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An Overview of Personal Loans in the U.S. *

Jessica N. Flagg‡ Simona M. Hannon§
Federal Reserve Board Federal Reserve Board
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Abstract

Personal loans used for a variety of purposes, such as debt consolidation, medical bills, vacations, or the payment of a large ticket item, reached $356 billion or about 10 percent of non-revolving consumer credit at the end of 2022. Although depository institutions such as banks, thrifts, and credit unions dominate the personal loan market, finance companies, institutions that typically lend to nonprime consumers, hold nearly a fourth of these loans. This paper provides an overview of this nascent but relatively understudied sector of the United States credit market.

Keywords: Consumer Credit, Personal Loans, Installment Loans.

JEL classification: G21, G23

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1. Introduction

In the aftermath of the Global Financial Crisis, personal loans returned to prominence as a source of credit to consumers, partly highlighted by some of the technological advances in the consumer credit space characteristic of the past decade. While new financial technology (FinTech) lenders entered the market and some even morphed into other types of institutions, traditional lenders continued to play an important role in providing personal loans to consumers. As the outstanding balances of these loans have recently started to accelerate, we aim to provide more information on this understudied sector, employing two relatively new data sources.

As of the end of 2022, personal loans—also known as installment loans or other loans, used for a variety of purposes, such as debt consolidation, medical bills, vacations, or the payment of a large ticket item—reached $356 billion or about 10 percent of nonrevolving credit.\footnote{This estimate is based on the personal loan holdings reflected in the Federal Reserve Bank of New York Consumer Credit Panel (CCP)/Equifax data. It reflects loan holdings by traditional lenders such as banks, credit unions, and finance companies and does not include estimates of BNPL, payday lender or pawn shop loan holdings, nor those that are not reported to traditional credit bureaus. (For example, banks also offer to wealthier clients personal loans backed by securities that are not reported to credit bureaus. In addition, as more recently select payday lenders started to offer installment loans, some of the more established ones report to alternative credit scoring companies such as Clarity Services and DataX. None of these loans are reflected in the CCP.) The nonrevolving credit estimate is sourced from the G.19 Consumer Credit release: \url{https://www.federalreserve.gov/releases/g19/current/default.htm}.}

From an institutional perspective, the sector is dominated by depository institutions—that is, banks, thrifts, and credit unions—and finance companies, consisting of personal loan companies and sales finance companies.\footnote{Personal loan companies provide loans directly to consumers, while sales finance companies buy installment credit contracts at a discount from retailers or finance retail sales. FinTech lenders also hold a notable share of the personal loan sector, but, given their business models and that some lenders morphed into other types of institutions, their loan balances are accounted for under other institution type holdings. We will discuss more about FinTech lenders in a subsequent note.} Finally, some payday lenders have recently started to offer installment loans. Our data allows us to highlight this new trend. Each lender type’s distinct characteristics shape their underwriting practices, pricing, geographical concentration, and ultimately loan holdings.

Although personal loans can have a variety of characteristics, they can be broadly categorized into secured—backed by collateral such as jewelry, savings accounts, or fine art—and unsecured loans. That said, they can also take the form of note loans or promissory notes, which are less formal agreements usually for small dollar amounts among parties with an existing lending relationship.\footnote{These loans can be modified more easily if the parties agree and they have legally binding requirements for the borrower while not legally binding the lender to legal requirements. At the same time, there are fewer legal remedies for the lender if the borrower defaults. (Source: \url{https://www.annuity.org/personal-finance/banking/loans/promissory-note-vs-loan/})} Alternatively, a consumer could also borrow from a finance company indirectly through an installment sales contract, an agreement whereby the loan is issued by a retailer and then subsequently purchased by a sales finance company. Personal loans can have either fixed or variable interest rates.

In the remainder of this paper, we first review the regulatory environment for personal loans in the United States and then discuss select characteristics of the outstanding balances and the
supply of personal loans, while providing some estimates for the sector based on relatively recent data sources.

