

What's Inside

04 Introduction

Bank customers expect obtaining a loan to be as fast and easy as any other aspect of their digital lives, yet many lenders fall short of meeting this expectation.

06 Loan Hurdles and Disbursement Delays **Undermine Customer Experience**

Lending procedures remain cumbersome and timeconsuming, prompting many consumers to abandon their applications.

Customers Want Faster Loan Disbursements

Instant loan disbursements could eliminate friction and delays in the lending process.

FIs Deploy Instant Loan Disbursements for **Consumers**

FIs are becoming more aware of customers' demand for instant loan disbursements and are swiftly rolling out new features.

20 Fls Must Embrace Instant Loan Disbursements to Stay Ahead

Instant loan disbursement methods meet the growing consumer demand for faster and more convenient payment options.

22 About

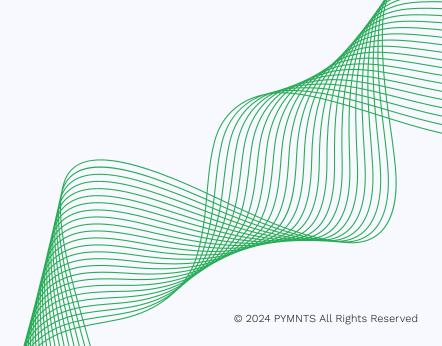
Information on PYMNTS Intelligence and Ingo Payments





Acknowledgment

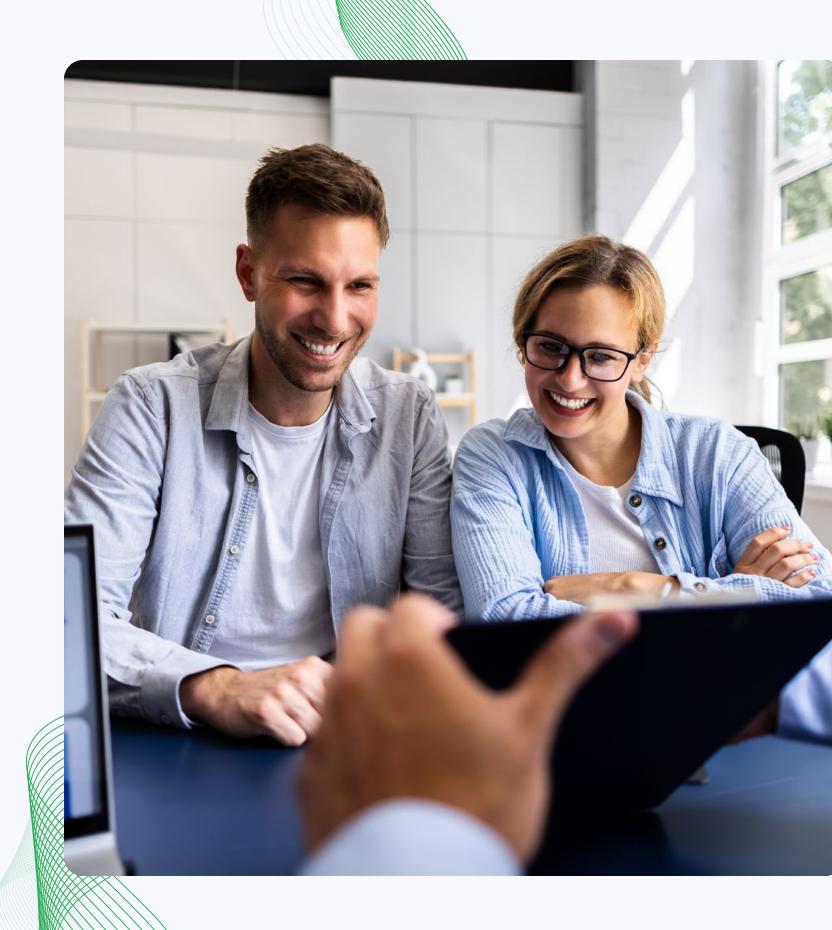
The Money Mobility Tracker® Series is produced in collaboration with Ingo Payments, and PYMNTS Intelligence is grateful for the company's support and insight. PYMNTS Intelligence retains full editorial control over the following findings, methodology and data analysis.



