



FINTECH TRENDS REPORT

Consumer credit trends and insights

Introduction

In this report, Experian® data scientists and analysts delve into credit trends for two popular products: the unsecured personal loan (UPL) and credit cards. In the next several pages, you'll glean key insights into the consumer credit landscape and emerging trends using historical data from January 2019 to November 2023.*

Three major highlights from our analysis include:

- 01 – Origination amounts** for fintechs went down compared to last year for unsecured personal loans and credit cards.
- 02 – Average balances** of unsecured personal loans and credit cards increased from last year for all lenders, including fintechs.
- 03 – Delinquency levels**, which had decreased significantly during pandemic period, are increasing from the last two years for both unsecured personal loan and credit card portfolios.

Let's take a more intimate look at these findings.

*A note about our data sources: For details about the Experian studies, including source data, please visit the section "ABOUT THE REPORT" at the end of the report. [↓](#)

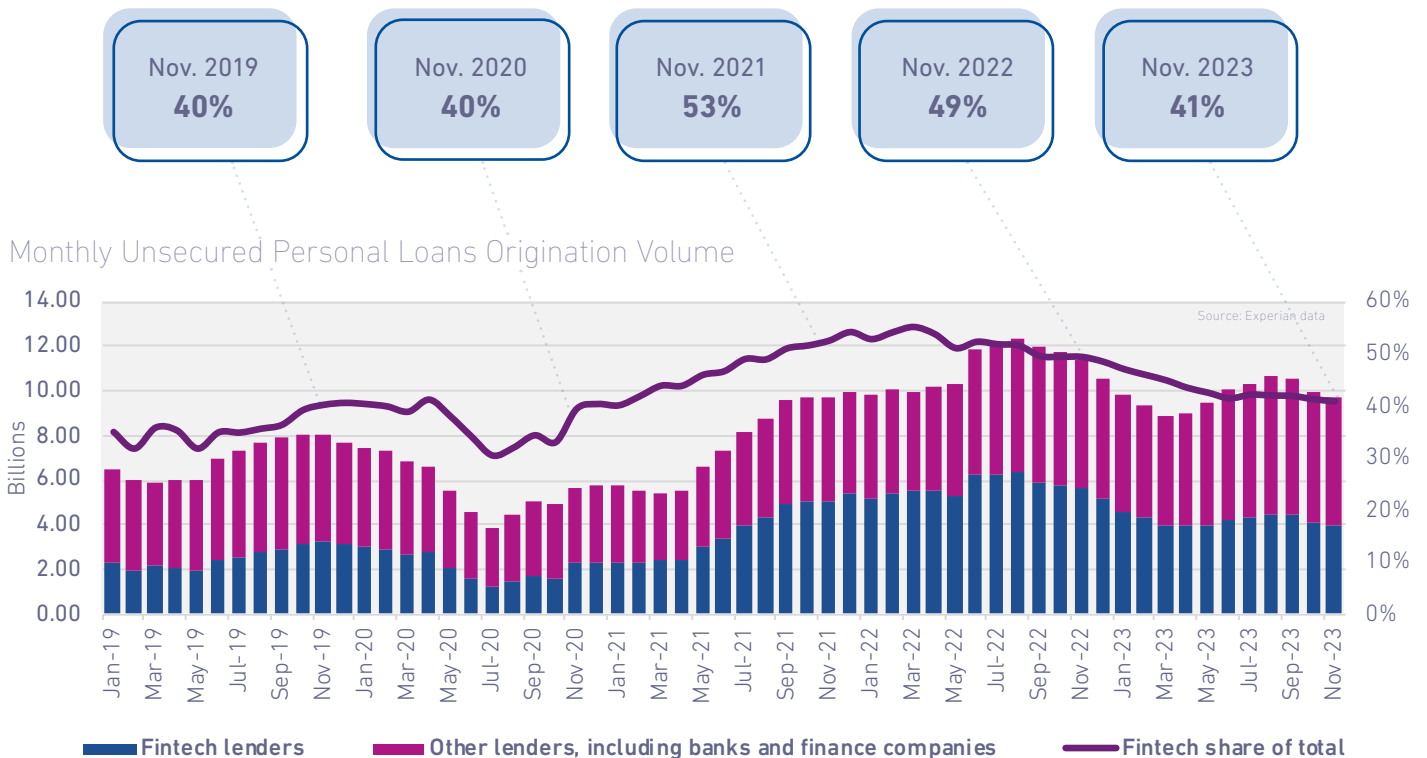
Origination volume trends — fintech versus all lenders



