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Market Research Report:
THE CONSUMER LENDING MARKET

Table of Contents

- Executive Summary..... 3
- Survey Methodology..... 4
- Accessing Credit 5
 - State Map 5
 - By Credit Score..... 6
- Impact of Fewer Credit Options..... 7
 - Actual Impact 7
 - Potential Impact..... 8
- Loan Approval 9
 - By Income..... 10
 - By Demographics 10
- Loan Effectiveness 11
 - By Income..... 12
 - By Demographics 12
- Loan Source..... 13
 - By Income..... 14
 - By Demographics 14
- Loan Amount..... 15
 - By Income..... 16
 - By Demographics 16
- Why This Matters..... 17
- About LEND360..... 18
- Endnotes..... 19

Executive Summary

Innovation in the financial services sector has provided consumers more opportunities to access credit than ever before. Online lenders, storefront lenders, banks, credit unions, and everything in between all play an important role in providing personal consumer loans across the United States. Vendors and service providers are also instrumental – providing alternative data for millions of Americans; facilitating digital, fast, and frictionless payment options; detecting and reducing incidents of fraud; and much more.

In addition to convening one of the largest conferences of fintech lenders stateside, LEND360 provides the following report to better understand the consumer lending marketplace in 2022.

Key findings include:

- Millions of Americans, specifically those who are riskier borrowers, still lack access to credit, despite the recent advancements in innovation and financial technology. Those unable to access credit experience a variety of negative outcomes, including late bill payments, cutting back expenses, and skipping meals.
- Online lenders have become the most common source of personal loans in the United States, with 39% of borrowers saying that they had applied for credit at an online lending company, followed by banks, credit unions, and storefront lenders.
- For those obtaining credit, 89% said that the loan helped them manage the financial situation that they were facing at the time, and this was consistent across income levels, gender, and age.

Survey Methodology

Morning Consult, a DC-based research firm, conducted two national surveys in June 2022 on behalf of the Online Lenders Alliance (OLA) in order to better understand the consumer lending market.

The first survey used a statistical technique called multilevel regression and poststratification (MRP) to construct state-level estimates from national survey data. Using this technique, more than 10,000 adults were surveyed from June 22 to June 27. Pages 5 and 6 derive from the results of this survey. The second survey was a standard national poll of 1,000 adults who had applied for or taken out a personal consumer loan. This survey was also conducted from June 22 to June 27.

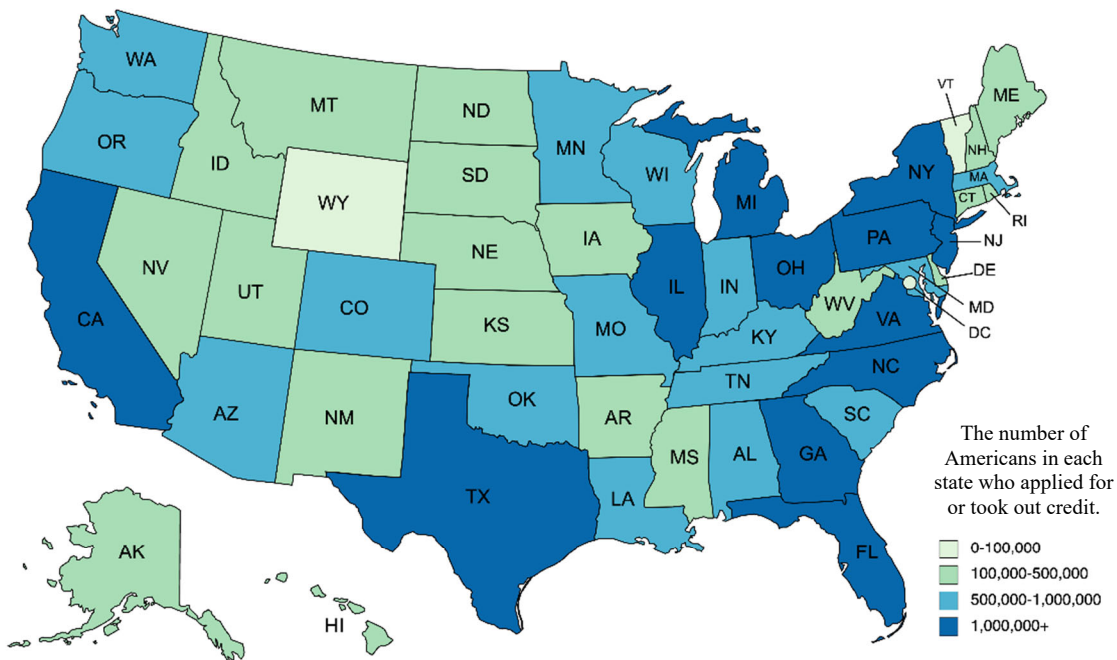
Morning Consult uses age, gender, and education as individual-level predictor variables. For applicable state-level variables, they chose variables that may influence state-level vote choice such as the percent change in state gross domestic product (GDP), state unemployment rates, state median household income, and state-level outcomes from the 2020 presidential election. They applied post-stratification weights at the state level based on gender, age, and educational attainment using the American Community Survey (ACS).