Introduction

Loans make up a core part of banks' service portfolios, including mortgages, business loans and personal loans. The latter has grown particularly significant in recent years, with Americans holding \$246 billion in personal loan debt in 2024, the highest level recorded in 18-plus years of available data. The most common use of personal loans is to consolidate debt or refinance credit cards, at 51% of borrowers, while paying everyday bills comes in at a distant second, at 8%.

Whatever their reason for borrowing, consumers expect the process to be as fast and easy as any other digital activity. Many financial institutions (FIs) and lenders, however, are falling short of meeting these expectations. Friction in the lending process is damaging the customer experience, leading many borrowers to abandon applications and turn to competitors. To improve the lending experience and foster customer satisfaction, institutions should consider adopting instant loan disbursement options.



Borrowing Frictions

Loan Hurdles and Disbursement Delays **Undermine Customer** Experience

Cumbersome and time-consuming lending processes, including slow loan disbursements, are causing many consumers to abandon their applications and seek funds elsewhere.

Share of young consumers who have abandoned a loan application due to a cumbersome process



Borrowing Frictions

Customers are growing frustrated with obstacles in the lending process.

Many FIs are embracing embedded lending systems to provide easier access to loans, yet even these systems are disappointing customers. PYMNTS Intelligence research found that 88% of those who applied for or used embedded lending encountered at least one source of friction. This is even higher than the 58% who reported friction with other types of lending. Forty-eight percent of consumers who used embedded lending reported issues related to the application process, and 37% cited cost as a cause of concern.

Business lending was also fraught with complications. Eighty-seven percent of small businesses surveyed reported encountering friction in embedded lending, while 68% experienced issues with other types of lending. Nearly half — 47% — of small businesses said loan applications were too difficult, and 41% considered lending costs to be a cause of concern.

Younger consumers are abandoning loan applications due to time wasted.

A recent survey found that 22% of consumers ages 18 to 34 abandoned loan applications for competitors due to a cumbersome process. An additional 20% of respondents left the process because they had to submit documents manually. This indicates that consumers are not deterred by the effort required to secure a loan but by the unnecessary time spent on steps like manual data entry. Streamlining every stage of the loan process — including fund disbursement — can therefore improve consumer satisfaction.