Unsecured personal loans

Loan originations for the unsecured personal loan product fell for all lenders (which includes fintechs) and the fintech segment separately (15% and 29% year-over-year (YoY) decrease, respectively). Total origination volume continues to remain at almost double pre-pandemic levels reaching almost \$4 billion for fintechs and \$9.8 billion for all lenders in November 2023.

Unsecured personal loans market share for fintechs

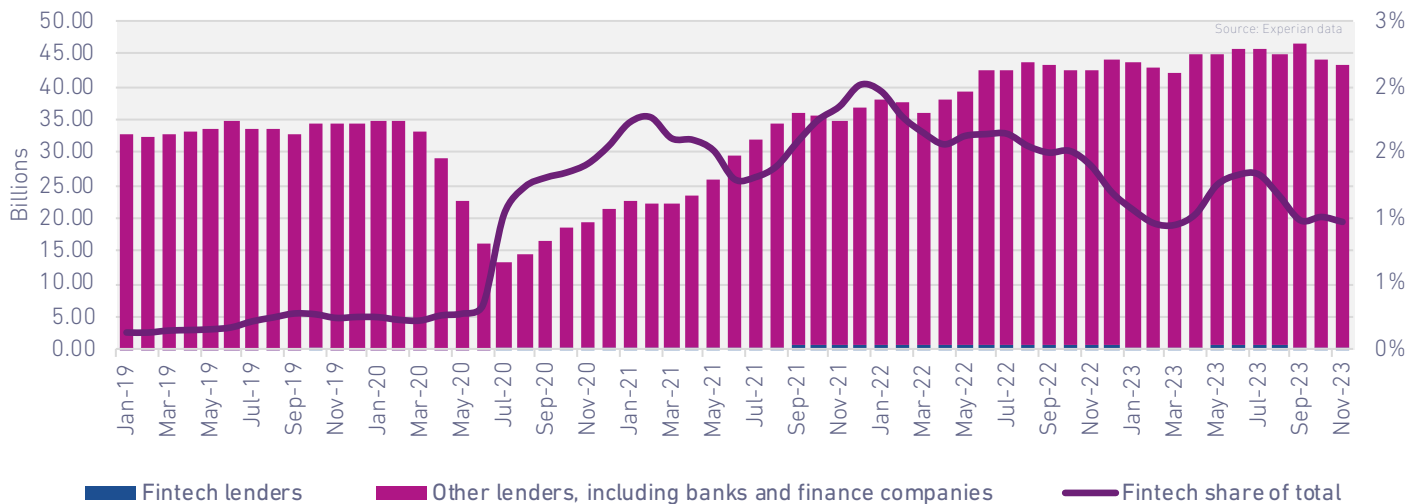


Market share: Fintech market share has reverted to 2019/2020 levels after a peak in 2021 likely due to interest rate increases and funding availability. Digital loans accounted for 41% of originations in November 2023 compared to 49% in November 2022.

Credit cards

Originations for credit cards have increased 2% between 2022 and 2023 for all lenders. For fintech lenders, specifically, originations for credit cards rose sharply in 2020 and 2021 as new lenders entered the market, but this segment experienced a 29% decrease YoY between 2022 and 2023.

Monthly Credit Card Origination Volume



Market share: The data shows that although fintech credit card originations have strikingly increased since 2019, they still only account for 1% of credit card originations. This highlights the opportunity for fintechs to continue to diversify their product portfolio with additional offerings such as credit cards.

Our take



The fluctuation in market share for unsecured personal loans and the decrease in credit card originations both may be related to stricter lending criteria by fintechs due to uncertain economic headwinds and limited funding.



