Account Opening And Loan Servicing

In The Digital Environment

PYMNTS.com | Finicity

February 2022

Account Opening And Loan Servicing In The Digital Environment, a PYMNTS collaboration with Finicity, a Mastercard company, seeks to measure consumers' comfort level in opening new financial accounts and managing their loan accounts using digital channels.

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Account Opening and Loan Servicing In The Digital Environment was produced in collaboration with Finicity, a Mastercard company, and PYMNTS is grateful for the company's support and insight. PYMNTS.com retains full editorial control over the following findings, methodology and data analysis.

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Introduction

Mobile devices' proliferation and worldwide ubiquity have revolutionized many aspects of consumers' lives, including their ability to communicate, travel and learn about the world. These tools empower individuals and enable new experiences, and they have also transformed how consumers transact with their financial services providers. Showing an engagement level unmatched by any other online activity we measured, 69% of all consumers now bank using their financial institutions' (FI) mobile apps, and 47% of consumers use these apps at least once per week.[1]

PYMNTS' research projects that close to 151 million adults in the United States opened a new financial account in the past 12 months, and approximately 155 million currently have a loan account open with an outstanding balance. Close to three-quarters of consumers have used a digital channel to open a new account or manage their loan payment.

Although the research shows that individuals have concerns about sharing financial data, more than half of consumers who provide access to financial data when opening accounts cite convenience as a reason for doing so.

These are just some of the findings of Account Opening and Loan Servicing In The Digital Environment, a report produced by PYMNTS in collaboration with Finicity, a Mastercard company. This research was conducted to discover, measure and analyze consumers' comfort level in opening new financial accounts and managing their loan accounts in a digital channel such as a web browser or mobile app. The series draws on insights from a survey of 2,303 U.S. consumers conducted from Dec. 6 to Dec. 12, 2021.

This is what we learned.

[1] How US Consumers Define the Super App. PYMNTS.com. December 2021. https://www.pymnts.com/connectedeconomy/2021/how-170-million-us-consumers-define-the-super-app/. Accessed January 2022.

Part I:
Using Digital Channels For Financial Account Opening

More than **half of consumers** opened a financial account during the past 12 months, and **three-quarters did so digitally.**

Consumers across all generations opened new financial accounts during the past 12 months, and most of these accounts were opened in a digital environment, such as a web browser or mobile app. PYMNTS' research finds that 59% of U.S. adults — a projected 151 million — opened new financial accounts during the past year. Younger generations were most likely to open accounts during this span: 82% of Generation Z consumers did so, leading all generations, followed closely by slightly older peers in millennial (80%) and bridge millennial (76%) consumers. Older generations followed this trend: 59% of Generation X consumers opened new accounts, while just 35% of baby boomers and seniors did the same.

Age was not the only notable factor: 69% of consumers who live paycheck to paycheck and struggle to pay bills opened new financial accounts, vastly exceeding the share of those who do not live paycheck to paycheck (47%) who did the same. While one might expect that consumers with lower incomes would have been more likely to open accounts, the opposite is true: 62% of individuals who earn more than $100,000 annually opened accounts in the past 12 months.

What types of accounts are these consumers opening? Nearly 30% of consumers opened a credit card account, and 25% opened an account with a traditional bank. Consumers also opened accounts with peer-to-peer (P2P) payment apps (17%), digital wallets (17%) and digital-only banks (15%). Generation Z consumers were the most likely to open traditional bank accounts (46%), but they also led the shares of consumers who opened accounts for digital wallets (36%), P2P payment apps (30%) and digital-only banks (25%).

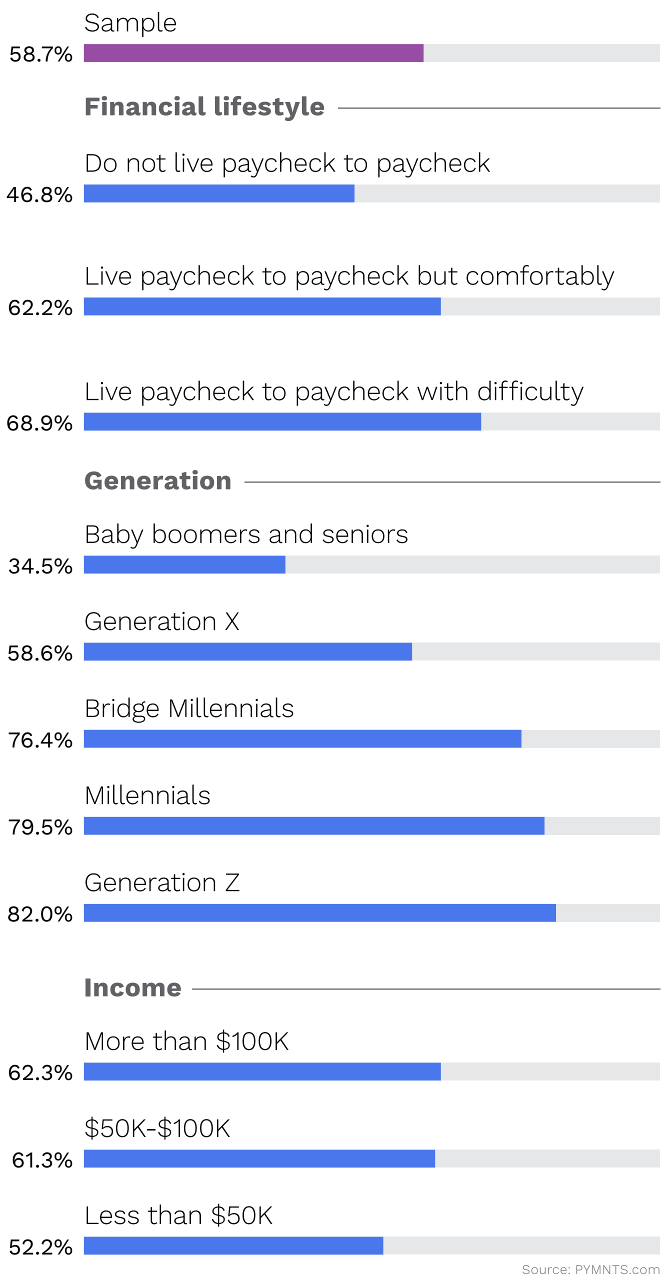
Our data also finds that 76% of new financial accounts opened in the past 12 months were opened in a digital channel, such as a web browser or mobile app. Bridge millennials (84%), millennials (83%) and consumers who earn more than $100,000 (82%) represented the largest shares of those who used a digital channel to open new accounts.