2. **Brief Regulatory Overview**

The United States consumer credit regulatory environment is dynamic, multilayered, and complex, in particular for nonbank issued personal loans, with states having full flexibility to adopt and repeal pieces of legislation.\(^4\) The most important regulatory elements affecting the personal loan space are *interest rate ceilings* and *banks’ interest rate exportation ability*. In addition, over the past decade, various developments, such as the *Madden v. Midland Funding* ruling, the Payday Rule, or the adoption of caps for small loans, also put their marks on the sector.\(^5\)

First, historically, the personal loan sector in the United States has been regulated by the states through interest rate ceilings. State credit price ceiling laws generally included usury laws and a variety of special laws allowing higher rates than those allowed under usury laws for specific types of credit from certain classes of lenders.\(^6\) Currently, 15 states have high or no interest rate ceilings. These are South Carolina, Georgia, Texas, Oklahoma, Louisiana, Tennessee, Missouri, Illinois, New Mexico, Kentucky, Alabama, Wisconsin, Indiana, Mississippi, and Idaho. In addition to state interest rate ceilings, credit unions are subject to their own 18 percent ceiling for traditional personal loans imposed by the National Credit Union Administration. More recently, after 2010, credit unions are able to make small-dollar short-term loans, labeled payday alternative loans that can have interest rates of up to 28 percent.

Second, in 1978, the U.S. Supreme Court in *Marquette National Bank v. First Omaha Service Corporation* ruled that national banks could charge interest rates permitted by the lending bank’s home state regardless of the rate permitted by the borrower’s state of residence. Until more recently, this significant court ruling had its greatest effect on the credit card market as it enabled credit card companies to expand their offerings geographically to consumers located across states with various interest rate ceilings. As a result of the *Marquette* ruling, credit card companies moved

\(^4\)“For example,” notes American Financial Services Association (2016), “in Alabama, traditional installment lenders are governed by the Small Loan Act, the Consumer Credit Act, and the Interest Usury Statute. In Arkansas, they are governed by the Arkansas Constitution, the Arkansas Business and Commercial Law Provisions, the Insurance Sales Consumer Protection Act, the Credit Life and Disability Provisions, and the Uniform Commercial Code. In Georgia, traditional lenders follow the Usury Statute and the Industrial Loan Act. In Illinois, they follow the Consumer Installment Loan Act, Consumer Installment Loan Act Regulations, and the Interest Act. The list goes on for each state.”

\(^5\)Despite its name the Payday Rule affected the supply of *all* expensive small loans, irrespective of type.

\(^6\)For example, the 36 percent interest rate cap emerged in the first half of the twentieth century in an effort to allow (as an exception from usury laws) for a legal small dollar consumer loan market, as before its creation, the precursors of payday lenders, the “salary lenders”, were illegally making small loans with four-digit annual interest rates. The Russell Sage Foundation is credited with the idea behind the 36 percent interest rate cap. The adoption of an interest rate cap of 36 percent at the state and federal level has been dynamic with states adopting it at various points in time and various pieces of federal legislation imposing it (Saunders, 2013). The Talent Amendment to the 2007 defense authorization bill was the federal law imposing a novel 36 percent rate cap on payday loans provided to military members and their immediate relatives (Pew Charitable Trusts, 2012). The adoption of the 36 percent interest rate cap does not outright prohibit payday lender activity. It makes payday loans unprofitable and illegal.
to states with high or no credit card rate ceilings and the credit operations of many large retail stores and consumer finance companies were acquired by or otherwise became affiliated with national banks and their subsidiaries. For a while payday lenders also used this "rent a bank" model in the 1990s and managed to circumvent restrictive state legislation by partnering with banks, until the legislative loophole was closed for them (Stegman, 2007). Today, specialized finance companies and, especially, FinTech lenders partner with banks for the same reason (Bhattacharyya, 2021, Elliehausen and Hannon, 2023).

