



PERSONAL LOANS

**Seize the
opportunity to
develop deeper
relationships with
key borrowers**

Table of contents

01 **The state of personal loans: Identifying opportunity**

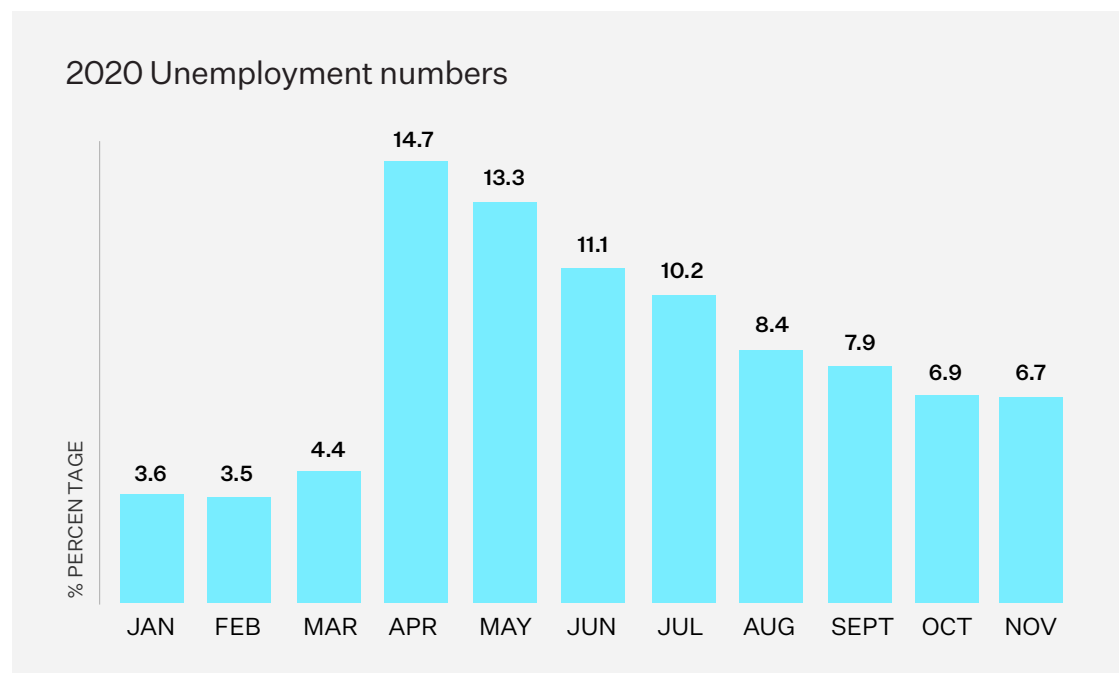
02 **Competing in a changing ecosystem: Developing a personal loans strategy**

03 **Beyond personal loans: The platform initiative**

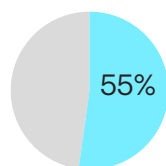
01 The state of personal loans: Identifying an opportunity

The pandemic's impact on bank's risk portfolios

The 2020 coronavirus pandemic, which has proven to be the biggest strain on the United States economy since 2007-2009, has financially burdened millions of Americans...



...with unemployment reaching a high of 14.7% during the pandemic.



55% Over half (55%) of Americans have experienced financial difficulties.

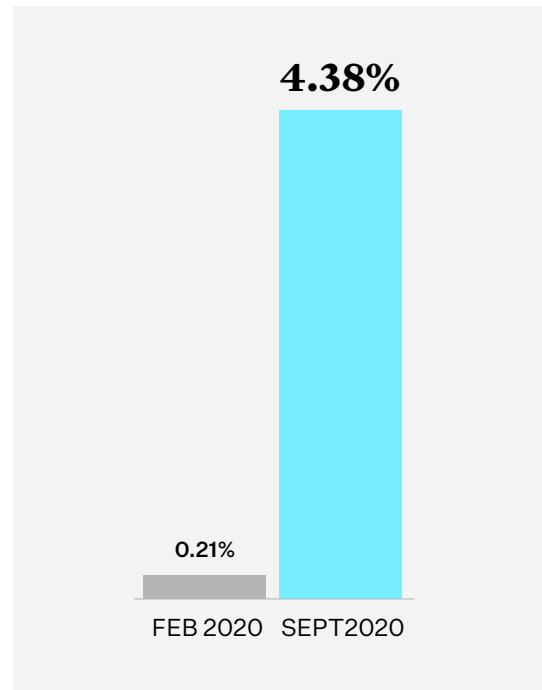
16%
of consumers

said they planned to apply for personal loans to help pay bills and loans.