76%

Share of new financial accounts **opened in a digital channel,** such as a web browser or mobile app, in the past 12 months.

FIGURE 1:

Financial accounts opened by consumers
1A: Share of consumers who opened new financial accounts in the past year, by demographic



1B: Share of consumers who opened new financial accounts in the past year, by account type

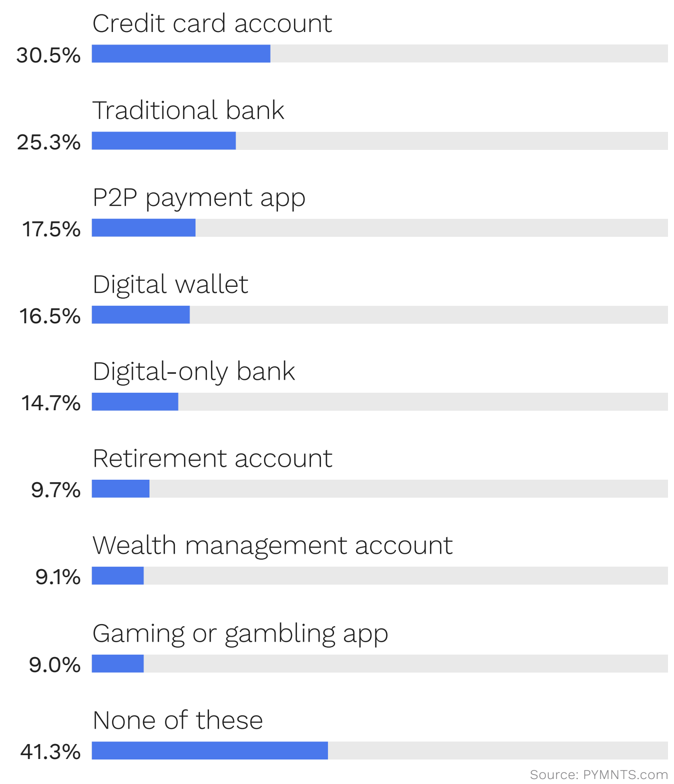


TABLE 1:

Financial accounts opened by consumers
Share of consumers who opened new financial accounts in the past year, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
Credit card account	41.4%	43.5%	39.0%	25.8%	19.9%
Traditional bank	45.6%	38.3%	33.6%	19.1%	12.9%
P2P payment app	30.4%	24.6%	26.3%	16.8%	8.1%
Digital wallet	35.6%	24.5%	24.5%	15.2%	5.0%
Digital-only bank	25.3%	24.6%	22.1%	12.9%	4.6%
Retirement account	9.6%	18.5%	13.9%	8.2%	3.8%
Wealth management account	8.8%	16.1%	13.4%	8.3%	4.2%
Gaming or gambling app	12.3%	16.1%	16.3%	8.6%	2.4%
None of these	18.0%	20.5%	23.6%	41.4%	65.5%