Third, other developments also put their mark on the personal loan sector in recent years, but to a smaller extent. Among them, Second Circuit's 2015 *Madden v. Midland* ruling (discussed at length by Danisewicz and Elard, 2018) restricted FinTech-bank partnership-issued loans in New York and Connecticut by rendering loans with interest rates above the usury rates in those states null if sold to non-banks, a key feature of the FinTech-bank partnership model (highlighted by Elliehausen and Hannon, 2023). The Consumer Financial Protection Bureau's transient ruling titled Payday, Vehicle Title, and Certain High-Cost Installment Loans (the Payday Rule) temporarily restricted the availability of expensive personal loans between the time it was proposed, in 2016, and its revocation, less than three years later. Finally, more recently Illinois and New Mexico adopted 36 percent caps on small loans.

With the exceptions of the credit union 18 percent interest rate ceiling and of the Payday Rule, which acted like a "stealth" interest rate ceiling (Calomiris, 2001) and was applicable to high-cost loans across all states, the aforementioned regulatory restrictions apply locally and thus shape lenders' geographical concentration or credit supply. For example, finance companies restrict their lending to high or no consumer finance interest rate ceiling states, while FinTech lenders partner with banks in order to circumvent low interest rate ceilings and disproportionately target riskier consumers living in low-rate states (Elliehausen and Hannon, 2023).

3. **Personal Loans Outstanding**

In order to examine the personal loan outstanding universe, we use a newly-released loan-level version of the Federal Reserve Bank of New York quarterly Consumer Credit Panel (CCP), a database on consumers' credit use and payment performance drawn from anonymized Equifax credit bureau records. The sample has coverage of personal loan (or account) holdings issued by...
finance companies and depository institutions—banks, thrifts, and credit unions—and reflects up to four accounts (or loans) per individual.

Our sample contains industry code indicators that allow us to categorize the personal loan holdings by sector—finance companies, banks, thrifts, and credit unions. In addition, a new indicator has been recently added to allow the identification of personal loans issued by FinTech lenders. Moreover, these indicators can be used to further differentiate the finance company holdings by finance company type: personal loan companies, sales finance companies, and a miscellaneous company category, thus offering a unique perspective into the usually opaque finance company universe.\(^9\) Furthermore, our data include narrative codes that enable the grouping of holdings by product type: secured and unsecured. The latter also includes "other" loans, a category that primarily consists of note loans, lines or credit, and installment sales contracts among others. Importantly, the narrative codes enable us to remove charge card accounts and closed accounts from our estimates, which is not possible using the individual-level CCP data. This is paramount because the charge card balances are quite notable.\(^10\) Although the CCP data do not contain interest rate information, the tradeline data set that we are using contains narrative codes indicating whether the interest rate on a certain loan is fixed.

As personal loans tend to have lower incidence than other loan types, to ensure proper coverage, we use a 10 percent random sample from the total available 5 percent sample, covering the period between 2010:Q1 and 2022:Q4. As of the end of the fourth quarter of 2022, the consumer finance CCP loan-level sample showed that more than 31 million individuals or about 11 percent of the entire adult population covered by the CCP had personal loans.\(^11\) The personal loan sector reached $356 billion and consisted of 36.2 million accounts. The median personal loan account balance is $4,198 and the median monthly payment is $202. About one-fourth of loan balances are secured, close to 60 percent are fixed rate, and 40 percent are held by nonprime borrowers (those with Equifax Risk Scores lower than 720).

Looking at outstanding balances (Table 1, column I), we note that depository institutions dominate the personal loan market, holding of 77 percent of balances or $273.6 billion, with banks and thrifts covering 49 percent of the market and credit unions covering 28 percent. The remainder market share, of 23 percent or $82.5 billion, belongs to finance companies. Although personal loan companies—those providing loans directly to consumers—dominate the finance company sector, our data allows us to highlight the presence of sales finance companies, those buying installment credit contracts at a discount from retailers or financing retail sales, and reveals the existence of growing number of miscellaneous finance company balances issued by lenders not traditionally

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\(^9\) Although we inquired about the company types included in the miscellaneous category, in order to preserve data confidentiality, no further details could be made publicly available by Equifax.