Accessing Credit

By State

Millions of Americans have taken out or applied for a personal loan in the U.S. over the past 12 months.¹ Unsurprisingly, states with larger populations had more individuals applying for credit than smaller states.² Some states, like California, had more people looking for and applying for loans in both absolute and relative numbers.

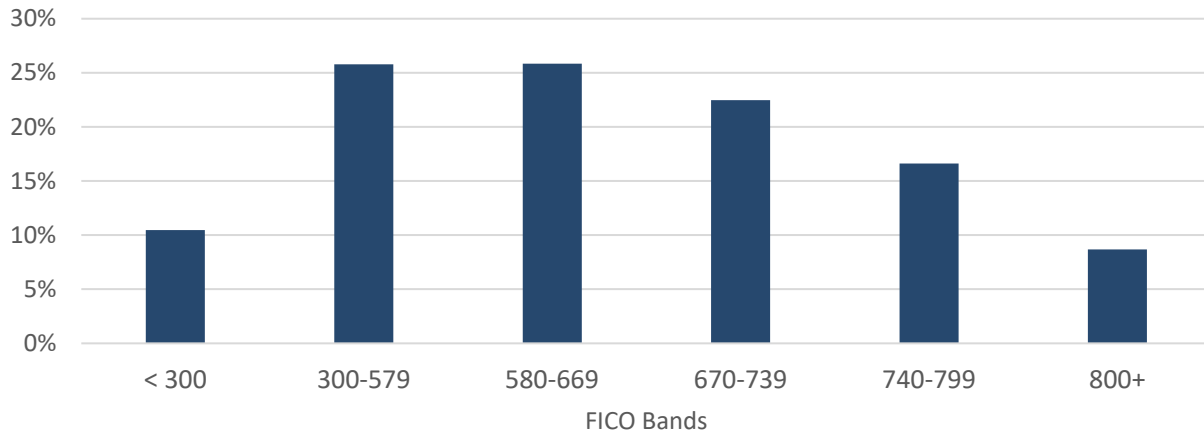
Question: Did you take out or apply to take out a personal consumer loan over the past 12 months?



By Credit Score

When looking at self-reported credit scores, about 25% of those with FICOs between 300 and 670 applied for or took out a personal loan. Those with higher credit scores were less likely to apply for personal loans.

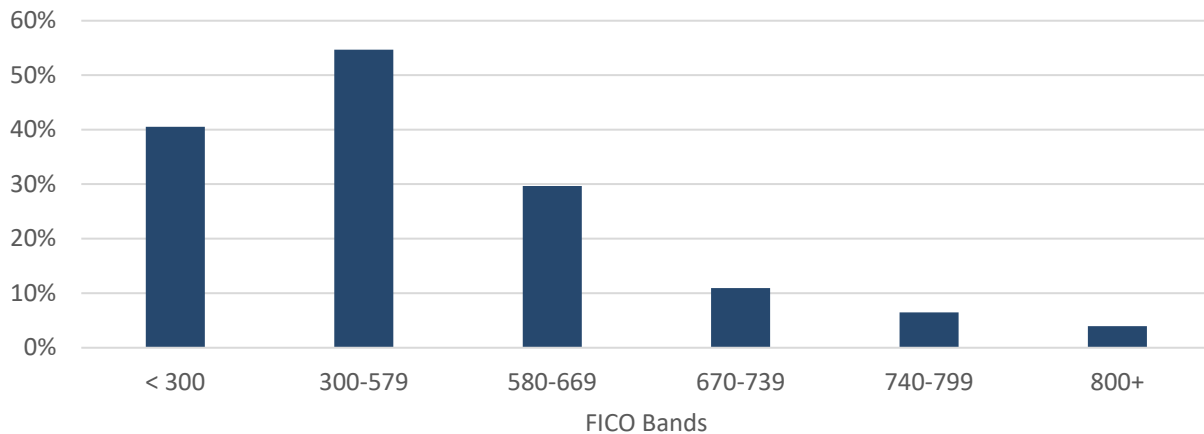
Share of Individuals in each FICO band who applied for or took out personal loans



In the survey, consumers were also asked, “Over the last 12 months, have you been unable to borrow money from a lender when you needed it?” About 17% of Americans responded in the affirmative.

When looking at self-reported credit scores, about 55% of those with FICOs of 300-579 were unable to access credit over the past 12 months. Those with higher credit scores found it much easier to access credit.