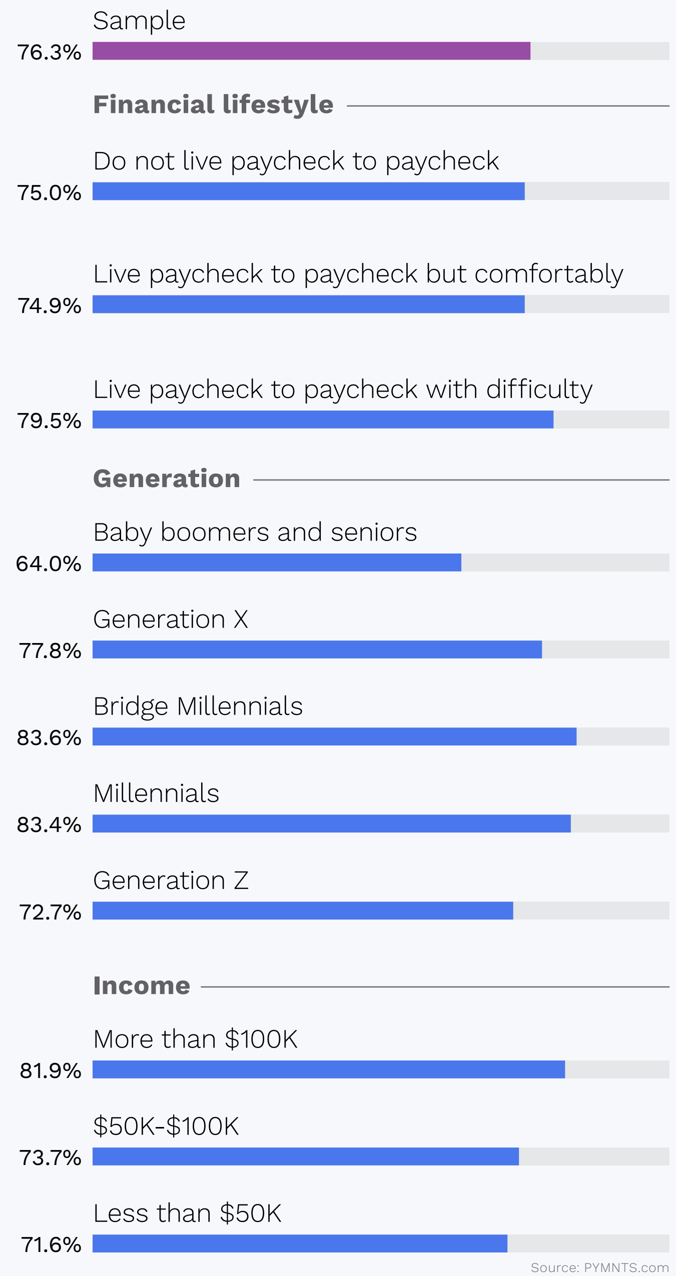
Source: PYMNTS.com

Consumers who digitally share their **financial data** in the account-opening process primarily do so for **ease and convenience.**

Financial data includes transaction histories and accounts, among other data points. For this reason, it is understandable that some consumers are uncomfortable sharing their personal financial data with other entities. Most digital account openers seem unperturbed, though, as our research finds that 55% of consumers who digitally opened a new account linked it to an existing account when opening it. We find that 56% of consumers who opened new accounts and gave a third party access to their financial data cite ease and convenience as the reason, exceeding the shares of consumers citing any other reason.

FIGURE 2:

Financial accounts opened by consumers digitally
Share of consumers who used digital channels to open a financial account in the past 12 months, by demographic