\(^10\) All calculations exclude charge card accounts and balances, debt owned, and number of accounts held by deceased borrowers, those debts and accounts that have been charged off, and closed accounts with zero balances, the majority of which were likely subject to CFPB’s National Consumer Assistance Plan.

\(^11\) As of 2022:Q4, the CCP covered 282 million individuals, 237 million with credit scores.
Figure 1. Personal Loans Outstanding

Note: This figure shows the total personal loans outstanding by sector.  
Source: Federal Reserve Bank of New York Consumer Credit Panel (CCP)/Equifax.

classified as finance companies, but that offer personal loans.\(^2\) FinTech lender balances currently stand at $49.9 billion or 14 percent of the market. As FinTech loans are typically offered in partnership with banks, depending on the moment in the life cycle of the transaction captured in the credit bureau data, FinTech balances can be reported across the traditional sectors discussed previously. We will dedicate a subsequent note to FinTech lending.

Looking at the number of outstanding personal loan accounts (Table 1, column II), we note that depository institutions and finance companies hold about the same number of accounts—about 18 million. Taken together with the depository institutions’ much larger balance holdings, this points to the larger balances on accounts held by depository institutions versus those held by finance companies and larger monthly payments (Table 1, columns V and VI).\(^3\) Indeed, the median account balance for depository institutions is $6,299 with a median monthly payment of $251, while, in contrast, the median account balance for a finance company account is $2,864 with a monthly payment of $163. FinTech lenders hold 7.7 million accounts, with a median account balance of $4,256 and a median monthly payment of $197.

Next, when examining the personal loan sector through the borrowers credit risk profiles lens (Table 1, column III), we note the influence of institutional characteristics. In line with their known risk aversion, depository institutions primarily offer personal loans to higher credit score borrowers, while, in contrast, finance companies stay true to their position as a traditional source of credit for riskier borrowers. The median depository institution borrower risk score is 727, while the me-

\(^2\) As subsidiaries that finance retail purchases from the parent company, captive auto finance companies, not covered in this study, have a function similar to that of sales finance companies, but for auto purchases.

\(^3\) As of 2022:Q4, the median loan maturity is four years for loans issued by depository institutions, three years for sales finance- and miscellaneous company-issued loans, and two years for those issued by personal loan companies.
The median borrower risk score for a finance company account holder is 626. Among depository institutions, banks are most risk averse, evidenced by their borrowers having the highest median risk score—741. In contrast, among finance companies, the largest credit providers—personal loan companies have the lowest median risk score—610. As FinTech lenders typically focus on near-prime and low-prime borrowers, the median borrower risk score is 670, somewhere in between that for finance company borrowers and depository institution borrowers.

Looking at the borrowers’ ages reflected in the CCP data (Table 1, column IV), we find differences in account holdings reflecting the business practices of each lender. For example, we find that depository institutions tend to lend to slightly older and more established borrowers. The median age of a borrower taking a personal loan from a depository institution is 48, two years older than that of a finance company borrower. Moreover, within the finance company sector, we find that the sales finance company borrower median age is notably lower than that of a personal loan company borrower. This may be a reflection of the nature of goods financed by sales finance companies, such as appliances, acquisitions more consistent with younger borrower habits. In contrast, personal loan company accounts are less likely to be held by younger consumers, as older borrowers are more likely to use personal loans from traditional finance companies to refinance debt. The median borrower age on a FinTech-issued personal loan account is 45. Data from the two largest FinTech lenders—LendingClub and Prosper—show that a stable share of their loan issuance, about 70 percent, is for debt consolidation purposes.14

Finally, looking at personal loan holdings by product type and borrower risk profile (Table 2), we note that about one-fourth of total outstanding balances are secured, about 60 percent have fixed interest rates, and 40 percent are held by nonprime borrowers (those with Equifax Risk Scores lower than 720).15 Although in terms of account holdings, depository institutions and finance companies tend to hold similar shares of secured, unsecured, and other loans, their holdings of unsecured and other loan balances differ. Depository institutions hold more other loan balances, while finance companies hold larger unsecured loan balances. Moreover, we note differences in fixed rate loan holdings, with depository institutions holding larger shares of fixed rate loans and balances in comparison to finance companies (about 65 percent relative to a little over 40 percent). Exposures to nonprime borrowers also vary by sector, with finance companies leading the credit offerings for such borrowers. Nearly all FinTech loans and balances are unsecured and about three-fourths have fixed rates. More than half of FinTech loan balances are loans extended to nonprime borrowers.