Due to the financial burden imposed by COVID-19, applications for personal loans are increasing. When asked what their recovery plan is, 16% of consumers said they planned to apply for personal loans to help pay bills and loans.

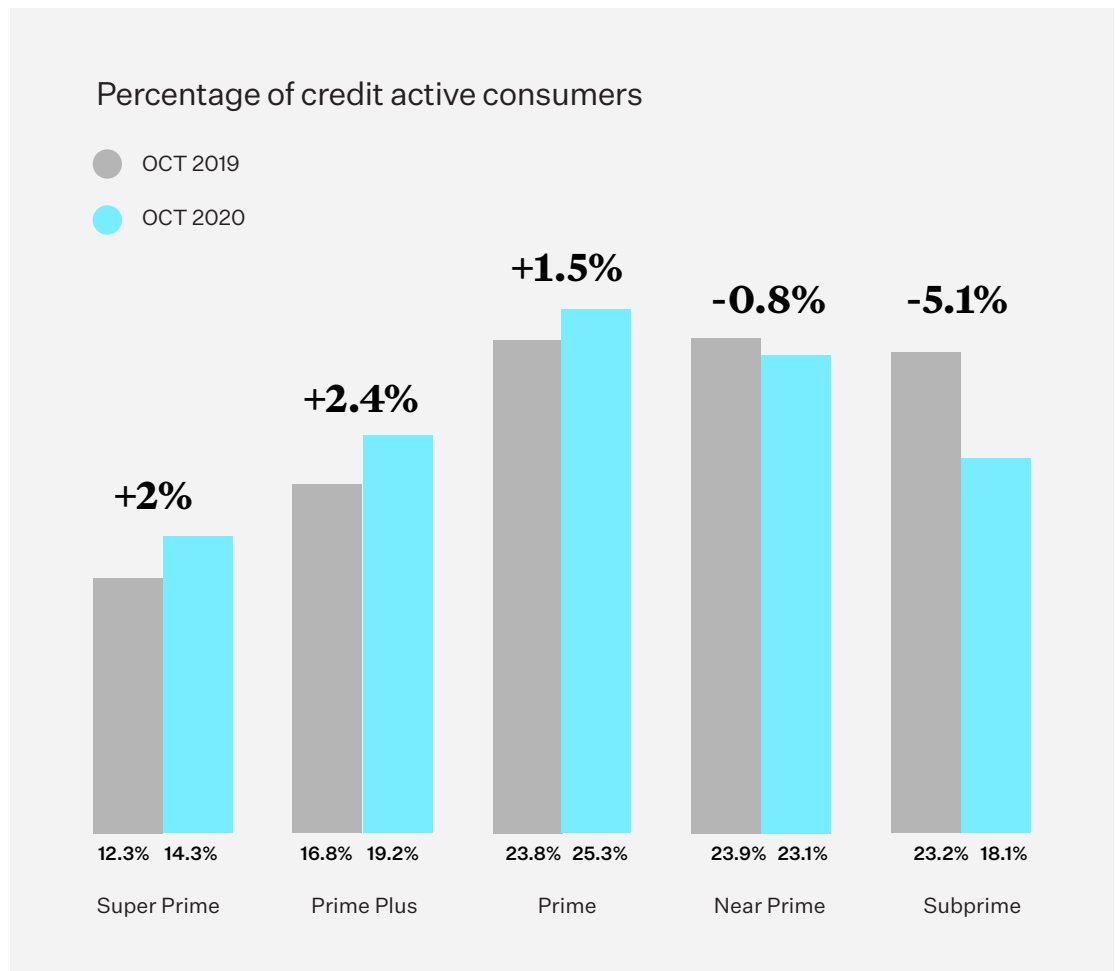
This financial strain has negatively impacted many consumers' liquidity, putting a large number of consumer accounts into financial hardship. In response, bank leaders have re-evaluated risk mitigation tactics.