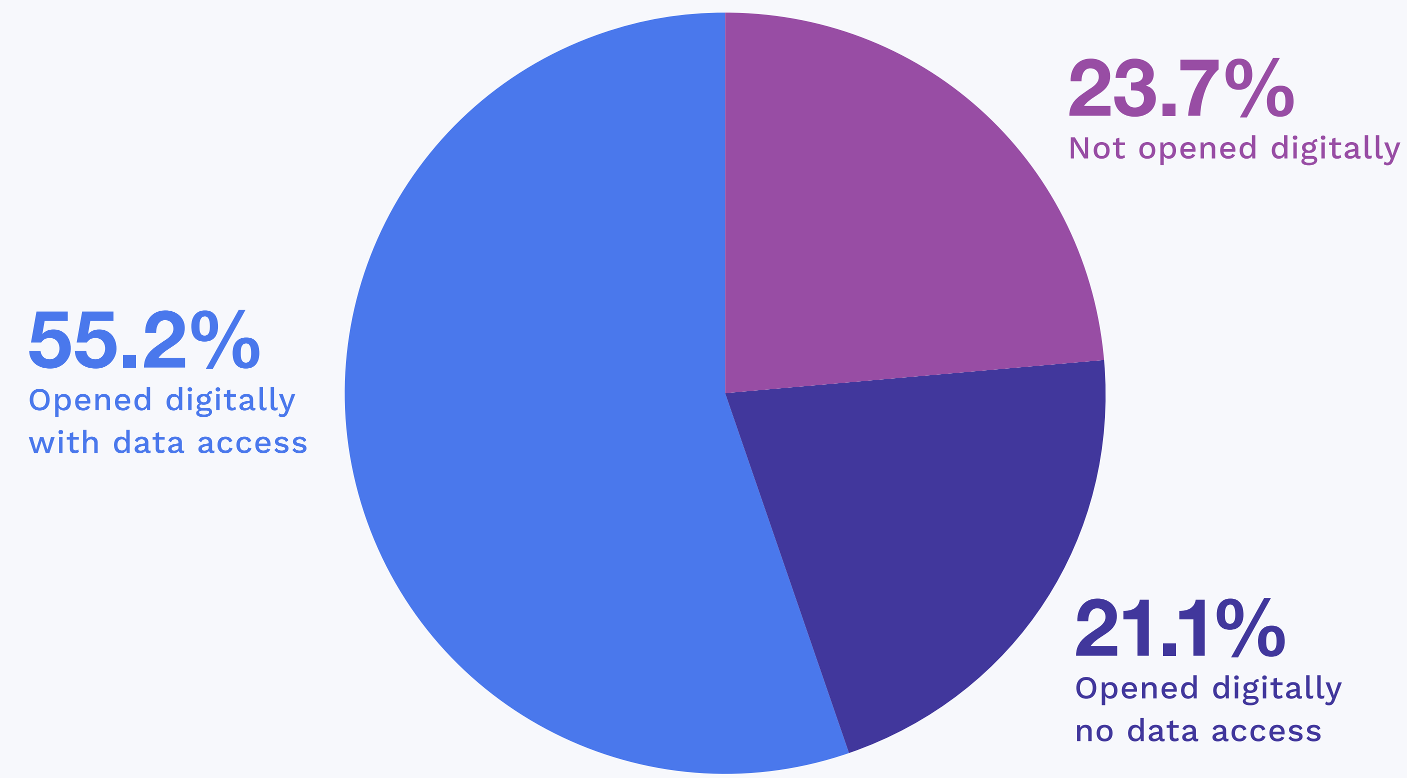


Source: PYMNTS.com

Other common reasons for sharing access to financial data included planning to transfer money to the new account (53%) and believing that giving access to financial data through an online app was more secure than providing paper copies (36%). Younger consumers — 42% of millennials and 40% of Generation Z consumers — were the most likely to consider sharing their financial data through a mobile app as more secure than providing paper copies of information. Proof of employment and income are the most common types of data consumers are willing to share when setting up an account.

FIGURE 3:

How financial accounts are opened
Share of financial accounts opened in the past year in select ways



Linking a personal bank account number to a new account is the most common way to fund new accounts, as 48% of consumers on average funded accounts this way, nearly double the share of those who funded accounts by transferring money via credit or debit card (25%) or taking or sending a payment (25%).

On average, consumers funded 68% of new accounts as they were opened, with 89% of consumers funding new traditional bank accounts and 87% funding digital wallet accounts this way. P2P payment app accounts have become ubiquitous in recent years, and 80% of these accounts opened in the past year were funded as they were opened, with 59% of them funded by linking to a personal bank account.

FIGURE 4:

Why consumers provide access to their financial data when opening accounts
Share of consumers who cite select reasons for providing access to their financial data when opening a new account

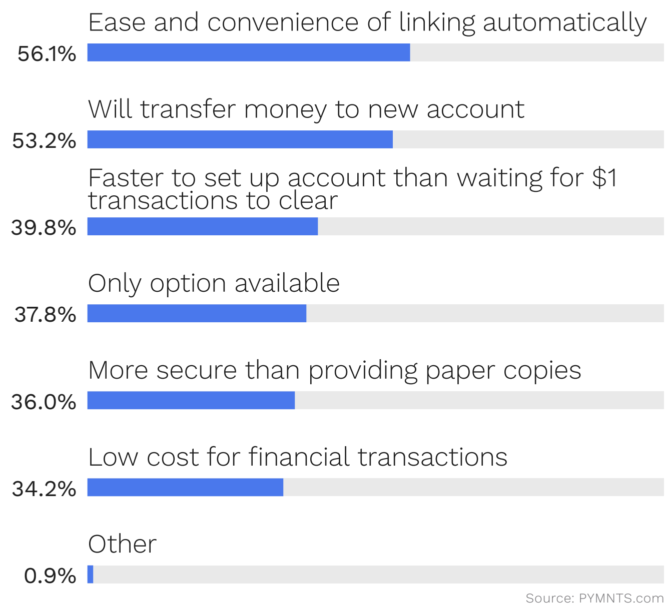


TABLE 2:

Why consumers provide access to their financial data when opening accounts
Share of consumers who cite select reasons for providing access to their financial data when opening a new account, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
Ease and convenience of linking automatically	61.9%	58.6%	54.1%	48.8%	53.8%
Transfer money to new account	60.6%	54.6%	49.6%	46.3%	51.1%
Faster to set up account than waiting for $1 transactions to clear	45.3%	43.1%	41.0%	34.6%	31.7%
Only option available	46.7%	38.3%	35.5%	31.9%	35.2%
More secure than providing paper copies	40.4%	41.5%	36.6%	28.1%	30.2%
Low cost for financial transactions	43.1%	37.6%	36.8%	25.8%	26.8%
Other	0.0%	1.0%	0.5%	1.3%	1.5%