Share of individuals in each FICO band who were unable to obtain a loan

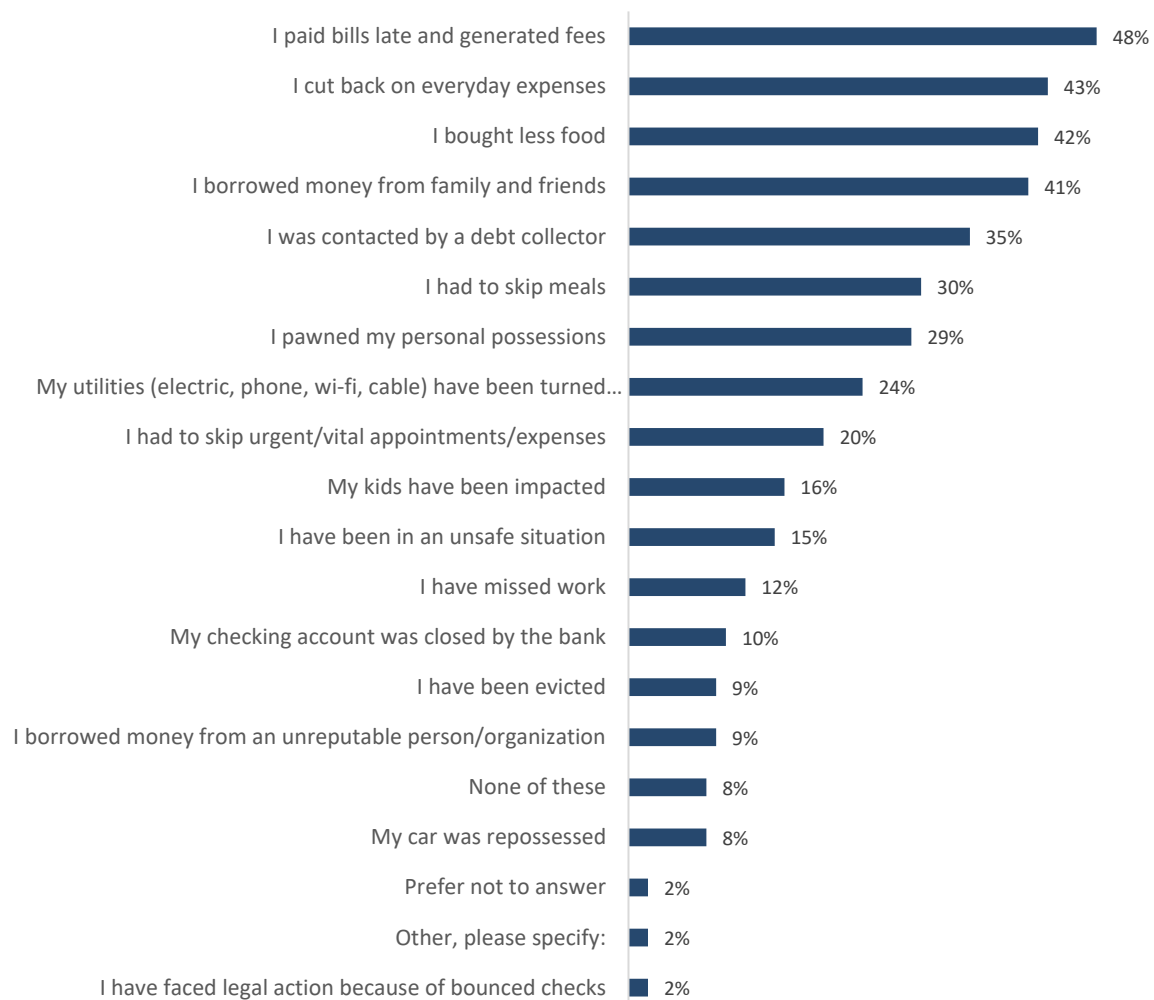


Impact of Fewer Credit Options

Actual Impact

In a second survey, consumers who had their application for a personal consumer loan rejected were asked what had occurred as a result of the rejection. The most common response – almost half – was that they ended up paying bills late, which generated fees. Other common responses were cutting back on everyday expenses and buying less food. Although a small relative number, a disconcerting number of respondents indicated that they had been in unsafe situations or were evicted as a result of not being able to access credit.³

