



PERSONAL LOANS

Speed and simplicity: Consumer perspectives on lender selection for personal loans

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Executive summary

Personal loans represent a growing opportunity for financial institutions to deepen their relationships with existing customers, as well as expand their market footprint by attracting new customers.

To better understand what informs a borrower's selection when taking out a personal loan, Blend recently conducted a survey of 657 consumers who currently have a personal loan. The survey found that, to consumers, rate, speed, and simplicity were the most important factors.

Although this in itself is not a revelation, the particulars paint an interesting picture for lenders looking to win personal loan business.

Having a fast and easy-to-understand process ranked equally important as having the best rate. Lenders looking to attract more borrowers should focus on developing a simple, quick application experience that delights consumers.

01 Summary of key findings

- Rate and simplicity are equally important to borrowers, with speed a close third. Lenders who can compete on all three will be very competitive.
- 71% of borrowers applied for a loan with a lender they had a relationship with, and 58% ended up taking out a loan from a lender they had a relationship with. This suggests personal loans provide lenders with an opportunity to expand their share of wallet with their customers.
- 31% of borrowers only looked at one lender. Most people didn't shop around, so there is a distinct advantage to getting in front of potential customers first.

02

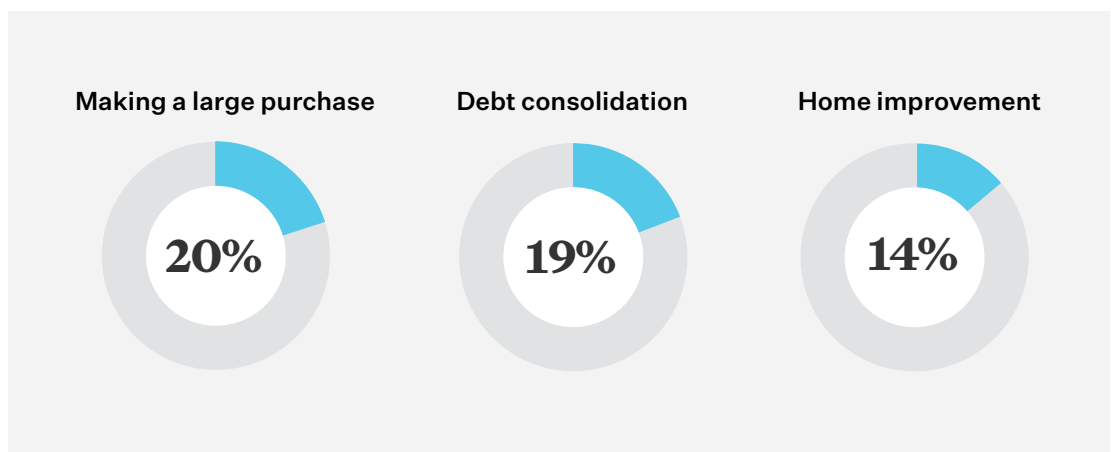
What's driving demand for personal loans?

Borrowers seek personal loans for a variety of reasons. The most recent driver of personal loan demand was the 2020 coronavirus pandemic, which has financially burdened millions of Americans. In this survey, we found that 23% of borrowers sought out a loan due to COVID. Beyond the obvious reasons for the surge in demand driven by the pandemic, this is a reminder that demand for personal loans comes

