ACHIEVING LENDING SUCCE$S

A MULTI-PRODUCT APPROACH

JANUARY 2024

evolve credit

Success is often synonymous with adaptability in consumer lending.

External factors, such as inflation, changing regulations, and evolving market dynamics, underscore lending institutions' need to diversify their product offerings and remain adaptable.

As of October 2023, consumer credit increased at a seasonally adjusted annual rate of 1.2 percent.

Revolving credit increased at an annual rate of 2.7 percent, while non-revolving credit increased at an annual rate of 0.7 percent.

Consumer Credit	Revolving Credit	Non-Revolving Credit
1.2% ↑	2.7% ↑	0.7% ↑

Federal Reserve Board | October 2023

Text Description

Revolving credit: Revolving credit is a flexible borrowing arrangement, like credit cards or home equity lines of credit (HELOCs), where users can access a set credit limit, repay, and re-borrow as needed.

Non-revolving credit: Non-revolving credit refers to loans users pay back in one installment, such as a student loan, personal loan, or mortgage

What does this mean for consumer lending?

The distinction between revolving and non-revolving credit is noteworthy: revolving credit, exemplified by credit cards and HELOCs, saw a higher increase at 2.7%, reflecting ongoing flexibility in borrowing, while non-revolving credit, covering one-time loans like student loans and mortgages, increased at a more modest rate of 0.7%.

This suggests that consumers may be utilizing more flexible, ongoing credit options compared to one-time installment loans, possibly influenced by factors such as economic conditions or individual financial preferences. Lenders should monitor these trends to adapt their offerings and strategies accordingly.

Furthermore, global inflation sits at 7.5 percent (IMF), which poses huge challenges for lenders and can be tackled greatly with a multi-product approach. As it stands today, the rate of delinquencies has skyrocketed.

Global Size of Consumer
4 Billion
Brookings

Consumer Market Size
12.06 Trillion
Straitsresearch

Total Household Debt
$17.29 Trillion
Federal Reserve Bank of New York

US YoY Change
0.3%
CoreLogic

Side notes

Curious about the trending lending predictions? Discover what to expect from the **lending industry here.**

2024 PREDICTIONS

Consumers
1 Million+

Countries
+12

Consumers Spending
+$2.3 trillion

Consumer spending set to increase by $2.3 trillion (2017 PPP) in 2024, 12 additional countries will add over 1 million consumers in 2024: Indonesia, Bangladesh, Vietnam, Pakistan, the U.S., Brazil, Egypt, Nigeria, Turkey, Thailand, and Mexico.

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Here are several potential effects this has for lenders:

Opportunities for Market Expansion: Lenders may find new opportunities for market expansion in the mentioned countries, especially in those with significant increases in consumer numbers. Entering emerging markets could benefit financial institutions looking to grow their customer base.

Diversification of Lending Portfolios: The diverse list of countries implies different economic conditions, regulatory environments, and consumer behaviors. Lenders may consider diversifying their lending portfolios to mitigate risks associated with concentrating efforts in a single market.

Increased Demand for Financial Products: The rise in consumer spending suggests an increased demand for various financial products, including loans and credit. Lenders can tailor their offerings to meet the evolving needs of consumers in these expanding markets.

Technological Adaptation: As consumer numbers increase, there may be a growing demand for digital financial services. Lenders may need to invest in technology to provide efficient and accessible online lending platforms to cater to the preferences of a tech-savvy consumer base.

Global Economic Impact: The inclusion of major economies like the U.S., Brazil, and Mexico in the list implies potential shifts in global economic dynamics. Lenders operating in these countries may need to be attuned to broader economic trends and adjust their strategies accordingly.