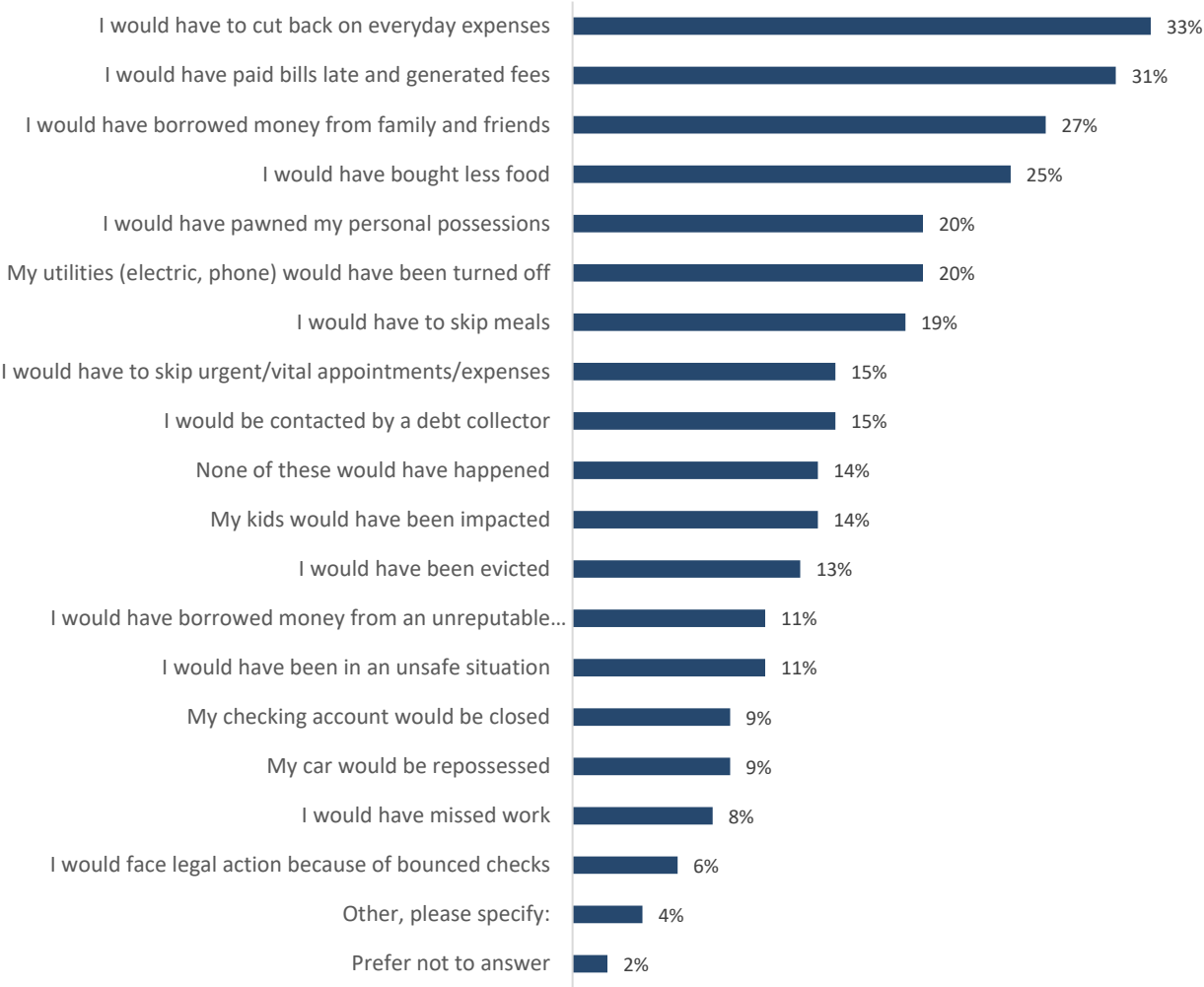
Question: “Which of the following situations **have occurred** because you were unable to borrow money from a lender?”



Potential Impact

Consumers who were able to access credit over the last year were asked what would have happened if they were unable to borrow money. These individuals indicated that they would cut back on everyday expenses, pay bills late, or borrow money from family or friends.⁴

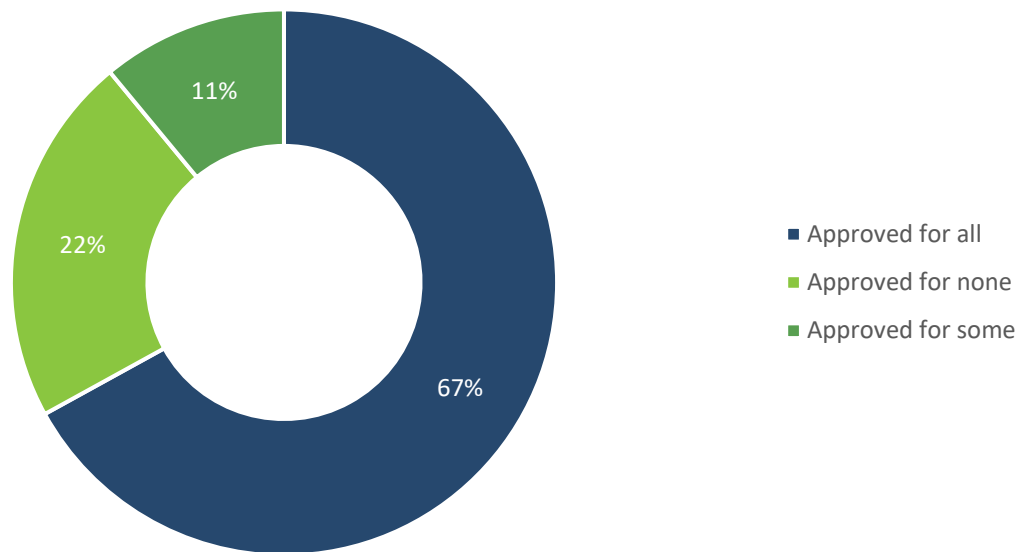
Question: “What **would have happened** if you had not been able to borrow money from a lender when you needed it?”



