% = 1.2). Acquisition and origination cost is amortized over the loan's life. Card fee and interchange income are excluded, so the prime case is not a card P&L. Pricing gains assume no loss of volume, which is optimistic in competitive prime markets. The near-prime tie follows from losses being exactly twice origination cost. Gold outline: each model's largest lever.[27,2]

AUTHOR'S CONCLUSION

Where expected losses exceed twice origination cost (for these assumed improvements), the best AI investment improves the credit decision. Below that line, and in originate-to-sell lending, it lowers the cost of producing the loan, provided cheaper production does not admit worse risk.

What the arithmetic does and does not say

The model does not say that origination is unimportant. The origination *decision* (who is approved, at what price, with what fraud screen) sets the loss rate for the loan's life. It also carries the strongest independent evidence for AI. Machine learning predicted mortgage default better across about 9.4 million loans. Digital-footprint data matched the predictive power of a bureau score, and combining the two outperformed either. Alternative data found low-risk borrowers whom traditional scores had missed.[28,29,30] No amount of servicing intelligence repairs a badly selected book.

The argument is against over-investing in the origination *process* where the process does not decide profit. A higher-loss lender that spends its AI budget on application speed leaves its largest lever untouched. So does a prime lender or an independent mortgage bank that ignores production cost. Two further levers sit outside the single-loan model. Conversion spreads fixed acquisition cost over more funded loans. Lifetime value turns one loan into a relationship through recapture, cross-sell and deposits. Rocket's acquisition of Mr. Cooper, which lifted its servicing book to about 9.1 million loans, is a bet on the second.[19]

FROM THE AUTHOR

Trading teaches you that a risk you do not price still gets paid, by your margin instead of your customer. The crossover rule is that lesson applied to AI budgets: spend where the mispriced risk is largest. In higher-loss balance-sheet lending, that is the credit decision.

IMPLICATION FOR LEADERSHIP

Before approving the AI budget, place your business on the crossover chart using your own loss rates, cost base and credible improvement estimates. Fund the side of the line you are on. Rank projects by the value they can realistically capture and how soon, not by the total value attached to an activity.

04

SECTION IV

The Lending Value Capture Framework

Lending profit comes from four sources: distribution, decision intelligence, capital and lifecycle management. AI is cheapening some parts of each and making others more valuable.

A loan used to be one firm's product from application to payoff. It is increasingly a supply chain. Take a "Pay in 4" purchase. A merchant platform supplies the customer. PayPal underwrites and services the loan. Blue Owl funds buy the receivables. Banks lend to the funds.[20,5] The same pattern runs through SoFi's loan platform, Affirm's capital network and Upstart's forward-flow programs.[31,21,32]