Top Consumer Lending Products

Top Consumer Lending Products

The top consumer lending products encompass a range of financial instruments tailored to meet diverse borrowing needs. The popularity and effectiveness of these consumer lending products can vary based on economic conditions, interest rates, and consumer preferences. Here are some of the most prominent consumer lending products:

Credit Cards

Credit cards are a dominant method in US payments and accessing unsecured borrowing. Credit cards reported 37% of purchases in 2021. However, in the third quarter of 2022, the average credit card debt per borrower was $5,474, or about $617 higher than the year before. This shift may be due to inflation, but credit cards still face a gradual threat from point-of-sale financing, potentially causing a 15% profit loss for issuers by 2025. Despite this, issuers, benefiting from long-standing relationships can capitalize on credit cards' advantages, such as daily consumer engagement generating valuable spending data and complementing a range of financial products. To navigate challenges, issuers should leverage strengths, reimagine products, target younger demographics, and reconsider credit card economics.

Personal Loans

The personal loans market is experiencing substantial growth, poised to increase from $81.07 billion in 2023 to an anticipated market size of $234.6 billion in 2027, demonstrating a CAGR of 30.4% despite global economic uncertainties stemming from events like the Russia-Ukraine war. The growth of online lending platforms and fintech companies also contributes to this demand for personal loan channels. Increasingly, the importance of personal loans lies in their versatility. Personal loans provide individuals with the flexibility to access funds for various personal needs without requiring collateral. This allows borrowers to finance expenses, consolidate debt, or manage unexpected financial challenges. This growth is not only driven by their financial accessibility but also by the evolving preferences of borrowers seeking uncomplicated and versatile credit solutions.

Top Consumer Lending Products

Auto Loans

The global car loan market will grow significantly in 2028. With an evolving preference for a contemporary lifestyle, there is a certainty that change will occur. Individuals will yearn to replace their older vehicles with the latest or newer models. In 2022, auto-loan originations in the US hit a record $747bn according to data from the Federal Reserve Bank of New York. This substantial figure underscores the robust demand for auto financing, signaling a consumer trend where individuals actively seek financial support to facilitate the acquisition of new vehicles. Most importantly, it presents opportunities for financial institutions to meet the evolving needs of borrowers in the realm of automotive financing.

Mortgages

The forecast from US News suggests a stabilization of mortgage rates throughout 2024, as outlined by leading real estate economists. However, the key highlight of this prediction is the absence of a substantial drop in these rates. In the baseline scenario, the 30-year fixed mortgage rate is projected to maintain levels above 7% through the conclusion of 2023 and into the early months of 2024. Moreover, it is expected to persist above 6% until 2025. Financial institutions offering mortgage products must consider this forecast in their lending strategies. The expectation of rates remaining above 6% for an extended period emphasizes the need for lenders to offer competitive terms, explore innovative lending solutions, and provide valuable insights to help borrowers navigate the challenges associated with higher mortgage rates.

How Lenders Can Stay Afloat Using The Multi-Product Approach

DIVERSIFICATION OF LOAN PORTFOLIO

Strategy

Expand beyond traditional lending products and diversify the loan portfolio. Offer a range of products such as personal loans, credit cards, auto loans, and mortgages to cater to diverse consumer needs.

Benefits

Diversification helps mitigate risks associated with economic fluctuations in specific sectors. Lenders can tap into various markets and customer segments, reducing the impact of potential downturns in any single lending category.

CUSTOMER-CENTRIC SOLUTIONS

Strategy

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CROSS-SELLING AND UPSELLING

Strategy

Implement cross-selling and upselling strategies by offering complementary products. For example, a mortgage customer might also benefit from a home equity line of credit (HELOC) or a credit card.

Benefits

Cross-selling increases the lifetime value of a customer, strengthens relationships, and optimizes revenue streams. It also enhances customer convenience by providing a comprehensive suite of financial products.

TECHNOLOGY INTEGRATION

Strategy

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The multi-product approach empowers lenders to navigate uncertainties and capitalize on the diversity of consumer needs. Furthermore, lenders can position themselves for sustained success in the competitive consumer lending landscape.

Side notes

What six features should you consider when choosing a loan management system?

Don't embark on an exhaustive search for cutting-edge lending technology when **Configure** Powered by Evolve Credit stands as the undisputed champion in the lending industry.