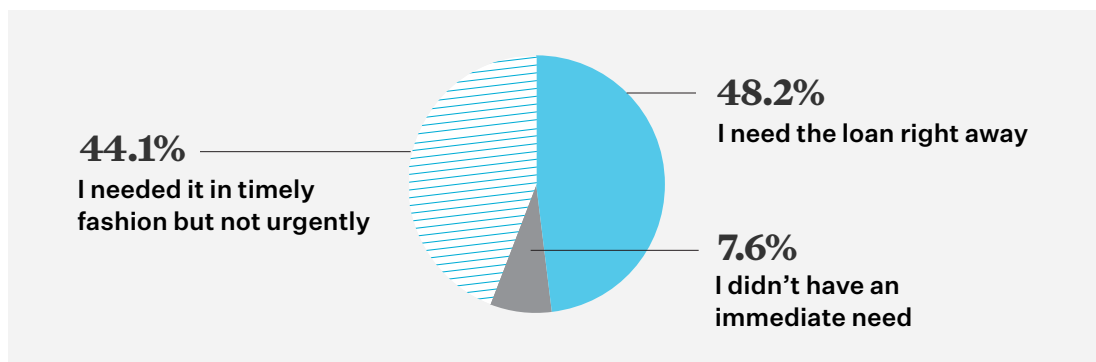
in waves driven by external events. It's hard to anticipate when the next wave will come, but lenders that are prepared with high-converting experiences will be positioned to support consumers when the time comes.

According to the survey, the three main reasons people seek personal loans were (1) making a large purchase, (2) consolidating credit card debt, and (3) home improvement.

Top 3 reasons borrowers sought a personal loan



Urgency of need



And borrowers shared that there was some urgency to their requests. When asked whether the personal loan was for something urgent, they overwhelmingly said yes.

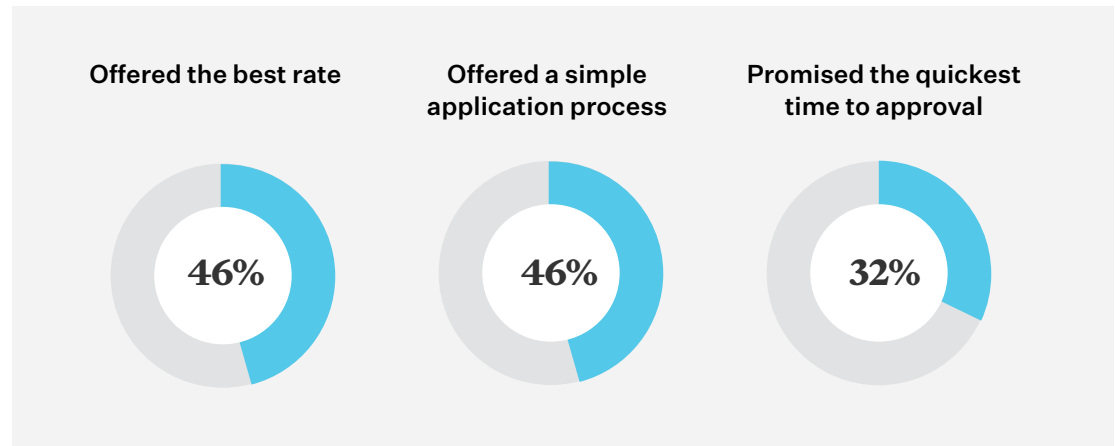
03 Borrowers value speed and simplicity as much as rate

This suggests that institutions are looking to expand...but also to attract new business should focus on developing a simple application process that eliminates friction for new borrowers.

According to the survey results, consumers expect a simple, straightforward process and a low rate. To attract them, financial institutions may need to be able to compete on both fronts.

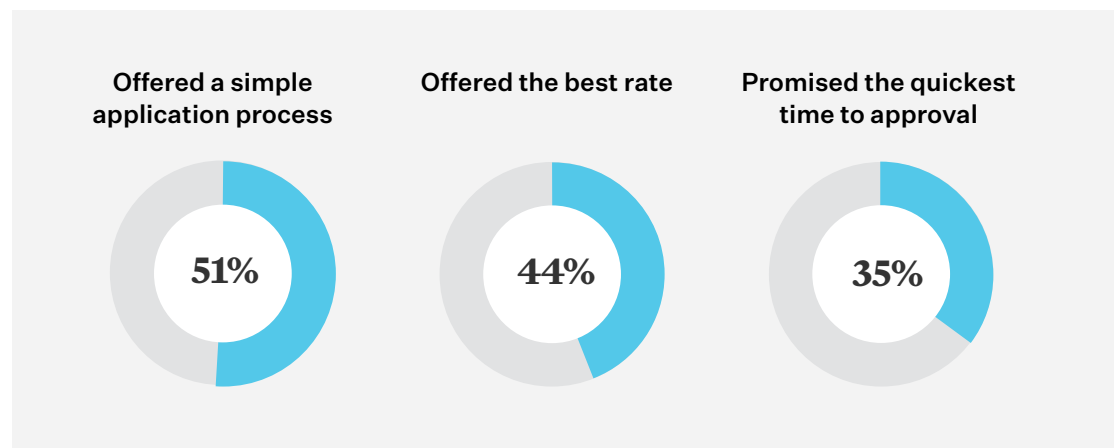
While it's no surprise that rate was at the top of consumers' list of considerations, it is essential to note that they placed equal value on a simple application process. Close to half of the respondents (46%) said they selected their lender because they offered a simple approval process.