Loan Approval

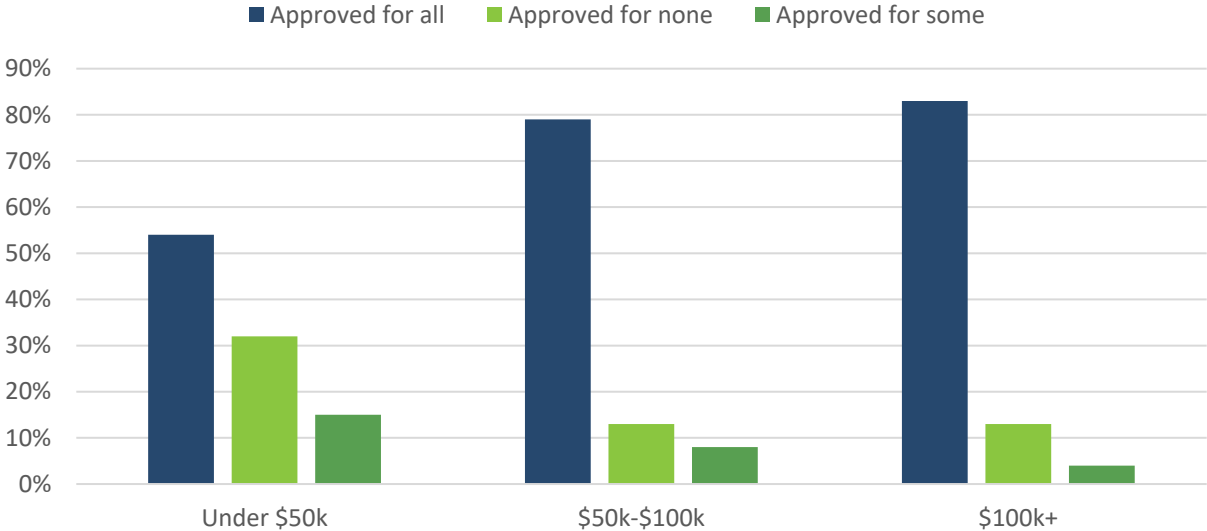
Of those who had applied for a personal consumer loan over the past 12 months, 67% were approved for all loans, 22% were rejected; and 11% were rejected for some loans but were approved for others. Thus, about a third of Americans who apply for credit are rejected, and the majority of those individuals were left without access to credit.

Question: "Were you approved for the personal loan(s) that you applied for over the past 12 months?"



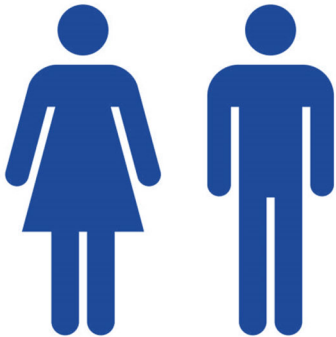
By Income

Those making less than \$50,000 per year were more likely to have their loan applications rejected, which highlights the difficulty many Americans experience in accessing credit.



By Demographics

Of those who had applied for credit, women were more likely to be rejected for one or more loans over the past 12 months than their male counterparts. By age, those between 18-34 were most likely to be rejected for at least one loan over the past 12 months. Specific breakdowns by gender and age are below.