Revel in the brilliance of Configure, a dynamic 3-in-1 disruptor streamlining every facet of lending, from seamless origination to efficient disbursement and collection.

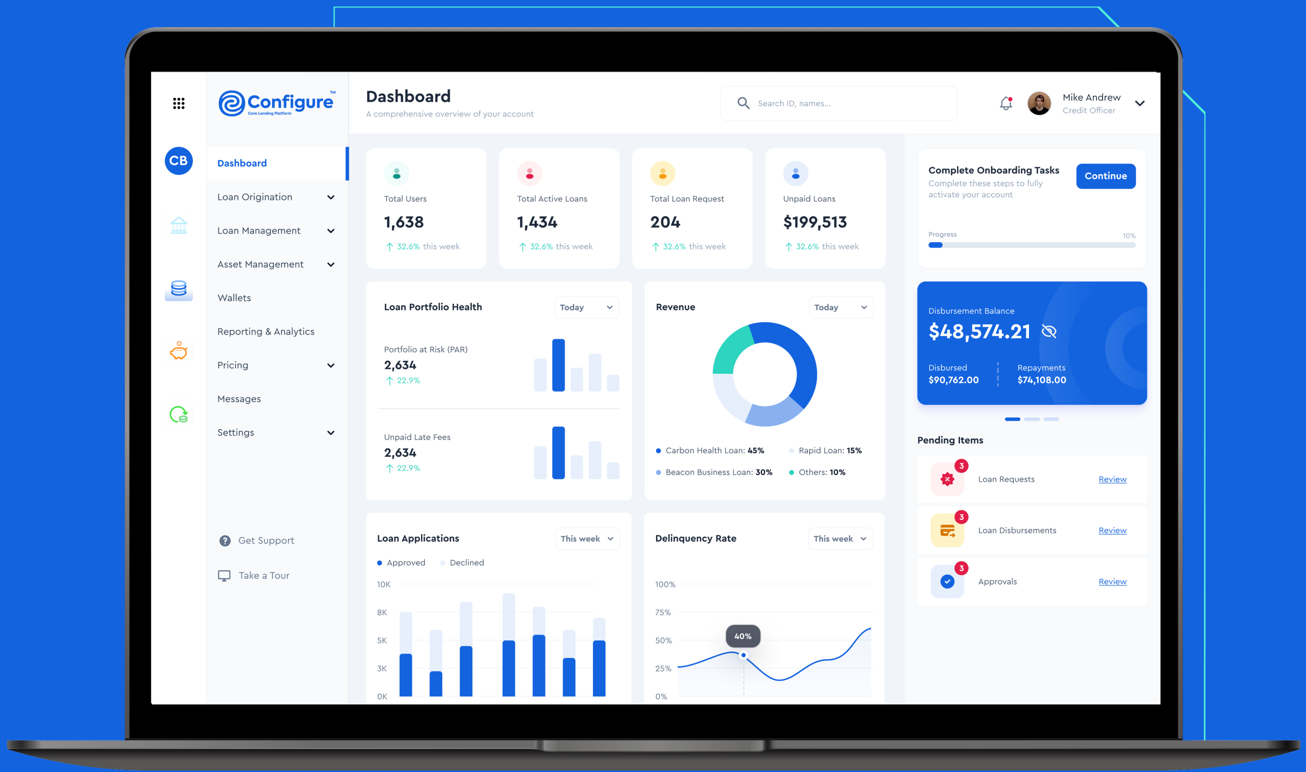
Why settle for the ordinary when Configure offers extraordinary capabilities? Enjoy unmatched flexibility and versatility, effortlessly configuring multiple loan products to precisely match your customers' preferences. With a few clicks, you can unleash a world of possibilities in crafting lending solutions that resonate with your clientele.

As you navigate the lending landscape of 2024 and beyond, there's no better ally than Configure. This cutting-edge solution isn't just a tool; it's your gateway to lending success.

Scale up your operations effortlessly, efficiently, and innovatively.

Configure™
Core Lending Platform

Powered by
Evolve Credit



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