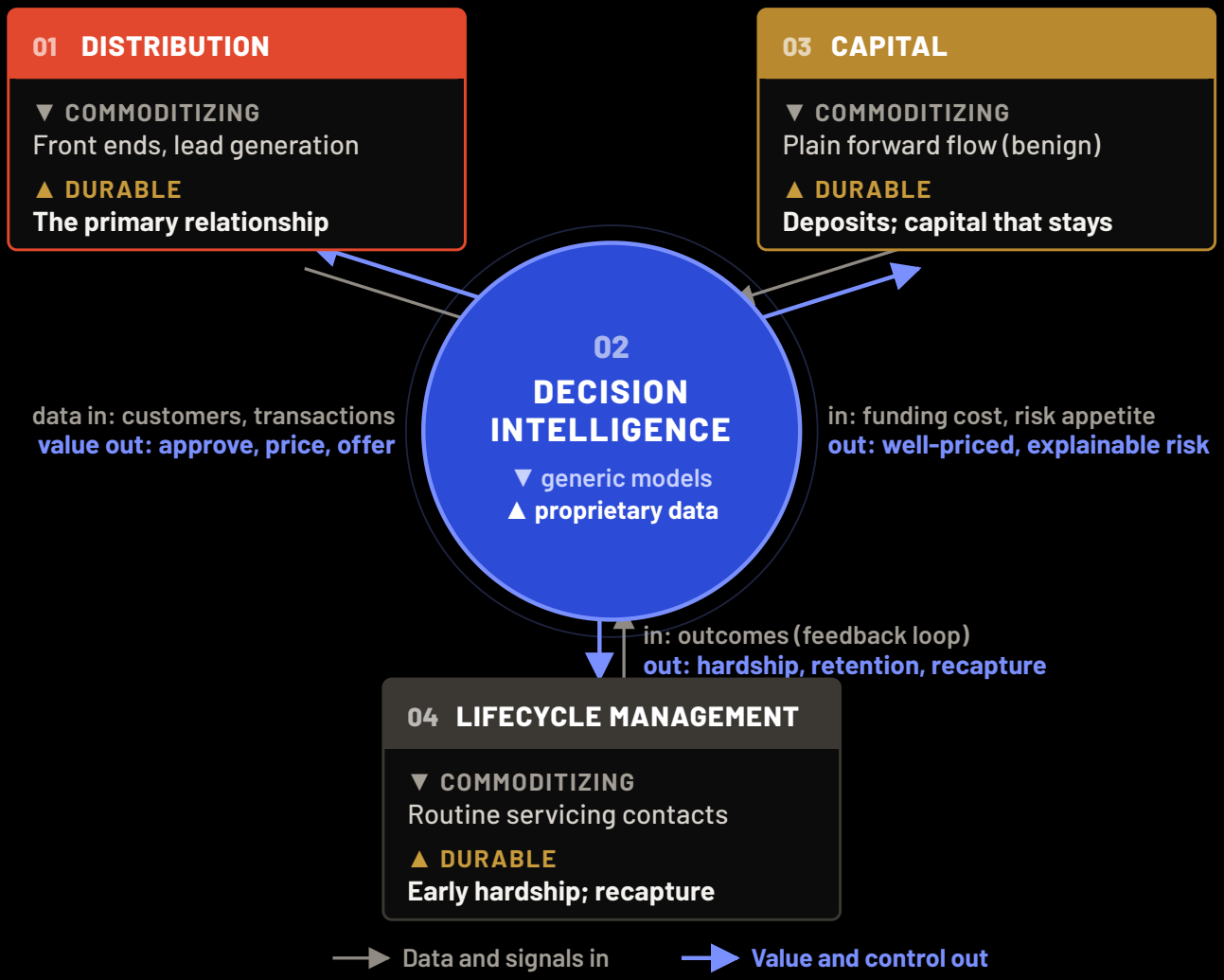
Once the chain separates, the economics of each link become visible, and they differ. Distribution is a traffic business. Decisioning is an information business. Capital is a cost-of-funds business: SoFi estimated its deposits cost about 1.9 points less than its warehouse lines, worth over $500 million a year.[31] Lifecycle management is a scale business that turns valuable when servicing data sources the next loan. Exhibit 3 sets out my synthesis of these dynamics. It is a lens for strategy, not an empirically validated model.

EXHIBIT 3

The Lending Value Capture Framework

AUTHOR'S FRAMEWORK

Decision intelligence sits at the center because it turns data from the other three layers into profitable loans, well-priced risk and retained relationships. It depends on them as much as they depend on it.



WHO HOLDS BARGAINING POWER

BENIGN FUNDING MARKETS

Capital competes to buy loans. Power shifts to **distribution**.

FUNDING STRESS

Buyers retreat and standards tighten, as for nonbank lenders in Oct 2026.[24] Power shifts to **capital**.

Author's original strategic synthesis (Sections II–III; Technical Research Supplement). A lens for strategy, not an empirically validated model. ▲ ▼ carry meaning without color.

AUTHOR'S CONCLUSION

Winners are likely to own one scarce asset (a relationship, proprietary outcome data or durable capital) and connect it to the other layers through decision intelligence.

EXHIBIT 3 CONTINUED

How AI changes the economics of each layer

	01 DISTRIBUTION	02 DECISION INTELLIGENCE	03 CAPITAL	04 LIFECYCLE
AI LOWERS THE COST OF	Front ends, personalization, lead generation	Model building, extraction, scorecards	Loan-level reporting and diligence	Contact-center and status work
AI RAISES THE VALUE OF	Presence inside commerce, payroll or software	Outcome data across a cycle; governed models	Investor-grade data that narrows spreads	Hardship detection, recapture, fraud defense

How the layers interact

The layers are not independent. Distribution without capital is a liquidity risk. When Upstart's loan buyers pulled back in 2022, loans accumulated on its balance sheet and its valuation fell sharply. Model performance under rising rates was questioned too, but the episode showed most clearly that a lender dependent on discretionary buyers can lose its distribution overnight. Its July 2026 conditional bank approval is one response to that lesson.[32] Capital without decision intelligence is a commodity, priced on spread alone. Decision intelligence without distribution starves for data. Lifecycle management without the deposit account sees only half the borrower. Decision intelligence is the layer that converts each of the others into profit, which is why it sits at the center of Exhibit 3.