Only a few months into the pandemic, 20% of people with personal loans reported concern about their ability to pay them. The percentage of unsecured personal loan accounts in hardship increased by 20x in a matter of 7 months.



The percentage of unsecured personal loan accounts in hardship increased by 20x in a matter of 7 months.

Due to the financial burden imposed by COVID-19, applications for personal loans are increasing.



The data suggest that banking leadership identified the trend and took action. In the third quarter of 2020, we saw personal loan originations significantly decline in risk. The combination of increased loans in financial hardship and the changing ways consumers intended to use personal loans informed lenders' core strategies.

Banks focused more on super prime, prime plus, and prime borrowers, increasing the percentage of personal loans held by these groups by 2%, 2.4%, and 1.5%, respectively. Subprime

and near prime borrowers now represent a smaller percentage of personal loan holders.

Banks focused more on super prime, prime plus, and prime borrowers, increasing the percentage of personal loans held by these groups by 2%, 2.4%, and 1.5%, respectively.

Many prime borrowers are searching for the most cost-effective way to consolidate and pay off their debt. Lenders can serve these candidates' needs while enforcing the stricter qualification requirements recently set by most risk management teams.

The personal loans opportunity

Financial institutions are stepping in to help, most often by offering responsible, small-dollar personal loans with the lowest interest rates offered in years.

Many prime borrowers are searching for the most cost-effective way to consolidate and pay off their debt.

Lenders can serve these candidates' needs while enforcing the stricter qualification requirements recently set by most risk management teams.

But the opportunity comes with a key challenge. These prime candidates have many potential lenders available to them. In particular, savvy fintechs with standout digital experiences meet the needs of a socially distanced populace, making for stiff competition. Why should prime borrowers choose you?

Solving this challenge is more important than it may seem. There is more at stake here than just personal loans. The strategic opportunities for lenders can be distilled into three main categories.

1. Grow share of wallet with existing customers

2. Gain new customers

3. Become a trusted advisor

1. Grow share of wallet with existing customers

With interest rates low, your current prime customers decide they want to obtain a competitive personal loan to consolidate their credit card debt. This is another opportunity for you to develop a relationship for the long haul with these sought-after customers. As fintechs increase their market share for personal loans (from 22.4% in 2015 to 49.4% in 2019), strengthening relationships becomes increasingly important in decreasing potential defection.

2. Acquire new customers

When you impress a prime borrower with a smooth personal loans application experience, you can win them over as a new customer. Consumers are loyal to brands that provide value without friction, so this personal loan can be just the first step in your bank's relationship with this prime borrower.

3. Become a trusted advisor

You can cement your value as a trusted advisor by helping customers who have a more ambiguous need for personal loans. For example, someone may recognize their debt structure could be optimized, but is not exactly sure of the best route to take. Amidst a particularly unclear environment, consumers are looking for more guidance, posing a clear opportunity for you to help them improve their financial future.

Next, let's examine what it takes to secure new customers, strengthen existing customer relationships, and serve an undefined customer need.

02

Competing in a changing ecosystem: Developing a personal loans strategy

The threat of fintech competition

It's clear that fintechs are redefining consumer expectations by providing experiences that are fast and frictionless. Disruptive challenger banks are built to innovate. These nimble organizations can move faster than traditional banks because of their lean business models and access to venture capital funding. According to [PwC's Financial Services 2020 report](#), they typically also offer better customer experiences.

These digital-first companies are [projected to originate \\$73.7 billion in loans in 2022](#), which is no accident. Employing data and the latest analytics tools help fintechs approve personal loans in minutes, and borrowers are taking note of these quick and simple application and funding processes.

[Fintechs more than doubled their market share in the space from 2015 to 2019.](#)

But it's not too late. You still have the opportunity to fight back against this digital competition. To execute on the opportunities discussed above, you'll have to provide an experience that is one step ahead. Blend provides just that — an experience that helps attract and convert borrowers.