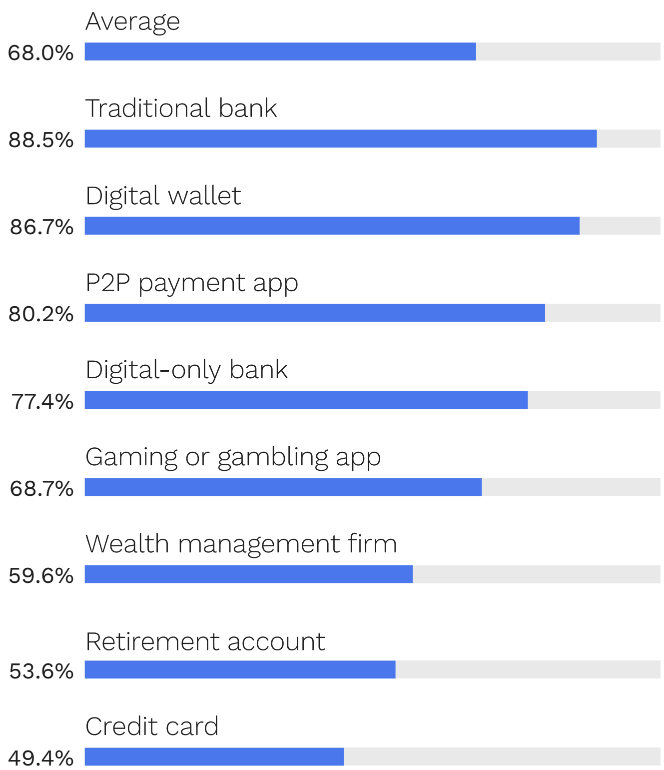
Source: PYMNTS.com

48%

Share of consumers who have funded accounts by **linking a personal bank account number** to a new account

FIGURE 5:

Accounts opened and funded at the same time
Share of consumers who opened and funded an account at the same time, by account type



Source: PYMNTS.com

TABLE 3:

Financial accounts opened by consumers
Share of consumers who used select ways to fund the new account, by account type

	Linking personal bank account data	Transferring money using debit or credit card	Taking or sending payment	Other
Average	48.0%	24.8%	25.1%	2.0%
Traditional bank	35.6%	17.3%	44.1%	3.0%
Digital wallet	59.7%	16.5%	22.0%	1.8%
P2P payment app	58.7%	18.1%	20.2%	2.9%
Digital-only bank	46.6%	30.4%	21.0%	2.1%
Gaming or gambling app	42.4%	37.7%	17.7%	2.3%
Wealth management firm	55.6%	29.4%	13.7%	1.3%
Retirement account	54.2%	35.2%	8.6%	2.0%
Credit card	49.7%	24.9%	24.7%	0.8%

Source: PYMNTS.com

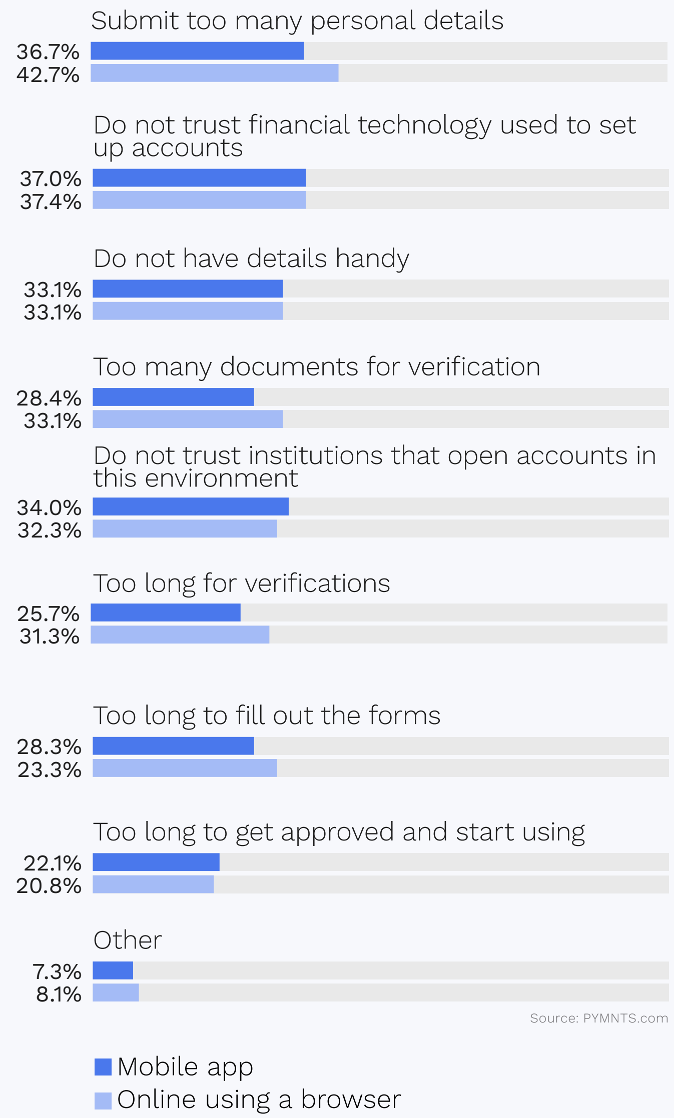
Security is **paramount** to consumers when opening new accounts.

Despite the growing adoption of digital channels for opening new financial accounts, some individuals remain reserved. We find that consumers unwilling to open an account digitally have concerns about the security of their financial information.

PYMNTS' data shows that 37% of consumers unwilling to open an account in a digital channel say they are uncomfortable with setting up a new financial account using a mobile app because they have to submit too much personal data, and 43% say they are uncomfortable doing so using a web browser for the same reason. Lack of trust in the technology is another commonly cited reason by both mobile app users (37%) and web browser users (37%).