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14 LendingClub’s LoanStats data was available to researchers via https://www.lendingclub.com/ until December 2017.
15 The nature of the collateral used to secure loans tends to vary by lender type. Banks usually offer secured loans collateralized by savings accounts or certificate of deposits, while finance companies use other personal goods to secure loans.
### Table 1: Personal Loan Holdings, by Sector as of 2022:Q4

<table>
<thead>
<tr>
<th>Lender Type</th>
<th>Outstanding Balance (billion $)</th>
<th>Number of Accounts (million)</th>
<th>Borrower Equifax Risk Score (median)</th>
<th>Borrower Age (median)</th>
<th>Balance per Account (median)</th>
<th>Account Monthly Payment (median)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Depository Institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banks</td>
<td>273.6</td>
<td>18</td>
<td>727</td>
<td>48</td>
<td>6,299</td>
<td>251</td>
</tr>
<tr>
<td>Thrifts</td>
<td>172.4</td>
<td>8.9</td>
<td>741</td>
<td>49</td>
<td>8,348</td>
<td>293</td>
</tr>
<tr>
<td>Credit Unions</td>
<td>2.5</td>
<td>0.1</td>
<td>720</td>
<td>50</td>
<td>5,058</td>
<td>242</td>
</tr>
<tr>
<td><strong>Finance Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Loan</td>
<td>82.5</td>
<td>18.2</td>
<td>626</td>
<td>46</td>
<td>2,864</td>
<td>163</td>
</tr>
<tr>
<td>Sales Finance</td>
<td>7.7</td>
<td>1.4</td>
<td>632</td>
<td>41</td>
<td>2,861</td>
<td>164</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>21</td>
<td>4.8</td>
<td>654</td>
<td>44</td>
<td>2,713</td>
<td>147</td>
</tr>
<tr>
<td><strong>In Total</strong></td>
<td>356.1</td>
<td>36.2</td>
<td>685</td>
<td>47</td>
<td>4,198</td>
<td>202</td>
</tr>
<tr>
<td><strong>FinTech</strong></td>
<td>49.9</td>
<td>7.7</td>
<td>670</td>
<td>45</td>
<td>4,256</td>
<td>197</td>
</tr>
</tbody>
</table>

**Note:** Although separately identified in the table, because of FinTech lenders specific business models, FinTech balances are reflected across sectors. We will provide details in a subsequent note. As of 2022:Q4, the median loan maturity is 2.9 years for loans issued by banks, 2.7 years for loans issued by thrifts, 2.6 for loans issued by credit unions, 1.5 for loans issued by personal loan companies, 2.4 for loans issued by sales finance companies, and 1.25 for loans issued by miscellaneous companies. The FinTech median loan maturity is 2.3 years. The median Equifax Risk Score for the entire covered population is 742, and the median age is 49.