Blend Personal Loans: What you need to know

Blend Personal Loans, part of the Blend Consumer Banking Suite, helps streamline the journey from application to close for unsecured and secured personal loans, lines of credit, and overdraft protection lines.

These digital-first companies are projected to originate

\$73.7 billion

in loans in 2022, which is no accident.

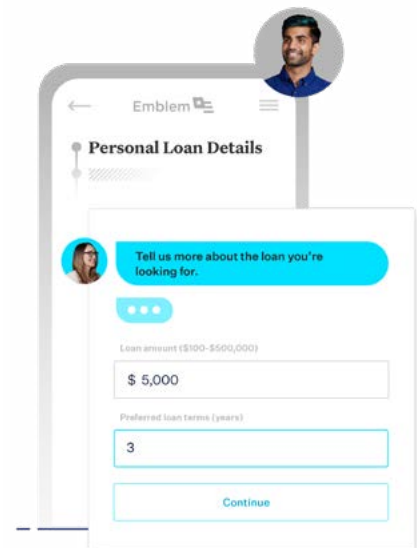
With Blend Personal Loans, you can

- Drive higher digital conversions and compete with fintechs by providing your borrowers with a streamlined, low-effort experience from application to funding.
- Empower your customers with faster access to buying power by automating manual processes.
- Serve customer needs quickly. Get your personal loans product to market faster with our out-of-the-box solution.



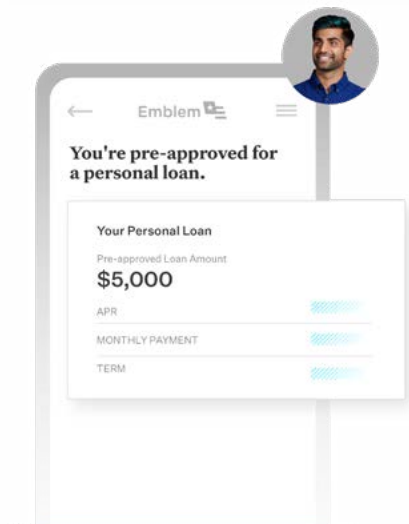
● Application intake

Blend fuels the application process by pre-filling existing consumer data, collecting and verifying data, and enabling loan teams to answer borrower questions via Blend Copilot.



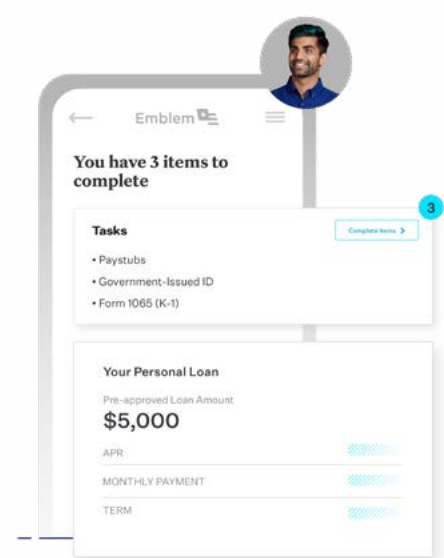
● Underwriting and decisioning

Blend shows the borrowers the pre-approval details after underwriting and decisioning take place in the LOS.



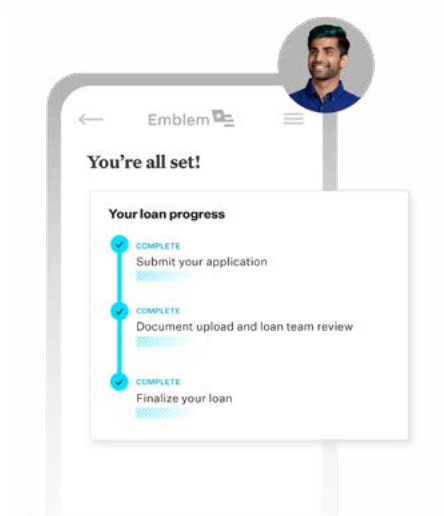
● Stipulations

Blend automates stipulation requests, enables the borrowers to quickly complete tasks, and loans teams to review applications, all in one place.