FIGURE 6:

Reasons consumers are not comfortable opening accounts digitally
Share of consumers who cite select reasons for not feeling comfortable when opening new financial accounts in a digital environment, by digital channel



Interestingly, Generation Z consumers — those who have reputations for preferring digital-first methods for nearly everything — are the most likely to say they are uncomfortable setting up a new financial account in a digital environment because they have to submit too much personal data (53%) and because they do not trust the technology (56%).

37%

Share of consumers **unwilling to open an account** in a digital channel who say they are uncomfortable with setting up a new financial account **using a mobile app** because they have to submit too much personal data

TABLE 4:

Reasons consumers are not comfortable opening accounts digitally
Share of consumers who cite select reasons for not feeling comfortable when opening new financial accounts in a digital environment, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
Submit too many personal details	53.3%	46.0%	51.5%	51.7%	47.0%
Do not trust financial technology used to set up accounts	56.1%	42.9%	44.9%	38.6%	50.1%
Do not have details handy	60.3%	47.8%	39.5%	37.4%	31.3%
Too many documents for verification	56.2%	42.1%	41.7%	36.8%	31.6%
Do not trust institutions that open accounts in this environment	53.6%	41.3%	38.7%	30.1%	37.8%
Too long for verifications	50.0%	43.6%	42.1%	30.5%	23.1%
Too long to fill out the forms	43.1%	42.6%	37.6%	34.3%	24.1%
Too long to get approved and start using	33.1%	36.0%	31.8%	22.7%	22.5%
Other	11.1%	4.8%	6.6%	10.9%	15.4%

Source: PYMNTS.com

Part II:
Using Digital Channels To Manage Loan Payments

Consumers increasingly use **digital tools** to manage and **pay** their loan accounts.

According to our data, most consumers currently have a least one loan account open with an outstanding balance. Our research finds that most consumers manage these accounts in a digital channel, even those with higher balances.

PYMNTS' data finds that 61% of U.S. adults currently have a loan account open with an outstanding balance. Large shares of bridge millennials (71%), millennials (70%) and Generation X consumers (68%) have a loan account open with an outstanding balance, leading the youngest and oldest generations — 53% of baby boomers and seniors and 51% of Gen Z consumers.

Our data also shows that larger shares of consumers living paycheck to paycheck and those who earn higher incomes have loan accounts with outstanding balances. These loan accounts are relatively common across many demographics: Close to two-thirds of paycheck-to-paycheck consumers without issues paying bills (66%) and those with issues paying bills (63%) have them, as do 73% of consumers earning more than $100,000 and 66% of those earning between $50,000 and $100,000. In one key exception to these trends, just 43% of those earning less than $50,000 have a loan account open with an outstanding balance — a nontrivial share, but one that is far below the total sample average of 61%.

66%

Share of paycheck-to-paycheck consumers **without issues paying bills** who have loan accounts with outstanding balances

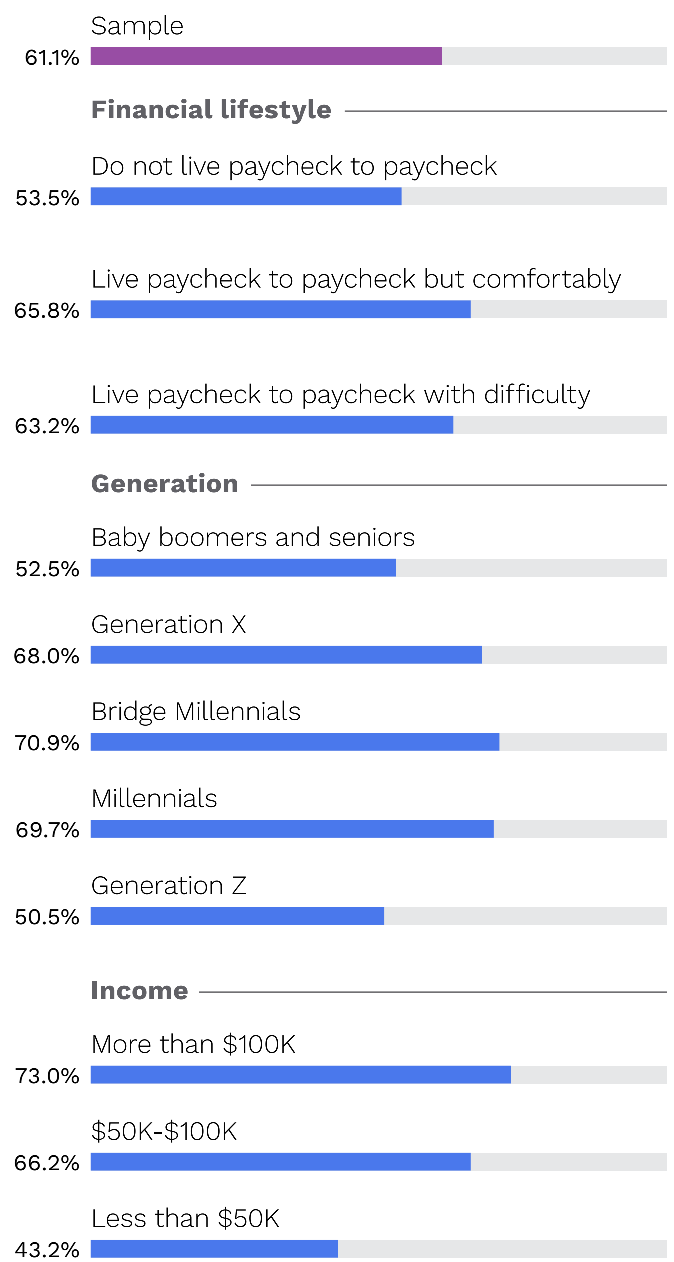
These loan accounts with outstanding balances take many forms. The most common type is held by homebuyers and landowners: 33% of consumers have a mortgage account open with an outstanding balance. As one might expect, Generation X consumers are the most likely to have an open mortgage account with an outstanding balance (46%), followed by bridge millennials (39%), millennials (34%) and baby boomers and seniors (31%). Only 11% of Generation Z consumers have an open mortgage account with an outstanding balance, highlighting their youth and the challenging homebuying markets they have had to navigate.