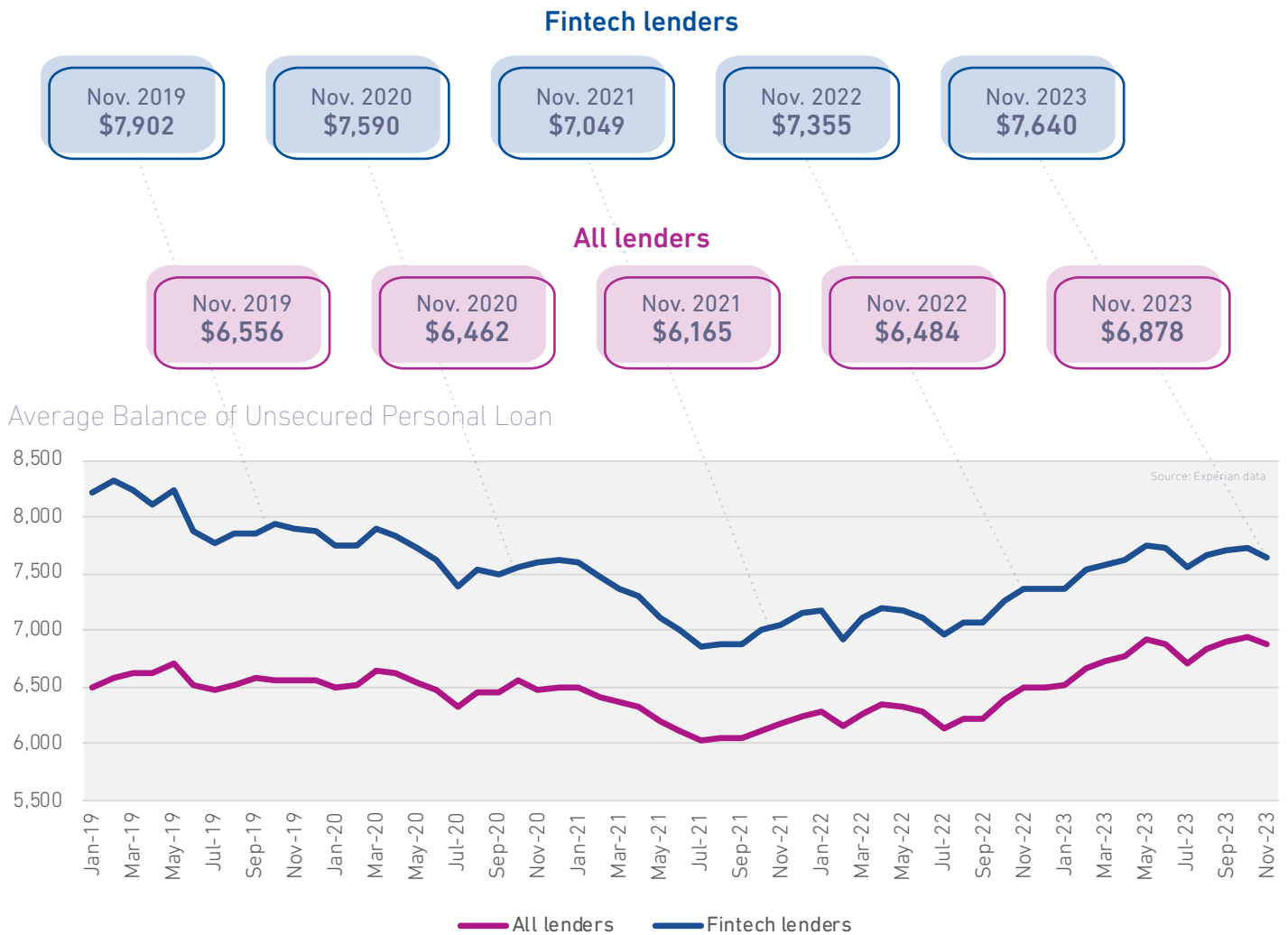
Average loan balances — fintech versus all lenders



Unsecured personal loans

After two years of notable decreases for all lenders, including the fintech segment, 2023 saw a steady increase in loan balances for the unsecured personal loan. Fintech lenders saw loan balances still slightly below pre-pandemic amounts while all lenders saw higher loan balances than pre-pandemic.