Gender

Male	28%
Female	38%

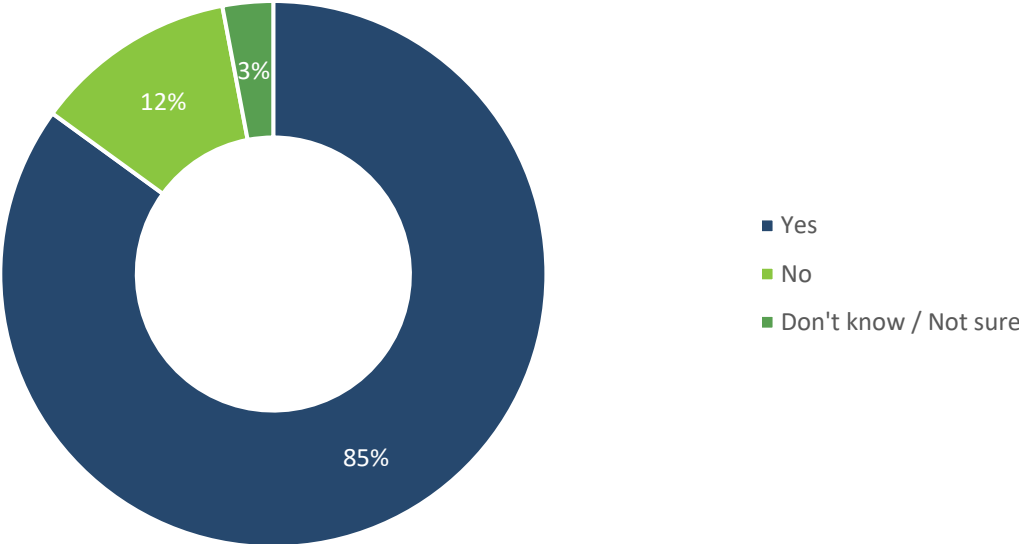
Age

18-34	36%
35-44	32%
45-64	33%
65+	21%

Loan Effectiveness

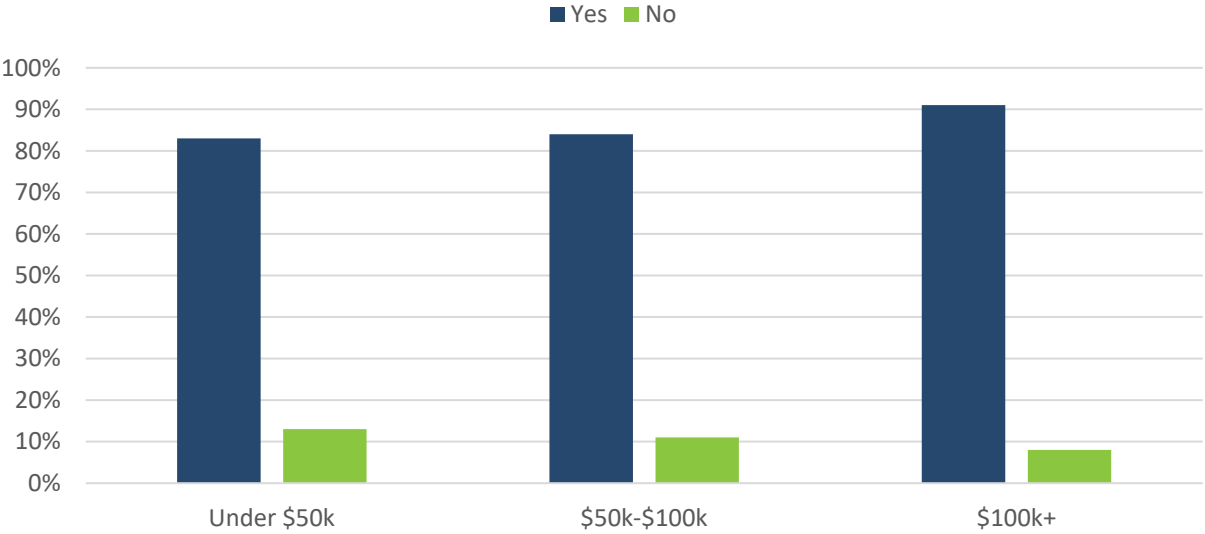
Of those who were approved for at least one loan over the past 12 months, 85% of borrowers believed their most recent loan helped them manage the financial situation they were facing at the time. About 12% believed the loan had not helped them manage their financial situation, and 3% were unsure.

Question: “Did your most recent loan help you manage the financial situation that you were facing at the time?”



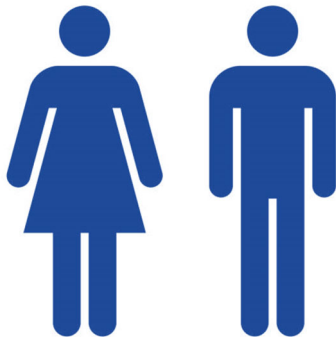
By Income

Of those who were approved for at least one loan over the past 12 months, a large majority of individuals at all income levels believed the loan helped them manage the financial situation they were facing at the time.



By Demographics

Of those who were approved for at least one loan over the past 12 months, men and women largely believed that their loan helped them. By age, most borrowers believed the loan helped them as well, with little variation. Specific breakdowns by gender and age are below.