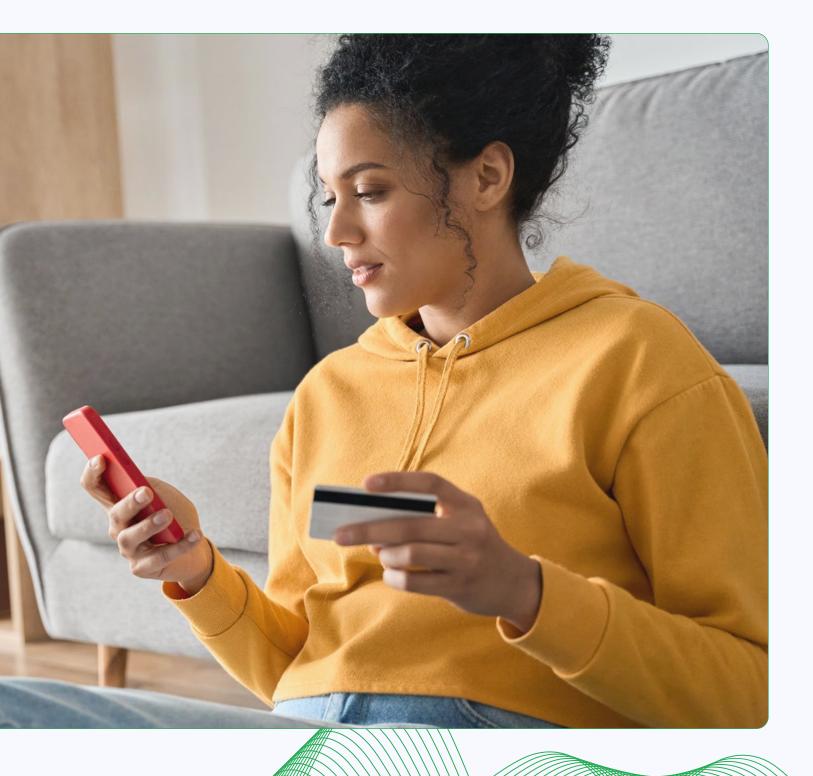
Faster Disbursement Options

Customers Want Faster Loan Disbursements

Instant loan disbursements could eliminate friction and delays in the loan process. In fact, most customers would choose this payment option if their lender offered it.



Faster Disbursement Options



Consumers value instant disbursements so highly that they are willing to pay for the convenience.

PYMNTS Intelligence research found that 73% of borrowers receiving consumer loan disbursements are very or extremely willing to pay a fee to receive them instantly. Consumers expressed similar preferences across other loan types: 61% of personal loan recipients and 59% of debt consolidation borrowers would pay an additional charge for instant access.

This willingness to pay a fee underscores strong consumer demand for instant loan disbursements. As of January 2024, 44% of loans were disbursed instantly, up from 34% the previous year. Among loan types, consumer loans saw the most growth in instant disbursement adoption, with 48% of borrowers receiving disbursements instantly, a 15-percentage-point increase from 2023.



Faster Disbursement Options

Banks still struggle to achieve seamless lending processes.

A recent study found that while more than 50% of banks claim to have a fully digital <u>lending process</u>, data indicates that the experience is far from fast and seamless. For example, only 65% of banks offer a mobile-friendly loan application process, and just 57% allow customers to complete the entire application online. These frustrations have resulted in a significant drop in completed loan applications, from 76% in 2021 to 57% in 2024. Customers are likely moving to competitors that offer more streamlined processes, including the ability to receive funds instantly. To address these issues, FIs struggling with applicant abandonment could be well-served by exploring instant loan disbursements to accelerate the customer's loan timetable.