In 2019, the average unsecured personal loan balance was 22% higher for fintech lenders compared to all lenders. Since then, fintech lenders have continued to outpace average loan balances.



Credit cards

After a dip in 2020 and 2021, all lenders, including fintechs, experienced a consistent increase in average balance amounts for their credit card products throughout 2022 and 2023. The data shows that there was a 7% YoY increase for average balances across all lenders, but fintechs specifically saw a 17% YoY balance increase.

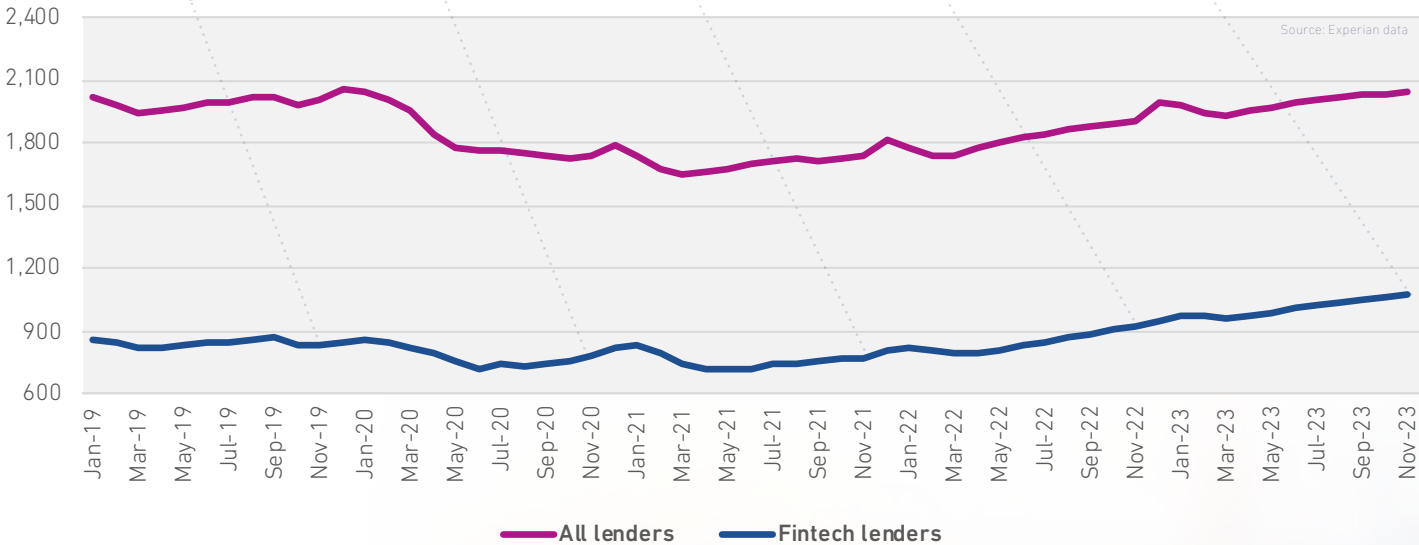
All lenders



Fintech lenders



Average Balance of Credit Card



Delinquency trends — fintech versus all lenders

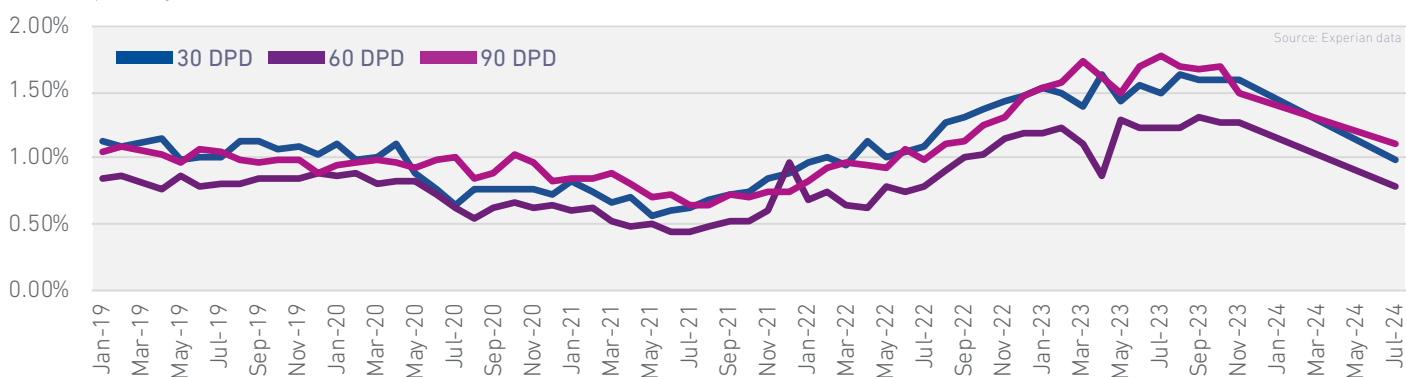


Unsecured personal loans

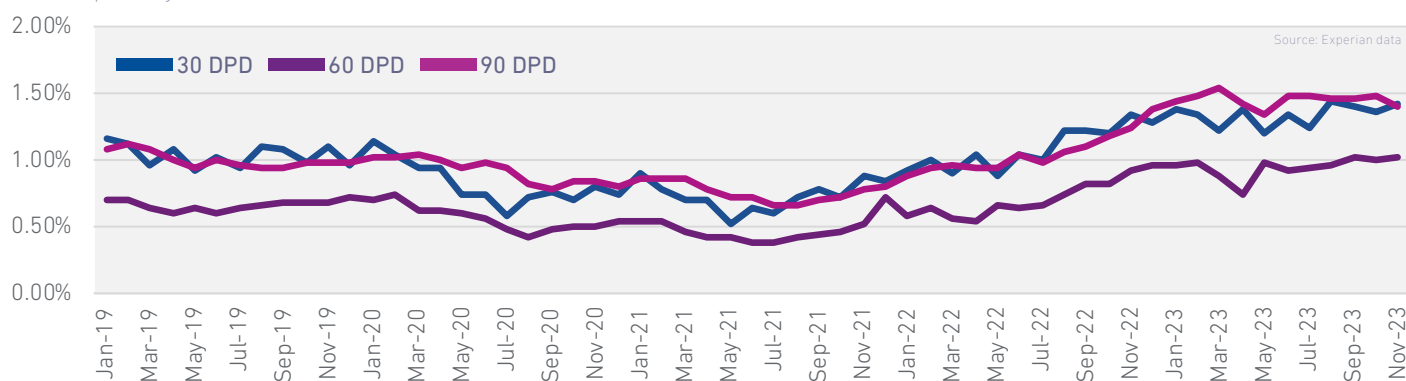
A lender's credit risk ordinarily shows up not only in the origination and portfolio credit mix, but also in the performance of the loans in the portfolio. The ultimate measure of loan performance, of course, is what portion of loan balances are eventually written off.

Despite credit delinquency reaching record low levels during 2020 and 2021 (likely due to changes in reporting guidelines), all lenders and fintechs have seen a steady uptick in delinquency levels for unsecured personal loans over the last two years.

Delinquency Trends – Unsecured Personal Loan – Fintech lenders



Delinquency Trends – Unsecured Personal Loan – All lenders



A YoY analysis shows digital loans experienced a 13% increase in 90+ days past due delinquency and 11% increase in 60+ days past due delinquency between 2022 and 2023.

With economic uncertainty and a continued increase in delinquencies, fintech lenders are under a swell of pressure to fuel profitable growth while monitoring the risk profile of their loan portfolios.