The evidence for the framework is uneven. The capital-cost gap and the cyclicality of borrowed funding are well documented. The durability of decision advantage rests on academic work and on the persistence of leading banks' AI positions, which is suggestive rather than conclusive.[28,10] Whether embedded distributors can hold their position through a full credit cycle is untested. Shopify's share of loans current slipped from 93.7% to 91.9% as volume grew, and Block's loan losses rose 154% as Cash App Borrow volume grew 143%.[22,33]

IMPLICATION FOR LEADERSHIP

Name the one layer where your institution holds a scarce asset, and judge every AI investment by whether it connects that asset to the layers you lack. Programs that only make a commodity capability cheaper rarely change competitive position.

05

SECTION V

AI and the new lending operating model

The architectural question has moved past which origination system to buy. It is now where decisions are made, who coordinates the work, and who owns the record of both.

EXHIBIT 4

The intelligent lending architecture

AUTHOR'S FRAMEWORK

Five functional layers and how they interact. Channels raise events, orchestration routes work, shared decision services decide and price, records hold the truth, and the intelligence layer learns from outcomes. Labels show what an institution should own, buy or stabilize.

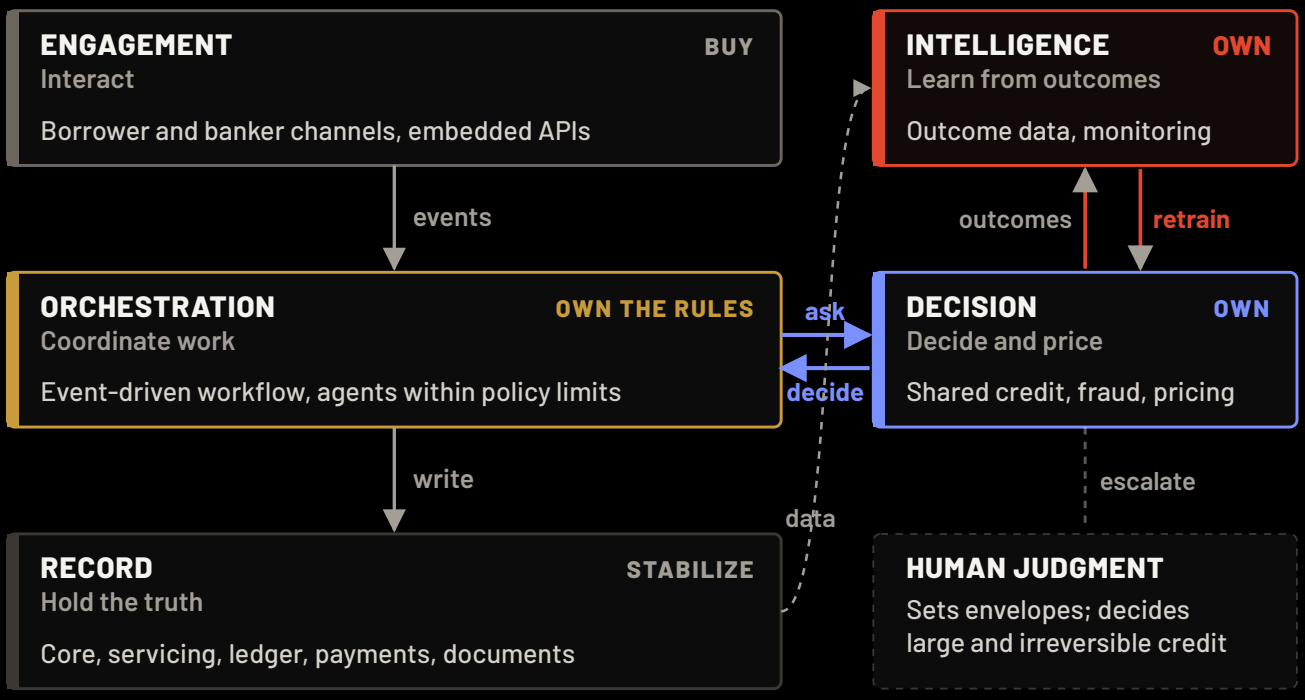


EXHIBIT 4 CONTINUED

Who decides: AI role and human accountability by decision type

DECISION TYPE	EXAMPLES	AI ROLE AND HUMAN ACCOUNTABILITY
Reversible, low consequence	Document extraction, routing, summaries	Autonomous, with sampling and drift alerts
Consequential, reversible	Fraud holds, collections strategy, hardship offers	Executes within policy limits; named owner; outcome testing by segment
Regulated credit decision	Approve, decline, price, line	Decides inside a validated envelope; specific adverse-action reasons; fair-lending testing
Judgment-intensive, irreversible	Large commercial credit, workouts, exceptions	Analyst support only; credit committee decides

Author's framework, informed by the interagency model risk guidance (Apr 2026), ECOA and Regulation B adverse-action requirements, and the EU AI Act's risk tiering.[34,35]

AUTHOR'S CONCLUSION

Lenders differentiate in the decision, orchestration and intelligence layers but have historically spent most heavily on engagement and record. Reversible decisions usually offer attractive automation economics at low risk. High-consequence decisions can carry more value per decision and most of the regulatory exposure, so they warrant augmentation before autonomy.

"AI" covers four different things with different economics. **Conventional automation** executes fixed steps. **Predictive machine learning** estimates default, fraud and response from outcomes, and has the strongest independent evidence in lending.[28,29] **Generative AI** reads, extracts and drafts. It is productive and occasionally, confidently wrong. **Agentic systems** chain models, tools and permissions to complete multi-step work. For the last two, nearly every quantified lending result in the public domain is self-reported by a vendor or deployer. Gartner expects more than 40% of agentic projects to be canceled by 2027.[36]