Gender

Male	86%
Female	84%

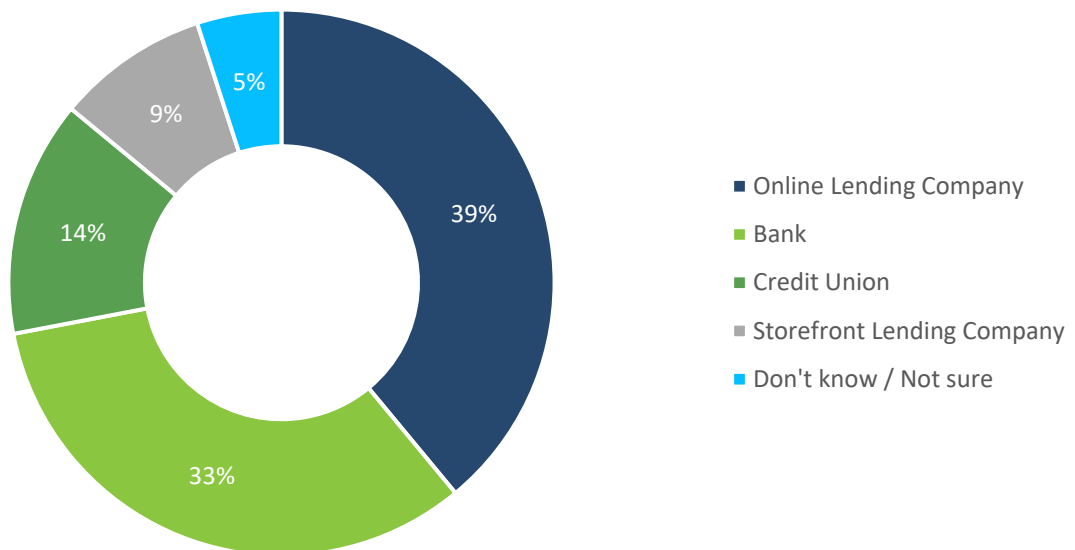
Age

18-34	84%
35-44	86%
45-64	86%
65+	84%

Loan Source

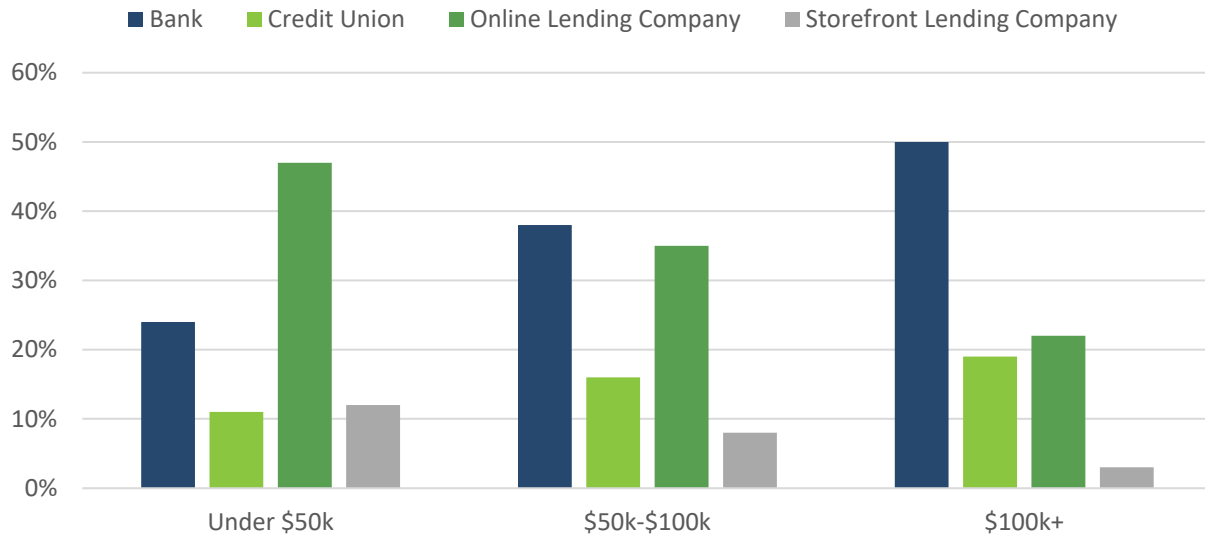
Of those who had applied for a personal consumer loan over the past 12 months, 39% applied for a loan at an online lending company, 33% at a bank, 14% at a credit union, 9% at a storefront lending company, and 5% didn't know or were not sure.

Question: "Where did you apply for your most recent personal consumer loan?"



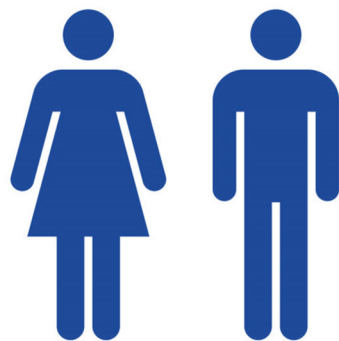
By Income

Among all income groups, consumers are applying for credit at a variety of locations, with online lending companies the most common for those making under \$50,000 per year and banks being the most common for those making more than \$100,000 per year.



By Demographics

Of those who had applied for credit, women are more likely to apply for credit at an online lending company relative to their male counterparts. By age, those between 45 and 64 years old are the most likely to apply for credit with an online lender. Specific breakdowns by gender and age are below.