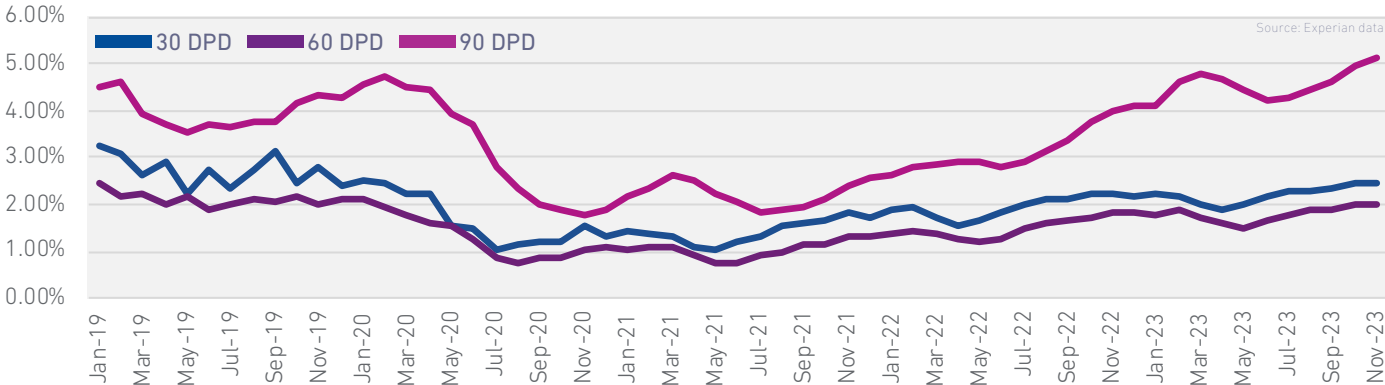
Our analysis shows that although fintech lenders have strategically expanded into higher credit risk tiers, the continued rise in delinquencies may spotlight the need for fintechs to shift their focus toward prime and above to mitigate risk.

This also highlights an opportunity for fintechs to place a greater emphasis on loan servicing and collection strategies.

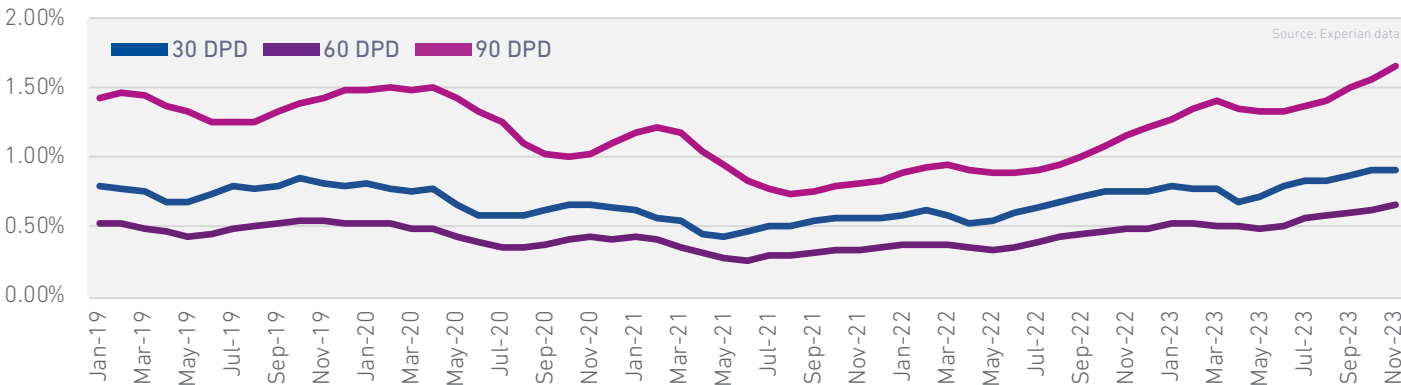
 **Credit cards**

The analysis shows a similar story of delinquency rates of credit cards for all lenders, including the fintech segment, but with more extreme YoY trends. For 90+ days past due, all lenders saw a 44% jump in delinquency rates between 2022 and 2023, and fintechs specifically saw a 28% jump. All lenders saw a 33% and 22% increase in delinquency rates for 60+ days past due and 30+ days past due, respectively between 2022 and 2023. Fintechs specifically only experienced a 11% and 12% YoY increase for 60+ days past due and 30+ days past due delinquencies, respectively.