The highest-value uses are not exotic. Document intelligence attacks mortgage production cost. Fraud and identity models face generative forgery: FinCEN has warned of deepfakes defeating verification, and TransUnion put lender exposure to suspected synthetic identities near $2.4 billion.[37] Cash-flow data improves credit decisions for thin-file borrowers.[30] Collections and hardship models act on the whole outstanding book, and credit-officer support speeds commercial analysis without taking over the decision.

Where judgment and regulation bind

Autonomy should stop where outcomes are sparse, where errors are hard to reverse, and where the decisive facts are qualitative. Prime consumer credit clears those tests, and has been auto-decided for decades. Middle-market credit fails all three. Automation also has limits on the customer side. Klarna publicly rebuilt human service after concluding cost had been "a too predominant evaluation factor," and the CFPB documented bank chatbot "doom loops."[38,39] Neither case proves causation, but both show where a cost-only business case loses value.

Regulation shapes the design more than the 2025–26 federal retreat suggests. The CFPB withdrew its guidance on adverse-action notices for complex models, but the statute still requires specific principal reasons for every denial, whatever the model.[35] In 2026 the CFPB amended Regulation B to drop the disparate-impact effects test and to state its view that ECOA does not support such claims. That view binds the Bureau's own supervision. It does not bind courts, which read the statute without deference, nor private plaintiffs, state attorneys general or claims under the Fair Housing Act, and the rule is under challenge.[40] Massachusetts has already settled an AI underwriting case on disparate-impact grounds.[41] The April 2026 interagency model-risk guidance states that generative and agentic AI "are not within the scope" of the guidance, so lenders deploying them must write their own controls, with Treasury's voluntary framework the nearest reference.[34,42] Colorado and California duties begin in 2027, and the open-banking rule that would guarantee data access is enjoined while large banks negotiate fees privately.[43,44]

For lenders that build decision records as a byproduct of operations, governance becomes an asset. Funders, partner banks and embedded distributors increasingly price it. Explainability is cheapest when it is designed into the model, through monotonic constraints and reason families a consumer can act on. It is most expensive when bolted on afterward.

> **IMPLICATION FOR LEADERSHIP**
>
> Separate the decision layer from the origination system and the core, and own it: policy as code, models, reason codes and decision records. It is the one technology asset that compounds, and the one regulators and funders will ask to see.

