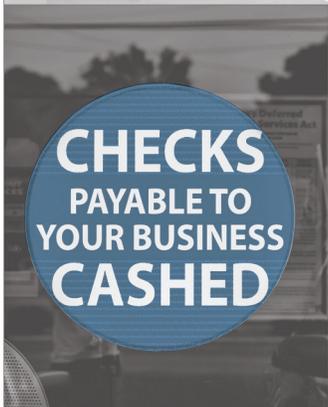


Raddon Research Insights

Lending Insights:
If You Build It, They Will Borrow



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Executive Summary

As 2020 began, consumer debt was at its lowest level in decades. But efforts to mitigate the COVID-19 pandemic halted economic activity, causing a sudden recession. In response, consumer loan demand and application activity skyrocketed in 2020.

In *If You Build It, They Will Borrow*, Raddon Research Insights explores how lending activity changed during the pandemic, including product and generational trends and implications for the future of lending.

The findings and strategic recommendations are based on two surveys. In February 2020, Raddon surveyed borrowers about their most recent loan experience for *Borrowing From Experience: Building a Better Loan Process*. Those results, which describe consumer sentiment in a “normal” operating environment, are combined with research on consumer borrowing behavior that Raddon conducted in August 2020. Results from both surveys are included in this report, where appropriate, to illustrate the effects of the pandemic.

Financial institutions will be managing those effects for some time, since higher loan demand could linger for several years. This report describes varying levels of COVID-19 concern and offers strategies to help financial institutions balance higher loan demand and a low interest rate environment. With new solutions and flexible operations, financial institutions can help consumers navigate financial hardship with lending products.

This report also includes:

- A demographic breakdown of application activity, loan usage and anticipated demand, and a breakdown of anticipated loan activity by product (such as credit card, auto loan, HELOC)
- Credit card demand trends, demographic preferences regarding cards and features, and an overview of card-based flexible lending innovations
- Home and vehicle purchase intentions over the next five years, and where consumers expect to get financing
- How consumers feel about their personal financial situation right now, and their top three financial concerns related to the pandemic
- The reasons consumers choose a lender, how consumers perceive the borrowing experience with different types of lenders and the role of technology

If You Build It, They Will Borrow

As it did to so many other things in 2020, the COVID-19 pandemic had a massive impact on the lending arena. Consumer loan application activity soared, and consumers' demand for loans in the next year has shattered demand levels seen over the past decade.

In our 2021 study, *Lending Insights: If You Build It, They Will Borrow*, we also see evidence of a so-called K recovery. The reality of this dynamic has both near-term and long-term implications for lenders. Traditional financial institutions need to conceive better processes, develop agility to handle higher loan volume and create products that give borrowers flexibility in how they access their funds and discipline in how they pay down balances. The time is now for community financial institutions to build their loan franchise for the future of lending.

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Consumers Were Not Burdened With Debt Before the Pandemic

As we highlighted in last year's Raddon study, *Lending Insights: The Future Is Now*, aggregate consumer debt levels reached all-time highs in 2019. However, adjusting for population growth and inflation showed real consumer debt per household remained well below pre-Great Recession levels, student loans notwithstanding. This relatively low debt burden among consumers continued into 2020 and served as a reason for optimism that recovery from the pandemic economy would be swifter than the post-Great Recession slog.

About Raddon

At Raddon, we arm financial industry decision makers with objective data gained through our innovative research techniques and unique database resources. We offer far more than data. We provide strategic guidance and tactical solutions to meet the challenges of the continuously changing financial services industry. Since 1983, Raddon has provided innovative research data, insightful analysis, strategic counsel and marketing solutions to hundreds of financial institutions across the nation. Because we serve financial institutions exclusively, we have an in-depth understanding of the market and recognize critical issues that shape the industry.

About Our Parent Company, Fiserv

Fiserv, Inc. (NASDAQ: FISV) aspires to move money and information in a way that moves the world. As a global leader in payments and financial technology, the company helps clients achieve best-in-class results through a commitment to innovation and excellence in areas including account processing and digital banking solutions; card issuer processing and network services; payments; e-commerce; merchant acquiring and processing; and the Clover® cloud-based point-of-sale solution. Fiserv is a member of the S&P 500® Index and the Fortune® 500 and is among the Fortune Magazine World's Most Admired Companies®.

About the Author

Greg Ulankiewicz is a senior research analyst and product manager for the Performance Analytics program at Raddon. In his role, Ulankiewicz applies his 20 years of experience analyzing financial institution performance and consumer financial behavior to help banks and credit unions develop effective strategies for sustainable growth. He is also a regular presenter at Raddon workshops, conferences and client engagements.