Top 3 reasons borrowers sought a personal loan



When looking at just those consumers who didn't have a previous relationship with their lender, simplicity rose to the top of their list. This suggests that institutions looking not just to expand share of wallet but also attract new business should place focus on developing a simple application process that eliminates friction for new borrowers.

Top 3 reasons to go with a new lender



When asked the most important part of the application process, survey respondents said that speed to approval was vital, followed by receiving options on rates, terms, and amounts. Having an end-to-end digital process rounding out the list.

What was the one thing most important to you in the loan application process?



There were noticeable differences by generation, however, when it comes to what is valued. Younger generations placed a premium on choice — favoring getting multiple options for amount, rate, and term, while giving speed of approval a relatively lower value. Meanwhile, older borrowers in the silent generation preferred minimizing the time spent applying.

Although most borrowers apply with a lender they had prior experience with, that will only go so far in their decision-making process. And while they want speed and simplicity, the results suggest they don't really care about how lenders get there — only that the experience is simple and fast.

What was the one thing most important to you in the loan application process?

	1	2	3
Silent Gen. 73+	Minimizing the time spent on the application	Speed of approval	Access to live assistance from a banker
Boomers 53-72	Speed of approval	Access to live assistance from a banker	Getting multiple options for amount, rate, term
Gen. X 38-53	Speed of approval	Getting multiple options for amount, rate, term	An end to end digital process
Gen. Y 25-37	Getting multiple options for amount, rate, term	Speed of approval	No hard credit pull to get loan rate and terms
Gen. Z <24	Getting multiple options for amount, rate, term	Minimizing the time spent on the application	An end to end digital process

04

How borrowers choose lenders

In total, 71% of the borrowers applied with a lender they had a prior relationship with, while 58% of survey respondents actually put ink to paper with a lender they had a prior relationship with. This suggests that lenders have a good chance of selling into their existing customer base if they put in the effort. If they can provide their existing customers with a simple and fast process, they should be successful in deepening those relationships.

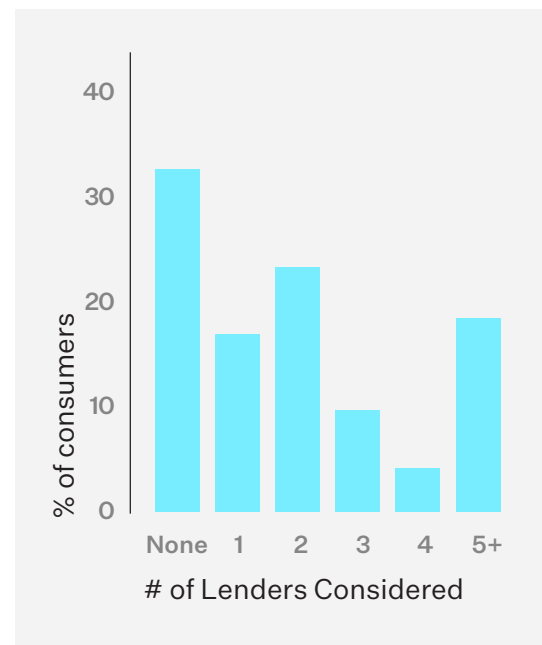
Prior to taking out this loan, did you have a relationship (e.g., another loan or a deposit account) with the lender you ended up selecting?

