REVIEW ARTICLE

Banking and Financial Institutions and Predatory Practices: A Consumer Perspective

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Abstract

With the goal of growth come problems that can be illustrated, solved and improved by data analytics originally produced to solve problems in manufacturing operations. This is particularly important in industries where practices of firms are poorly regulated and involve free markets. By utilizing the experience in other industries, we desire to use data analytics to improve analysis in an industry other than industrial production and experimentation. These analytics will improve the functioning of banking and similar financial industries. The operations of banking and financial institutions need improvement and certainly from the consumer point of view.

Introduction

A difficult problems of delivery of product from retailer to end-user customers is the transparency of obligations and frequent charges that are made to consumer accounts without full explanation. There are similar problems in the delivery of product from a manufacturer to the next point on the line from manufacturer to end-user customer. Commercial products are not the only transfers of information but include transporting of product that cannot be delivered on-line.

This problem, called logistics is but is referred to in modern terms as the "**supply chain**." Usually, these problems refer to problems of delivery of end-products or services to customers. In previous studies of internet banking and e-commerce, we found that internet communication serves as an extremely useful in the fields of ecommerce and internet banking [1,2]. The Quality movement is the field that ensures that management maintains the standards set and continually improves the quality of the output.

The quality movement [3] offers users sound lessons that can be very powerful to address the management problems of banks and financial institutions. Instead of end-service source inspection, the quality movement emphasizes prevention, total quality management, source inspection, process control and continuous improvement. These are all ingredients for successful and effective ways to manage and mitigate the risks in public health application such as water quality control [4-7]

Application to the Prevention of Disease and Epidemics

Many examples of the prevention of epidemics, bioterrorism and public health issues are great applications of data analytics that are useful and may have application in other fields [8]. For example, the notion of silencing signals once a natural disease outbreak occurs begs the question of the purpose of a bio-surveillance system and whether during a winter flu outbreak the system should still be looking for a bioterrorism attack.

If the overriding goal is bioterrorism detection or some other goal, then silencing the analytical procedure during an influenza season could have sub-optimal consequences to that which is the best outcome. If the goals do not lead the best result, then during a disease outbreak the Bio-surveillance systems may likely require alterations to better detect a bioterrorism attack.

General Introduction to the Monitoring of Data

The problem we face now is the goal by a bank to increase its operations and revenues by encouraging their employees to increase the number of depositors, increase the use of banking activities including credit card use without the knowledge of the customers.

This attack on customers was part of general philosophy of a major banking organization resulting in unethical and perhaps illegal activities to increase business. Customers for a sometime were victims of the scheme without the management of the bank not being penalized or at this time investigated diligently for possible illegal activities

Information collected by banks from financial records on customers provides a beginning to insure that predatory and sometime illegal practices are not perpetrated by commercial intuitions on their customers. Furthermore these data sources provide for multivariate data analysis in operation of commercial lending and financial institutions.

In the past, quality control and improvement researchers discussed the use of such techniques [9] for processes similar to the data collected on loans and financial customers in general to monitor processes exhibiting multivariate Autocorrelated processes.

They combined the topics of multivariate and Autocorrelated process to provide methods by which vector autoregressive (VAR) control charts to produce quality control and improvement processes. Based on the Jarrett-Pan study noted before in a computation and data analytical journal the development of these techniques was carefully explained after a voluminous quantity of research in industrial administration and later on the identification of bioterrorism and epidemics.

Application to and Personal Banking

All of the above methods that are not being applied in other fields can now be applied to banking and the similar operations in

personal lending as exemplified by the Wells Fargo lending policies. Operations in which borrowers engage in activities to secure loans by personal means often through internet services include the components that lend themselves to predatory practices which may enrich the lending institution and not protect the consumer.Consumer protection in these operations is vulnerable to aspects pf predatory lending practices.

Largely these practices are not regulated or only slightly regulated and give rise to and lead to enormous penalties on the part of the consumer borrower who is often unaware or not sophisticated enough to understand the ramifications of the process. These include not only second mortgages and consumer loans but in particular loans associated with higher education.

Consumer protection laws, in general, have not kept up with the infusion of "shady" practices into the borrowing and lending functions of financial institutions [banks; non-bank financial intermediaries; and personal lending operations. They prey on the vulnerable who often include the aged, higher education students, the less educated and others who are not protected from operations designed by predators.

In the state of New Jersey, for example, if a higher education student somehow defaults on loans and dies, the loan may still have to be paid by his relatives (parents) and this is backed by state law.

This would include the garnishing of assets, income or others including the non-payment income tax rebates to the parent in the action. Hence, the state by holding the parent liable is by all means an action that may very well be thought of as "predatory." For additional discussion of fraudulent and predatory practices see

Much of the actions of lenders can be predicted analyzed by consumer protectors authorized by statute to implement such protection. Analytically examining of determining faults in the borrower-loaner actions can use the principles of data

analytics to determine who is at fault in the system. Multivariate quality or process control originally developed in the field of industrial quality and management can aid in the prevention of fraud, predatory actions and other forms of actions to aid in the protection of consumers in their loan activity.[Additional discussion of these practices are demonstrated by Jarrett [2] and Mermod, [10].

Summary

We developed the argument that applications of quality control and improvement methods coupled with data analytics have unusual applications in fields far and distant from their original applications. They include the great development of diagnostic tests, disease prevention and other applications in the fields of health and medical care. There is a special set of need in the protection of borrowers in banking operations including personal lending that need to be examined and resulting in consumer protection. There is a place for data analytics at the level of multivariate Autocorrelated processes and application of industrial quality control in this field that can determine practices that are predatory and designed without ethical responsibility. Future research, we expect will involve many of these practices and they will be examined, eliminated or improved. The internet banking establishment should be cognizant of all this and determined to stop illegal and predatory operations.

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