06

SECTION VI

Who wins, who loses, and why

No business model is strong in all four layers. The outcome turns on four things: funding economics, data access, distribution and the regulatory obligations each model carries.

Read the market through the framework and the competitive map simplifies. Banks hold capital and, increasingly, the data behind the primary account. Platforms hold distribution and first-party transaction data. Fintechs hold decision speed but rent their capital. Private credit holds flexible capital but little else. Each model's strategy should start from the layer it owns and the layer it lacks.

The questions executives ask

Will AI democratize lending or concentrate it? My forecast is concentration. Model techniques spread quickly, but the outcome data needed to train and validate them accumulates where volume already is, and scale lenders also hold the cheapest funding and the widest distribution. Three counterforces could blunt this. Shared infrastructure (bureaus, cash-flow data networks, core-vendor models) can pool data for smaller lenders. Open models lower the cost of capability. And specialists that own a niche's data can out-decide generalists within it. **Can community banks and credit unions compete?** Yes, as specialists. Small banks still lead small-business approval and satisfaction.[8] A generalist trying to match national digital experiences across every product will be outspent. **Will fintechs disrupt banks or depend on them?** Increasingly, depend on them. The 2025–26 charter wave and banks' $2 trillion of lending to nonbanks point the same way.[32,5]

Will AI widen access to credit or narrow it? It can do either. Machine learning has raised approvals overall while helping minority borrowers less and widening rate dispersion. Under CFPB review, Upstart's model approved 27% more applicants at 16% lower APRs than a traditional model.[28,45] Working-paper evidence suggests the deciding factor is data: new data about previously invisible borrowers widens access, while re-ranking already visible borrowers can narrow it.[46] With the federal ECOA backstop weakened, state law and institutional choice decide which happens.

EXHIBIT 5

Competitive positioning by lender type

AUTHOR'S ASSESSMENT

Relative strength in each layer of the Lending Value Capture Framework (●●● strong, ●●○ moderate, ●○○ weak; filled dots carry the rating, not color), with each model's principal vulnerability and highest-priority response.

MODEL	DISTRI-BUTION	DECISION	CAPITAL	LIFE-CYCLE	PRINCIPAL VULNERABILITY	HIGHEST-PRIORITY RESPONSE
Large banks	●●●	●●○	●●●	●●○	Product silos; slow model governance; point-of-sale distribution ceded to platforms	Shared decision services across products; price capital to platforms as a product with data rights
Regional banks	●●○	●○○	●●●	●●○	CRE concentration into the maturity wall; tech spend below national peers	Commercial credit analysis and CRE early warning; own decisioning, buy the rest
Community banks and credit unions	●●○	●○○	●●●	●●○	Speed gap in small-ticket business and indirect auto credit; core-vendor dependence	Same-day decisions using deposit cash-flow data; negotiate data access and exit terms
Fintech lenders	●●○	●●●	●○○	●●○	Funding withdrawal in stress; model drift through the cycle	Committed capital or a charter; investor-grade loan data to narrow spreads
Embedded platforms	●●●	●●○	●○○	●○○	No full-cycle credit history at scale; reliance on partner banks	Real-time limits from transaction data; capital committed through a cycle
Mortgage lenders	●●○	●○○	●○○	●●○	Rate cyclicality; $785 average profit per loan	Production cost first; recapture from servicing data second
Private credit	●○○	●●○	●●●	●○○	Opacity; collateral verification; untested in a severe downturn	Continuous loan-level surveillance; independent collateral verification

Author's assessment based on evidence in Sections II–V. Ratings are relative and qualitative. [2,24,26]

AUTHOR'S CONCLUSION

On this assessment, the strongest positions belong to models that own capital and can acquire decision intelligence: large banks, and fintechs that win charters. The most exposed are models that own one layer and rent the rest through a credit cycle.

IMPLICATION FOR LEADERSHIP

Choose a position before choosing technology. A bank should decide whether to be a distributor, a decision-maker, a capital provider to platforms, or a relationship lender, and stop funding capabilities that serve positions it does not intend to hold.

07

SECTION VII

Lending 2030: the next competitive advantage

Four predictions, each with its economic logic and the conditions under which it fails. These are forecasts, not facts, and are offered so they can be tested.

EXHIBIT 6

The lending landscape in 2030: four forecasts FORECAST

My forecasts to 2030, each with its economic rationale, the condition under which it fails, and what leaders should do now.