Yes
58%

When looking at borrowers' lender selection habits, nearly one third (31%) limited their search to one lender — the one they ultimately went with. They didn't shop around or compare rates. This further underscores the importance of speed and simplicity, giving these borrowers no reason

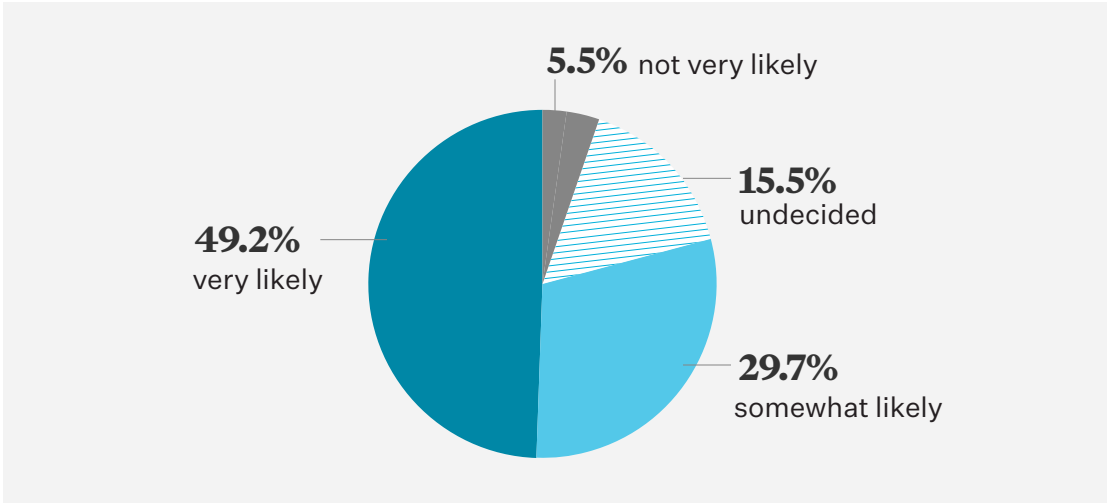
to look elsewhere. It also suggests that meeting borrowers at the right time with an offer that speaks to their current needs can be enough by virtue of the lender being the first one they considered. Even when borrowers shopped around, relatively few researched more than 3 or 4 options when searching for a loan.

Other than the lender you selected, how many other lenders did you consider for this loan?