**Source:** Federal Reserve Bank of New York Consumer Credit Panel (CCP)/Equifax.

### Table 2: Personal Loan Holdings by Sector, Product Type, and Risk Shares as of 2022:Q4

<table>
<thead>
<tr>
<th>Sector Holdings</th>
<th>Secured (%)</th>
<th>Unsecured (%)</th>
<th>Other (%)</th>
<th>Fixed Rate (%)</th>
<th>Nonprime (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>V</td>
</tr>
<tr>
<td><strong>All</strong></td>
<td>24</td>
<td>40</td>
<td>36</td>
<td>59</td>
<td>40</td>
</tr>
<tr>
<td>Balance</td>
<td>22</td>
<td>57</td>
<td>21</td>
<td>53</td>
<td>67</td>
</tr>
<tr>
<td>Accounts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Depository Institutions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>23</td>
<td>34</td>
<td>43</td>
<td>64</td>
<td>29</td>
</tr>
<tr>
<td>Accounts</td>
<td>20</td>
<td>57</td>
<td>23</td>
<td>65</td>
<td>49</td>
</tr>
<tr>
<td><strong>Finance Companies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance</td>
<td>27</td>
<td>60</td>
<td>13</td>
<td>43</td>
<td>79</td>
</tr>
<tr>
<td>Accounts</td>
<td>24</td>
<td>58</td>
<td>18</td>
<td>42</td>
<td>85</td>
</tr>
<tr>
<td><strong>FinTech</strong></td>
<td>0.3</td>
<td>99</td>
<td>0.7</td>
<td>72</td>
<td>56</td>
</tr>
<tr>
<td>Balance</td>
<td>0.15</td>
<td>97</td>
<td>2.85</td>
<td>75</td>
<td>71</td>
</tr>
</tbody>
</table>

**Note:** Although separately identified in the table, because of FinTech lenders specific business models, FinTech balances are reflected across sectors. We will provide details in a subsequent note. Nonprime is Equifax credit score under 720.

**Source:** Federal Reserve Bank of New York Consumer Credit Panel (CCP)/Equifax.
4. The Supply of Personal Loans

In order to better understand the supply landscape for personal loans, we turn to Mintel Com- peremedia data (Mintel from now on), a data set consisting of monthly acquisition offers (solicitations) for personal loans. As the solicitations are credit offers, they are a measure of credit supply.\(^{16}\) The data represent monthly campaign-level mail volume sent to consumers. Mintel randomly selects roughly 4,000 consumers from a pool of 1 million consumers that Mintel purchased from a large survey service provider.\(^{17}\) The company records all the offer details in its databases, thus offering insights into the rich supply offer landscape.\(^{18}\) Finally, Mintel applies weights to about 2,500 consumers participating in the survey to represent the entire U.S. adult population.

Importantly for our analysis of the supply landscape, the data enable us to observe the name of the company sending the offer and the product type, which, in turn, enables us to categorize the offers by lender type.\(^{19}\)

Mintel data estimates show that in 2022 approximately 1.5 billion personal loan acquisition offers were sent to consumers.\(^{20}\) Offers for unsecured loans dominate the personal loan supply, with only 7 percent of offers being for secured loans. Finance companies and FinTech lenders in partnership with specialist banks currently dominate the personal loan supply landscape with 34 percent and 33 percent of mail offer solicitations, respectively. The remainder of offers are issued by banks other that those involved in partnerships (16 percent), FinTech lenders without the participation of banks (7 percent), banks that are typically involved in partnerships making independent offers (6 percent), other financial institutions (3 percent), payday lenders making installment loan offers (2 percent), and credit unions (less than 1 percent).\(^{21}\)

The 2022 personal loan supply landscape was not much different from that of the past decade. Looking more closely at the FinTech-bank partnership sector over the past ten years, we observe the notable participation of the market leaders: WebBank and Cross River Bank, alongside other participants such as First Bank of Delaware, First Electronic Bank, Farmers Merchant Bank, Mid America Bank & Trust Company, County Bank of Rehoboth Beach, Republic Bank, The Brand Banking Company, FinWise Bank, Goldman Sachs Bank USA, First Bank & Trust, and Capital Community Bank. When examining the partnership structure, we note the dominance of WebBank (55

\(^{16}\)Dettling and Hsu (2021) and Han et al. (2018) discuss the use of solicitations as a measure of supply.

\(^{17}\)The Mintel panel is balanced on four major demographic characteristics: region, age, income, and household size. Each month, about 2,500 consumers participate in the Mintel survey by mailing back to Mintel offers from across the sectors monitored by the company. Mintel motivates participation with raffles, offering prizes such as gift cards.