Gender

Male	31%
Female	47%

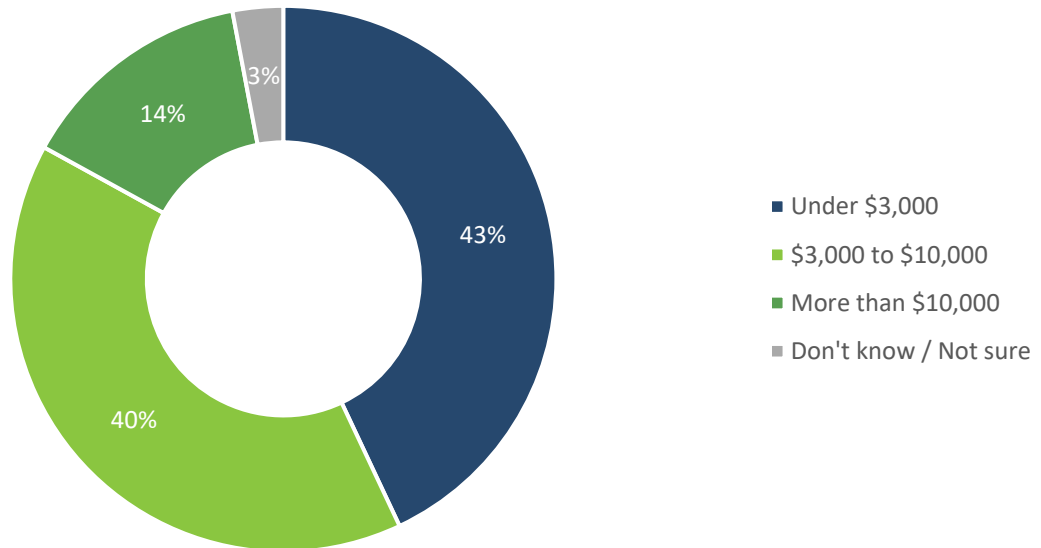
Age

18-34	31%
35-44	40%
45-64	50%
65+	42%

Loan Amount

Of those who had applied for a personal consumer loan over the past 12 months, 43% applied for a loan under \$3,000, 40% between \$3,000 and \$10,000, 14% more than \$10,000, and 3% were not sure.

Question: “What was the amount you requested for your most recent personal consumer loan?”



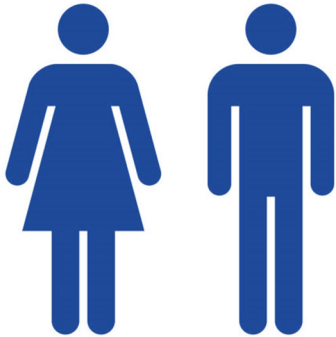
By Income

Those making less than \$50,000 per year were more likely to apply for a loan under \$3,000 whereas those making more than \$50,000 were more likely to apply for a loan above \$3,000.



By Demographics

Women are more likely to apply for loans under \$3,000 than their male counterparts. By age, those between 45-64 years old are the most likely to apply for credit under \$3,000. Specific breakdowns by gender and age are below.



Gender

Male 30%
 Female 54%

Age

18-34 40%
 35-44 41%
 45-64 50%
 65+ 37%

Why This Matters

The U.S. economy has changed considerably over the past 12 months. In 2021, disposable income and wage growth were both trending upward, signaling a growing economy. This year in contrast has seen rising food and oil prices and disposable income trending downward. Most recently, several publicly traded consumer lending companies have announced measures to tighten underwriting, which will inevitably make it more difficult for consumers, especially riskier borrowers, to access credit.

LEND360 conducted two surveys to better understand the real-time implications of the economic developments for the consumer lending marketplace. Overall, the survey results show that (1) credit access is paramount – those unable to access credit are likely to experience late bill payments or cut back expenses; (2) consumers have turned to online lenders for their credit needs, applying more to online lenders than banks, credit unions, and storefront lenders; and (3) those who obtained credit are very likely to say that the loan helped them manage their financial situation.

About LEND360

For the Industry, By the Industry

LEND360 is an annual summit for the leaders in online lending that explores fintech industry trends and new technologies impacting consumer lenders, small business lenders, service partners, investors, bank representatives, and more.

Our goal is to bring together online lending professionals from across the country to share insights, solve industry challenges, and create business solutions. With the fintech environment and regulation rapidly evolving, this is your chance to learn the trends and information needed to move your business forward in an uncertain economy.

Endnotes

¹ Maps were created with mapchart.net.

² Adult population estimates are based on the United States Census Bureau's "Estimates of the Total Resident Population and Resident Population Age 18 Years and Older."

³ Possible responses included: (1) I borrowed money from an unreputable person/organization; (2) I borrowed money from family and friends; (3) I bought less food; (4) I cut back on everyday expenses; (5) I had to skip meals; (6) I had to skip urgent/vital appointments/expenses; (7) I have been evicted; (8) I have been in an unsafe situation; (9) I have faced legal action because of bounced checks; (10) I have missed work; (11) I paid bills late and generated fees; (12) I pawned my personal possessions; (13) I was contacted by a debt collector; (14) My car was repossessed; (15) My checking account was closed by the bank; (16) My kids have been impacted; (17) My utilities (electric, phone, wi-fi, cable) have been turned off; (18) None of these; (19) Other, please specify; (20) Prefer not to answer.

⁴ The potential responses were the same as the previous graph but phrased hypothetically.