Using a web browser or mobile app to manage loan payments also has become more popular: 72% of consumers report using one or the other to manage and make loan payments. Large shares of millennials (84%) and high-income consumers (78%) make loan payments digitally. Our research also finds that 51% of consumers who manage their loan payments digitally are willing to share access to their financial data for this purpose.

FIGURE 7:

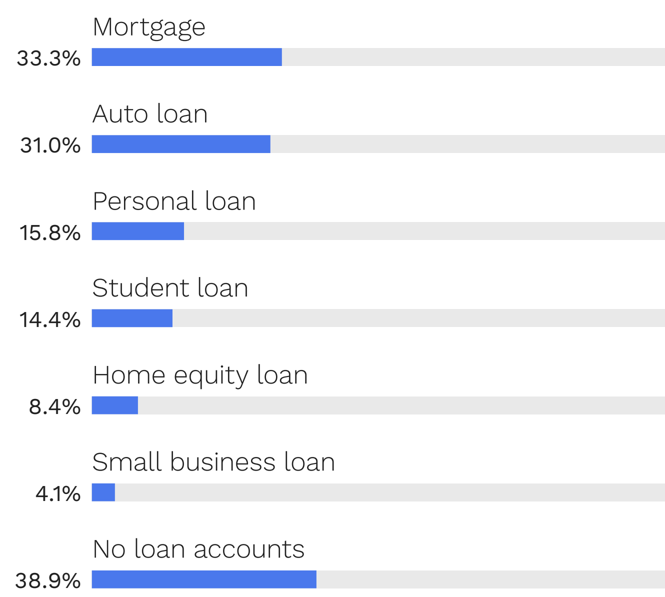
Loan account details

7A: Share of consumers who have an open loan account with an outstanding balance, by demographic



Source: PYMNTS.com

7B: Share of consumers who have an open loan account with an outstanding balance, by demographic



Source: PYMNTS.com

TABLE 5:

Financial accounts opened by consumers

Share of consumers who opened new financial accounts in the past year, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
Mortgage	11.1%	33.7%	39.2%	46.1%	30.7%
Auto loan	17.6%	36.1%	36.0%	37.8%	26.1%
Personal loan	10.7%	24.7%	23.1%	15.7%	10.5%
Student loan	29.7%	25.1%	20.2%	10.3%	3.9%
Home equity loan	6.1%	11.4%	8.9%	8.0%	7.0%
Small business loan	6.9%	9.2%	6.4%	1.9%	0.9%
No loan accounts	49.5%	30.3%	29.1%	32.0%	47.5%