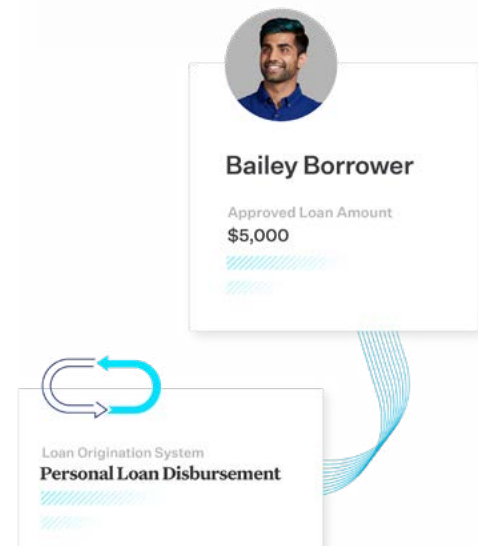
● Closing and disbursement

Blend enables the borrower to e-sign in the same portal they applied in, completing the process.



● Disbursement

Blend connects to your LOS to pass along closing details.



Overcoming challenges to maximize borrower experience

Challenge

Prime borrowers expect a best-in-class experience.

Solution

Blend helps you automate the entire personal loan process, ensuring a streamlined experience for borrowers

Blend can facilitate it all, from application intake through closing and disbursement. What does this mean for customers? A fast, smooth, frictionless experience. Customers can even e-sign the the contract, completing the process completely remotely.

Challenge

Prime borrowers want to know quickly that their loan will be delivered.

Solution

Blend helps you deliver loans to consumers faster.

Pre-approve customers in minutes to give them the security and confidence that they'll receive the funds they're looking for. Blend gives you the ability to disburse funds quickly after pre-approval, seamlessly connecting with your LOS.

Challenge

Borrowers want a unified experience from their bank across all products.

Solution

Blend's platform enables you to offer a consistent application experience for all products.

Quickly launch any consumer banking product with our out-of-the-box solutions, or create new product offerings in record time with our configurable platform. Deliver the best-in-class experience your customers have come to expect at every touchpoint.

Quickly launch any consumer banking product with our out-of-the-box solutions, or create new product offerings in record time with our configurable platform. Deliver the best-in-class experience your customers have come to expect at every touchpoint.

03

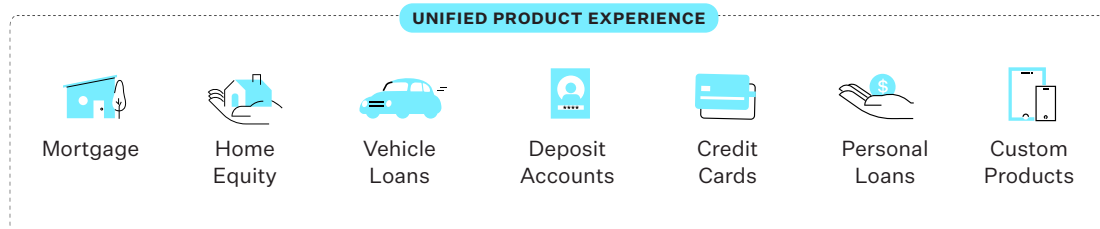
Beyond personal loans: The platform initiative

Wondering how exactly we provide this unified experience? Blend provides the same streamlined, intuitive interface seen in the personal loans experience across all consumer banking products, including credit cards, auto loans, home equity loans, and deposit accounts.

This unified platform enables you to rapidly deliver the best-in-class experiences that consumers expect across products. Prime borrowers looking for personal loans aren't the only consumers with high expectations and seemingly unlimited options.

Our consumer experiences combine guided application flows, responsive design, and data pre-fill to drive higher digital conversions.

With Blend, kick off a new relationship by being there for a customer in the moment they need it. They'll remember this effortless experience as you continue fulfilling their financial needs during life's most pivotal moments.





Powered by Blend

Blend helps lenders maximize their digital agility. We streamline the journey from application to close for any banking product across every channel. Our Digital Lending Platform is used by Wells Fargo, U.S. Bank, and over 250 other leading financial institutions to acquire more customers, increase productivity, and deepen customer relationships.

Visit us at [Blend.com](https://blend.com)