Delinquency Trends – Credit Cards – Fintech lenders



Delinquency Trends – Credit Cards – All lenders

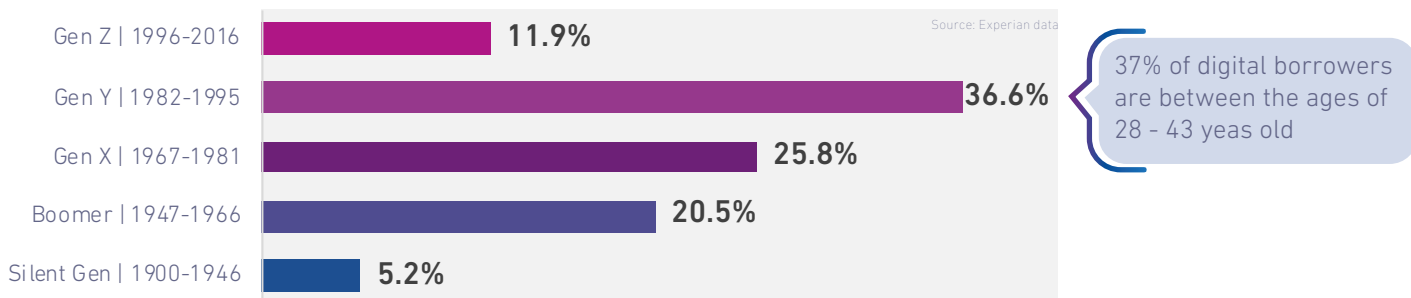


These trends showcase that while fintechs should explore expanding their product offerings outside of the unsecured personal loan, they must also closely monitor and mitigate risk. There’s a unique opportunity for fintechs to leverage loan servicing strategies such as credit limit increases and decreases for identified customers.

Who's the digital borrower?

The digital borrower may be any age and credit tier; however, 37% of digital borrowers fall into generation Y, also known as millennials, who were born between 1982 and 1995. Interestingly, this generation's nickname is "The Digital Natives," which aligns with their borrowing behavior.

Generational Breakdown of Digital Borrowers in November 2023



Additionally, our analysis delves into various attributes to help us gain a deeper understanding of the digital borrower compared to all other borrowers for unsecured personal loans as well as credit cards.



Consumers with an Unsecured Personal Loan by Generation

	Silent		Boomer		Gen X		Gen Y		Gen Z	
	Fintech	Traditional	Fintech	Traditional	Fintech	Traditional	Fintech	Traditional	Fintech	Traditional
Avg. VantageScore for those with a new loan	725	723	690	703	660	682	650	664	630	645
Avg. loan amount (trade)	\$7,709	\$6,874	\$8,665	\$7,603	\$7,895	\$8,880	\$5,816	\$7,930	\$2,261	\$5,175
Avg. loan balance (trade)	\$7,063	\$6,056	\$7,814	\$7,038	\$7,678	\$8,191	\$5,812	\$7,416	\$2,626	\$5,084
%Consumers 90+	1.7%	1.1%	1.8%	1.0%	2.5%	1.3%	3.1%	1.8%	2.6%	1.9%

Source: Experian data









Consumers with a Credit Card by Generation

	Silent		Boomer		Gen X		Gen Y		Gen Z	
	Fintech	Traditional	Fintech	Traditional	Fintech	Traditional	Fintech	Traditional	Fintech	Traditional
Avg. VantageScore for those with a new loan	687	740	638	697	627	667	629	654	657	650
Avg. loan amount (trade)	\$4,321	\$7,869	\$3,154	\$7,521	\$2,930	\$6,503	\$3,255	\$5,791	\$2,954	\$3,658
Avg. loan balance (trade)	\$500	\$1,265	\$880	\$1,845	\$1,271	\$2,469	\$1,352	\$2,120	\$1,216	\$1,596
%Consumers 90+	0.9%	0.5%	1.7%	0.6%	2.3%	1.2%	2.4%	1.6%	1.6%	1.6%

Source: Experian data

Our data analysts looked at the digital borrower compared to all other borrowers, irrespective of generation, regarding information such as household income, credit score and history, open trade lines, credit utilization, and more.

Digital borrowers have a lower average credit score compared to all other borrowers (662 compared to 704), but they have a higher credit utilization percentage (62% compared to 51%). Digital borrowers have fewer trade lines and a shorter history of credit compared to all other borrowers.