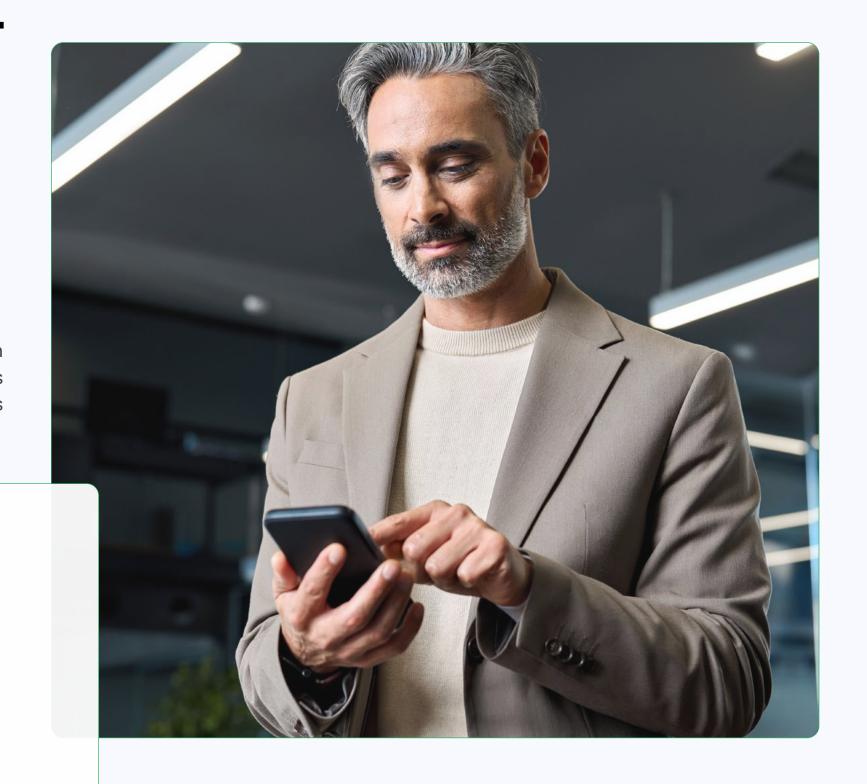
Adopting Instant Disbursements

FIs Deploy Instant Loan Disbursements for Consumers

FIs are becoming more aware of customers' demand for instant loan disbursements and are swiftly rolling out new features. Partnerships with third parties have proven instrumental in implementing this technology.



Share of CUs that say <u>product setup</u> <u>times</u> greatly influence consumers' decisions to apply for loans or credit



© 2024 PYMNTS All Rights Reserved

Adopting Instant Disbursements

36% of credit unions (CUs) now offer instant access to payday loans.

Other loan types are also available instantly, including auto loans (35% of CUs) and credit-builder loans and debt consolidation loans (17% and 16%, respectively). Smaller proportions of CUs offer instant funds access for mortgages, personal loans, student loans and home equity loans. PYMNTS Intelligence research found that reducing the time from application submission to approval and fund availability is becoming a key factor in attracting and retaining account holders.

Nearly 60% of CUs surveyed acknowledged that product setup times are highly influential in consumers' decisions to apply for credit products. The data also showed that swift availability of funds is important for one-quarter of account holders. In response, CUs are working to reduce the waiting time for members to access their funds, with instant loan disbursements becoming an asset in this endeavor. Forty-five percent of CUs reported progress in this area, rating their efforts as very or extremely significant in expediting credit product setup times.

A MoneyLion and Plaid partnership aims to accelerate loan disbursements.

MoneyLion, a digital financial platform, recently partnered with FinTech company Plaid to enable consumers to link their bank accounts and prequalify for loans, significantly accelerating the loan application and disbursement process. This account linking provides lenders with cash flow underwriting insights that allow them to offer personalized credit options more quickly. According to MoneyLion, this approach presents a more comprehensive picture of applicants' financial situations and facilitates more confident lending decisions.

The MoneyLion-Plaid partnership exemplifies how FIs can collaborate with third parties to streamline the loan disbursement process. By outsourcing certain aspects of the approval process, lenders can focus on expediting loan disbursements, thereby enhancing customer loyalty and gaining a competitive edge over slower institutions.

Call to Action

FIs Must Embrace Instant Loan Disbursements to Stay Ahead

FIs should consider adopting instant loan disbursement methods to meet growing consumer demand for faster and more convenient payment options. A study by the Federal Reserve shows that 75% of consumers are already using <u>faster payments</u>, with 61% likely to increase their usage in the future. This trend is particularly pronounced among younger demographics, with nearly 80% of consumers under 55 expecting their FIs to offer faster payment services. By implementing instant loan disbursements, FIs can better align with these evolving consumer preferences and expectations.



Moreover, instant loan disbursement can give lenders a competitive edge in an increasingly digital financial landscape. As consumers become accustomed to the speed and convenience of instant payments in other areas of their lives, they are likely to expect the same from their banking services. FIs that offer instant loan disbursements can attract and retain customers by providing a seamless, efficient experience that meets the requirements of today's fast-paced, on-demand economy. This approach can help banks improve <u>cash flow management</u> for their customers, addressing a key challenge faced by 62% of businesses. Embracing instant loan disbursements allows banks to position themselves as forward-thinking, customer-centric institutions responsive to their clientele's needs.

© 2024 PYMNTS All Rights Reserved

About

PYMTS INTELLIGENCE

PYMNTS Intelligence is a leading global data and analytics platform that uses proprietary data and methods to provide actionable insights on what's now and what's next in payments, commerce and the digital economy. Its team of data scientists include leading economists, econometricians, survey experts, financial analysts and marketing scientists with deep experience in the application of data to the issues that define the future of the digital transformation of the global economy. This multilingual team has conducted original data collection and analysis in more than three dozen global markets for some of the world's leading publicly traded and privately held firms.