\(^{18}\)Every month, post collection, the data are sent to TransUnion alongside the name and address of the panelist. TransUnion, then, appends the VantageScore for every panelist. Mintel conducts an additional survey on participating consumers to collect household-level demographic and socioeconomic information. This additional information is merged with the mail offer information. The demographic and socioeconomic information collected by Mintel applies to the household head and is representative at the household level, while the VantageScore is that of the panelist.

\(^{19}\)We categorize the lenders programmatically when their name allows us to and manually, with the help of the Google search engine, otherwise.

\(^{20}\)According to Mintel, solicitations for personal loans represent the largest mail volume category, superseding that for mortgage loans or credit cards.

\(^{21}\)Percentages do not add to 100 because of rounding.
percent of offerings) and Cross River Bank (36 percent of offerings). The FinTech company presence in partnership structures is less concentrated than that of partner banks. Before becoming a bank, LendingClub had the largest share of offerings (37 percent of offerings), closely followed by Best Egg (25 percent of offerings) and Prosper (18 percent of offerings). Upstart and Upgrade have much smaller shares of offerings (9 percent and 3 percent of offerings, respectively).

Next, regarding the finance company sector over the analyzed period, it is important to note the robustness of the supply of credit provided by this sector over the past decade, which includes the pandemic years (Figure 2). While the supply of credit from all the other sectors reflected in the data shrank at the onset of the pandemic, the supply of credit from finance companies remained virtually unchanged. This could be explained by finance companies risk-inclined traditional business model. OneMain/Springleaf leads both the unsecured and secured mail offer solicitation campaign volume, followed by Big Picture Loans and World Finance Corporation. Also of note, as mentioned in the previous section, finance companies concentrate their credit supply in states that allow them to be profitable. In Figure 3, we show the mail volume concentration over the period.

Banks, whether traditional or specialist—those typically engaged in partnerships with FinTech lenders—made about the same number of solicitations over the period. Among them, Discover Bank is the leader among traditional banks, and Goldman Sachs Bank USA dominates the mail volume solicitations sent by specialist banks without a FinTech partner.

Note: This figure shows the annual personal loan offer mail volume for each lender category. In 2022, finance companies dominated this space. After becoming a bank in February 2021, LendingClub Bank N.A.’s mail volume solicitation is included in the mainstream bank category.

Source: Mintel Comperemedia.

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Springleaf Financial acquired OneMain Financial in November 2015. The surviving brand is OneMain Financial. OneMain/Springleaf dominates the finance company mail volume solicitations over the period with 45 percent of finance solicitations.
RISE, Payoff Inc., and Social Finance, Inc. lead the mail volume solicitations from FinTech lenders without a bank partner.

Finally, as our data allows us to observe the participation of payday lenders to the personal loan space, we note that Check ‘n Go is the market leader in terms of payday mail offer solicitation campaigns for personal loans, with 31 percent of mail volume solicitations. Castle Payday and Arrowhead Advance each offered about 10 percent of the mail volume solicitations mailed over the period, followed by Advance America and Cash Store with 8 percent of solicitations each.

5. Conclusion

In this paper, we provided an overview of the personal loan sector in the U.S. by combining data sources to allow for a deeper look into an otherwise opaque sector. We started by briefly reviewing the regulatory environment for personal lending, which is governed by state interest rate ceilings and banks’ ability to export their home state interest rate. We examined the stock of personal loans with the help of a newly released CCP data set, and we were able to examine the supply landscape with the help of Mintel data. Our data revealed that, in 2022, there were approximately 1.5 billion mail acquisition offers sent to borrowers and that 31 million consumers owed about $356 billion in personal loan debt, representing about 10 percent of total nonrevolving consumer credit. The average monthly payment on a personal loan is about $202. About one-fourth of loans are secured, and the majority are fixed rate. Exposures to nonprime holdings are concentrated within the finance company sector. In a subsequent note, we will examine in depth personal loans belonging to the FinTech sector.
References