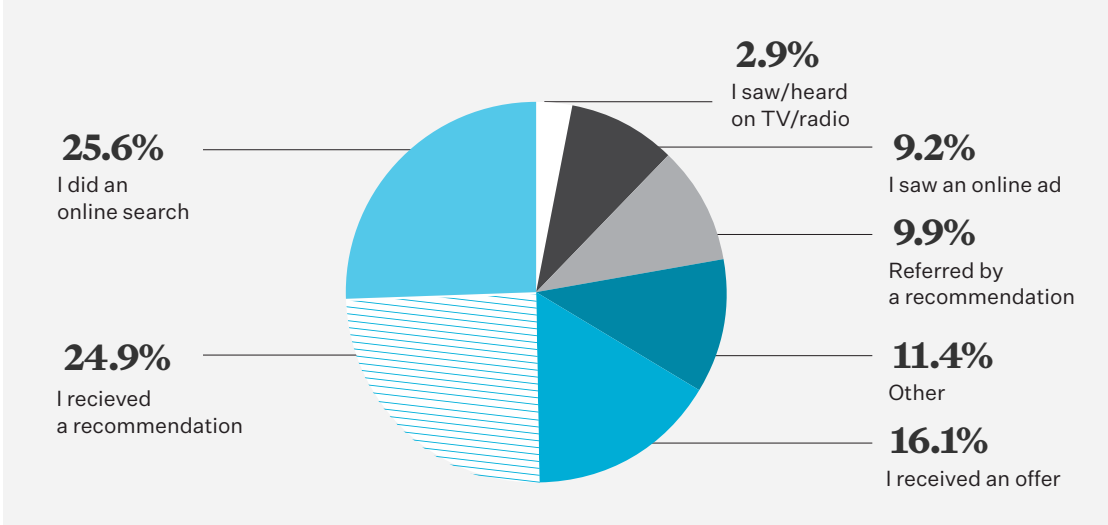


The need for improved customer outreach is also evident in how consumers said they would approach their next loan. Half of the respondents would very likely consider the same lender that provided them their current personal loan. This suggests that borrowers are willing to work with the same lender if given the opportunity. Since most borrowers will research less than a handful of options, lenders have a real opportunity to capture more business from their existing customers.

If you needed a personal loan in the future, how likely are you to consider the same lender that provided your current personal loan?



For those who did not go with a lender they had a previous relationship with, online search was the top way they found a new lender, followed closely by recommendations from another person. A sizable portion of online searches include reviews and personal recommendations (for example, on social media), further underlining the importance of positive customer experience. Customers will talk about their experience, to their friends, coworkers, and online. Having a simple and intuitive application process, which survey respondents have identified as critically important, can lead them to sing the lender’s praises, and possibly inspire others to do the same.



05 Conclusion

To prepare for future waves of personal loan demand, lenders can position themselves for success by addressing borrowers' critical requirements for speed and simplicity in the application and approval process, while also offering competitive rates. Our survey results demonstrate that it's not enough for lenders to compete on rate alone, especially when it comes to borrowers who have more options and expect more.

Ultimately, personal loans represent a means not just to gain new customers, but also to deepen relationships with existing customers.

Bonus Market View eBook

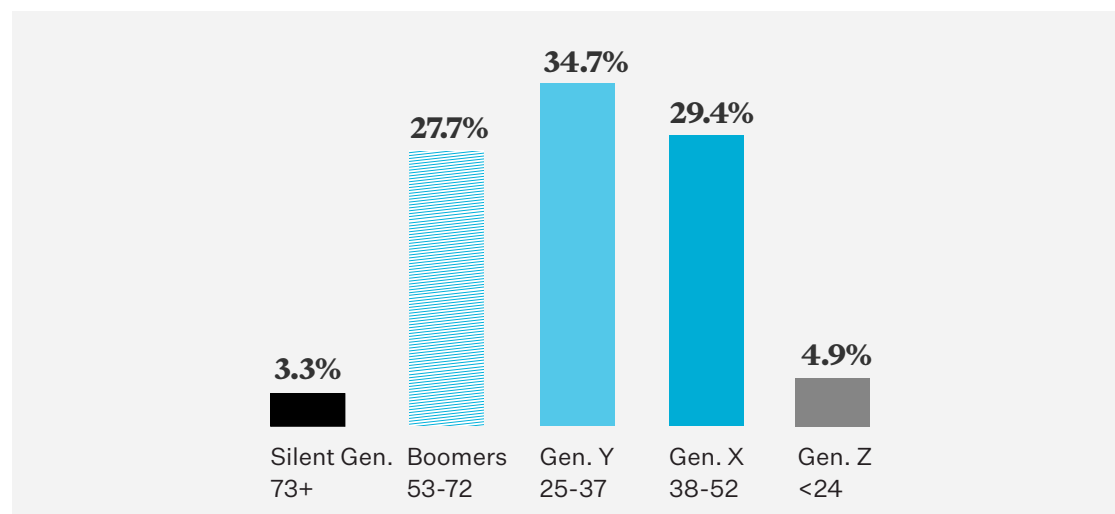
Learn more about the opportunities presented by the evolving personal loans market landscape.

[Read it now](#) →

06 Methodology

Blend conducted a comprehensive online survey in February 2021. The survey received 657 responses from consumers who currently have a personal loan with a financial institution. All data was received and analyzed by Blend.

Survey respondents





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 285 other leading financial institutions to acquire more customers, increase productivity, and deepen customer relationships.