The PYMNTS Intelligence team that produced this Tracker:

Aitor Ortiz

Managing Director

Andrew Rathkopf Senior Writer Joe Ehrbar Content Editor



Ingo Payments enables banks, FinTechs, and enterprise brands to deliver innovative financial experiences through its full-service embedded finance platform. Designed to be bank-grade and compliance-first, the platform offers money mobility capabilities on a modern money stack, providing the foundation for account funding, transfers, mobile deposits, payouts, digital wallets, bank account creation, card issuing, PFM, and rewards solutions across diverse industries and use cases. By vertically integrating issuing, payment processing, and risk underwriting services, we help clients reduce third-party risk, operational complexity, and costs, while accelerating time to market.

Disclaimer

The Money Mobility Tracker® Series may be updated periodically. While reasonable efforts are made to keep the content accurate and up to date, PYMNTS Intelligence MAKES NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, REGARDING THE CORRECTNESS, ACCURACY, COMPLETENESS, ADEQUACY, OR RELIABILITY OF OR THE USE OF OR RESULTS THAT MAY BE GENERATED FROM THE USE OF THE INFORMATION OR THAT THE CONTENT WILL SATISFY YOUR REQUIREMENTS OR EXPECTATIONS. THE CONTENT IS PROVIDED "AS IS" AND ON AN "AS AVAILABLE" BASIS. YOU EXPRESSLY AGREE THAT YOUR USE OF THE CONTENT IS AT YOUR SOLE RISK. PYMNTS SHALL HAVE NO LIABILITY FOR ANY INTERRUPTIONS IN THE CONTENT THAT IS PROVIDED AND DISCLAIMS ALL WARRANTIES WITH REGARD TO THE CONTENT, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT AND TITLE. SOME JURISDICTIONS DO NOT ALLOW THE EXCLUSION OF CERTAIN WARRANTIES, AND, IN SUCH CASES, THE STATED EXCLUSIONS DO NOT APPLY, PYMNTS RESERVES THE RIGHT AND SHOULD NOT BE LIABLE SHOULD IT EXERCISE ITS RIGHT TO MODIFY, INTERRUPT, OR DISCONTINUE THE AVAILABILITY OF THE CONTENT OR ANY COMPONENT OF IT WITH OR WITHOUT NOTICE.

PYMNTS Intelligence SHALL NOT BE LIABLE FOR ANY DAMAGES WHATSOEVER, AND, IN PARTICULAR, SHALL NOT BE LIABLE FOR ANY SPECIAL, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, LOSS OF REVENUE, OR LOSS OF USE, ARISING OUT OF OR RELATED TO THE CONTENT, WHETHER SUCH DAMAGES ARISE IN CONTRACT, NEGLIGENCE, TORT, UNDER STATUTE, IN EQUITY, AT LAW, OR OTHERWISE, EVEN IF PYMNTS HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.

SOME JURISDICTIONS DO NOT ALLOW FOR THE LIMITATION OR EXCLUSION OF LIABILITY FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES, AND IN SUCH CASES SOME OF THE ABOVE LIMITATIONS DO NOT APPLY. THE ABOVE DISCLAIMERS AND LIMITATIONS ARE PROVIDED BY PYMNTS AND ITS PARENTS, AFFILIATED AND RELATED COMPANIES, CONTRACTORS, AND SPONSORS, AND EACH OF ITS RESPECTIVE DIRECTORS, OFFICERS, MEMBERS, EMPLOYEES, AGENTS, CONTENT COMPONENT PROVIDERS, LICENSORS, AND ADVISERS.

Components of the content original to and the compilation produced by PYMNTS Intelligence is the property of PYMNTS and cannot be reproduced without its prior written permission.

The Money Mobility Tracker® Series is a registered trademark of What's Next Media & Analytics, LLC ("PYMNTS Intelligence").

© 2024 PYMNTS All Rights Reserved