	FORECAST	ECONOMIC RATIONALE	COULD FAIL IF	ACT NOW
01	**Capital will matter more than code**	On the illustrative model a nonbank earns below its cost of equity on a held loan that a bank finds profitable. Committed capital tightens first in stress.[24] Expect at least three more fintech bank or industrial bank charters.	Courts or policy narrow OCC chartering, or private credit commits capital that holds through a downturn.	Banks: price capital to platforms as a product with data rights. Fintechs: treat funding as strategy, not treasury.
02	**Decision ownership will separate leaders from laggards**	Above the crossover, decision quality is the largest lever (Exhibit 2). Proprietary outcome data compounds; generic models do not. The gap shows up in loss rates and pricing.	Pooled vendor models match proprietary ones, or regulation constrains model-driven pricing.	Write decision-layer ownership into the next LOS or core contract: exportable policy logic, models and decision records.

Forecasts are mine. Scenario analysis (incremental modernization, intelligent transformation, structural disruption) is in the Technical Research Supplement. On balance, I expect incremental modernization across most of the industry, transformation at the largest banks, and structural disruption in point-of-sale and small-ticket business credit.

EXHIBIT 6 CONTINUED

The lending landscape in 2030 (continued) FORECAST

	FORECAST	ECONOMIC RATIONALE	COULD FAIL IF	ACT NOW
03	**The portfolio will become the profit center of AI**	Servicing, collections, fraud and production cost act on the outstanding stock, pay back within months and can be measured. Serious delinquency transitions are already edging up in mortgages and autos.[11]	Disclosure stays thin, or contact rules limit proactive servicing.	Fund the decision layer that spans origination and servicing as one budget line.
04	**Governance will become a funding advantage**	Funders reprice partner risk after failures, as sponsor banks did after Synapse and lenders did after Tricolor and First Brands.[47,25] An agentic AI incident is likely to prompt the first agent-specific supervisory guidance.	Federal preemption removes state divergence, or funders compete on price alone.	Treat decision records as a product that funders and regulators can inspect.

Who controls the economics of lending in 2030

Speed will not decide it. Speed has become a threshold: losing on it is fatal at a dealership or a checkout, but winning on it earns less every year. Nor will any single layer of the framework decide it, because each is weak without the others.

Control will belong to whichever institution owns the scarcest of those assets in a given market, a relationship, outcome data or durable capital, and joins it to the rest through better decisions. That can be a bank that learns to decide like a fintech, a fintech that learns to fund like a bank, or a platform that learns to underwrite through a cycle. Institutions that own none of the scarce layers will still lend, but on terms set by those that do.

The digital application was the wrong finish line because it measured how easily credit could be requested. The right measure is how well credit is understood, priced, funded and kept over the life of the relationship.

> FROM THE AUTHOR
>
> *At Vanguard I learned how enduring firms make decisions measured in decades, not quarters. In fifteen years of investing through Musto Ventures, the same pattern has held. Capital is abundant until the day it isn't, and the firms that last planned for that day. Lending in 2030 will reward the institutions that plan for both.*

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Bryan Musto has spent more than two decades at the intersection of financial services, capital markets and technology. He began in equity derivatives trading at BNP Paribas and worked in corporate strategy at Vanguard. He built the financial services business at LiquidHub (later acquired by Capgemini), scaled the Americas sales organization at Luxoft (later acquired by DXC), and led Capgemini Invent's global capital markets practice. At A5, a global Salesforce Summit Partner later acquired by Accordion, he led strategic growth through capital raises and acquisitions.

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DISCLOSURES

This paper reflects the author's personal views, not those of Northlight Solutions Group, Minted or any other organization. No vendor or institution sponsored or reviewed it. The author's current and former employers work with technology platforms, including Salesforce, and with financial institutions. Minted operates in private credit. Figures are drawn from cited public sources as of November 2, 2026. Illustrative models and forecasts are labeled. Nothing here is investment advice.

COMPANION DOCUMENTS

The *Technical Research Supplement* contains the full evidence base: market landscape tables, the sixteen-use-case AI matrix, the legal-status table, the maturity model, scenarios, case studies, the 24-month implementation roadmap and the complete reference list. The *Editorial Package* contains the reduction report, verification log and quality assessment.

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