**Personal loan origination and servicing in the US banking system**

Personal loans in the US reached $356 billion or about 10% of non-revolving consumer credit at the end of 2022. While depository institutions like banks and credit unions dominate the personal loan market, finance companies that lend to non-prime consumers hold nearly a quarter of these loans.

**The loan origination process involves several key stages:**

**Application and Intake**Borrowers apply for personal loans, and the lender collects required information and documentation.

**Underwriting and Approval**The lender evaluates the borrower's creditworthiness and decides whether to approve the loan application.

**Documentation and Funding**If approved, the lender prepares the loan documents and disburses the funds to the borrower.

Loan servicing refers to the ongoing administrative management of the loan, including tasks like receiving payments, tracking balances, and handling taxes and insurance. Loan servicing can be handled by the original lender, a dedicated non-bank servicer, or an external vendor.

The personal loan market has become more automated, with lenders using loan origination systems (LOS) to streamline the application, underwriting, and funding processes. LOS platforms can integrate with other systems like CRM, compliance, and third-party data sources. This has enabled lenders to launch new loan products more quickly and improve operational efficiencies.

**Personal loan origination and servicing in the US banking system in a tabular format:**

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| --- | --- | --- | --- |
| Metric | Q4 2023 | Q4 2022 | Change |
| Total Outstanding Personal Loan Debt | $245 billion | $221 billion | +10.5% |
| Number of Consumers with Personal Loans | 23.5 million | 22.5 million | +4.4% |
| Average Personal Loan Debt per Borrower | $11,692 | $9,780 | +19.6% |
| Personal Loan Delinquency Rate | 3.9% | 4.14% | -0.24 pp |

|  |  |
| --- | --- |
| Demographic | Average Personal Loan Balance |
| Baby Boomers | $22,551 |
| Gen X | $22,259 |
| Millennials | $18,775 |
| Gen Z | $13,982 |

|  |  |
| --- | --- |
| Geographic Region | Average New Personal Loan Balance |
| Northeast | $12,100 |
| West | $11,850 |
| Midwest | $11,550 |
| South | $11,200 |

|  |  |  |  |
| --- | --- | --- | --- |
| Metric | Q4 2023 | Q4 2021 | Change |
| Average Personal Loan Interest Rate | 12.35% | 9.38% | +2.97 pp |
| Subprime Borrower Approval Rate | 58% | 64% | -6 pp |

This data highlights the growth in the personal loan market, the shifting demographics and regional trends, as well as the impact of rising interest rates and tightening underwriting standards. The personal loan industry continues to evolve in response to economic conditions and consumer demand.

In conclusion, the personal loan market in the US banking system has experienced significant growth, reaching $356 billion in 2022. While depository institutions dominate the market, finance companies also hold a substantial share of these loans.

The loan origination and servicing processes have become more automated, with lenders leveraging loan origination systems to streamline operations and launch new products more quickly. However, the regulatory landscape remains complex, requiring lenders to navigate state-level legislation.

The key statistics highlight the expansion of the personal loan market, with rising debt levels, delinquency rates, and interest rates. Demographic and regional trends also reveal distinct patterns in personal loan usage and balances.

The crux of the personal loan landscape in the US banking system is the delicate balance between meeting consumer demand, managing risk, and operating within the evolving regulatory framework. As the market continues to evolve, lenders will need to adapt their strategies to remain competitive and compliant.