Digital borrowers		All U.S. consumers
662	 Credit score	704
13	 Years of credit history	18
5	 Open trade lines	6
\$9	 Outstanding balances (\$ thousands)	\$10
1.1	 Credit inquiries in last 12 months	0.6
62%	 Credit utilization	51%

Source: Experian data

Looking ahead to 2024

As we look ahead to 2024, economic uncertainty continues to loom on the horizon. The one constant is that the more a lender can understand their consumers, the better they can make strategic lending decisions. This consumer knowledge is rooted in the breadth and depth of data available to a lender. This highlights the importance for fintechs to have access to data and tools to fuel loan portfolio growth while mitigating as much risk as possible.

Re-review your portfolio

Periodic portfolio reviews are standard practice for financial institutions. If you haven't done so already, doing an analysis of your current lending portfolio is imperative to ensure you're minimizing risk and maximizing profitability. For example, is your portfolio overexposed to customers who are strained with financial obligations impacting their overall financial health? At the account level, there may be opportunities to reevaluate customers based on a different risk appetite or credit criteria.

A portfolio review will help identify which of your customers could benefit from second chance opportunities they may not have otherwise been able to receive.

Retool and validate your data, analytics and models

Fintechs have found that while traditional credit data is still very valuable, expanded data sets help fortify that traditional data to inform credit models, underwriting and financial inclusion which gives a more complete picture of a consumer. To stay competitive, fintechs must make sure they have access to the freshest, most predictive data. This means adding nontraditional, FCRA-regulated data and attributes to your data-driven decisioning strategies as much as possible.



Types of expanded FCRA credit data used across the credit spectrum include user-permissioned account data, cash flow transactions, rental data, property data, income data and full-file public records. Also included is data from nontraditional lenders such as single pay, rent-to-own, title loans and short-term installments. This data works to enhance your ability to see a consumer's entire credit portfolio, which gives lenders the certainty to continue to lend — as well as the ability to track and monitor a consumer's historical performance (which is a good indicator of whether a consumer has both the intention and ability to repay a loan).

Remodel your lending criteria

Fintechs need the freshest, most predictable data inputs. But even with the right data, analytics can still be tedious, prolonging deployment when time is of the essence. Traditional models are too slow to develop and deploy, and they underperform during sudden economic upheavals. To stay ahead in volatile times, fintechs need high-quality analytics models, running on large and varied datasets that they can deploy quickly and decisively. Fintechs are positioned to nimbly take advantage of market opportunities. Once your models are performing well, they should be immediately deployed into the market to actualize on creditworthy current and future borrowers.

Experian offers robust solutions, rich data, analytics and expertise to help lenders stay ahead of constantly changing market conditions and uncover opportunities that lie ahead.

To learn more about how Experian is partnering with fintechs to meet their business goals and power profitable growth, [visit **experian.com/fintech**](https://www.experian.com/fintech) or contact your Experian representative today.

ABOUT THE REPORT

Fintech companies who lend money offer any of several financial products. These include mortgages; student loans; and buy now, pay later contracts. In this report, Experian data scientists and analysts take a deep look at two of the most popular lending products in the industry: the unsecured personal loan and credit cards (new this year). For the unsecured personal loan product, we excluded small-dollar loans, focusing on unsecured personal installment loan accounts originated with balances between \$500 and \$50,000 and with loan terms between 12 and 84 months.

- ▶ Our study considered a statistically relevant sample of the loans reported to our national credit bureau between January 2019 and November 2023.
- ▶ The sample encompassed loans to nearly 33.7 million digital borrowers in the United States.
- ▶ We compared the entire set of unsecured personal loans and credit cards during that period to the subset of those loans reported by select digital lenders.
- ▶ The digital lenders in our study accounted for nearly 37 percent of the balances of unsecured personal loans at the beginning of our study period and close to 52 percent at the end.
- ▶ The digital lenders in our study accounted for nearly 0.1 percent of the balances of credit card loans at the beginning of our study period and close to 2 percent at the end.
- ▶ Most of the remaining balances were originated by traditional financial institutions such as banks, credit unions and finance companies.
- ▶ To maintain confidentiality, we don't name the lenders selected as part of our subset and have applied a proprietary weighting scheme when calculating our reported statistics.
- ▶ There's a significant overlap between the population used in our study related to All Lenders which includes the fintech segment and in some cases the fintech segment is discussed individually; however, we have no reason to believe the overlap biased any of our results.