Source: PYMNTS.com

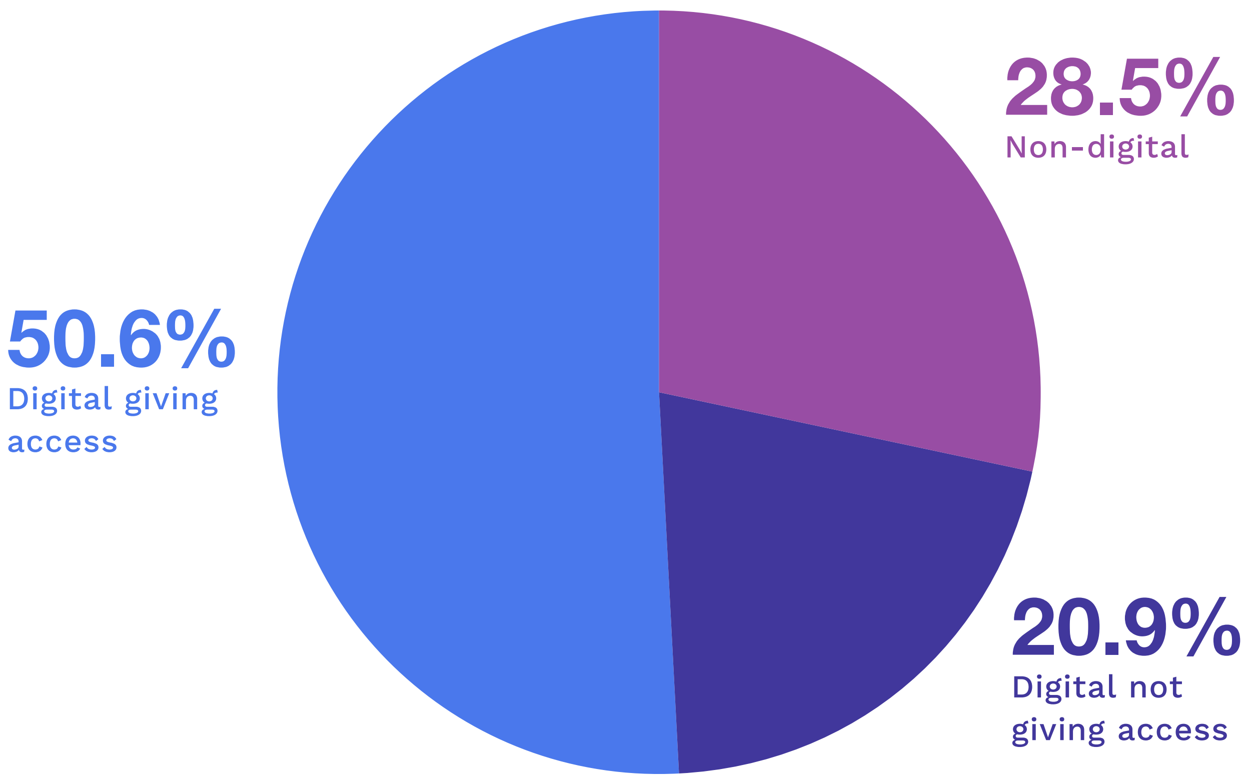
72%

Share of consumers who report using either a **web browser or a mobile app** to manage and make loan payments

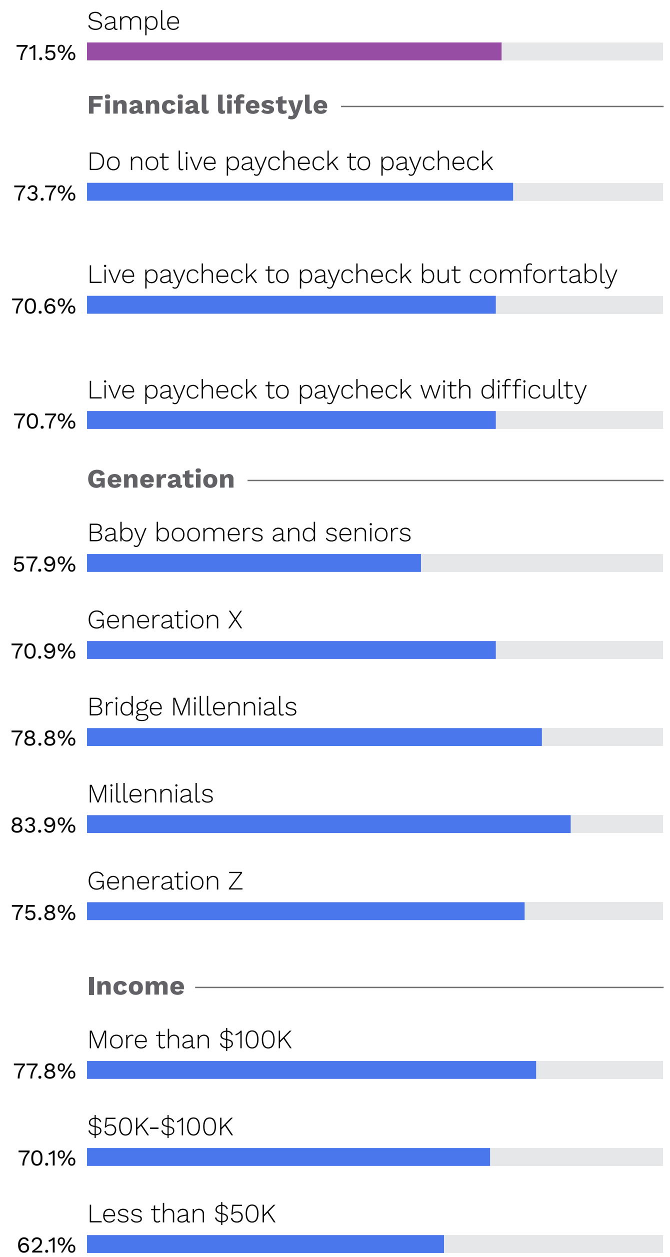
FIGURE 8:

How consumers open and manage loan accounts

8A: Share of loan accounts with outstanding balances opened in the past year in select ways



8B: Share of consumers who use digital financial accounts to manage loan payments, by demographic



Source: PYMNTS.com

76%

Share of Generation Z consumers who use digital financial accounts to **manage loan payments**

Security is also a **primary concern** when consumers consider managing loan accounts.

Concerns about exposing personal data lead the common reasons consumers say they are uncomfortable managing their loan accounts in a digital environment. PYMNTS' research finds that slightly more than half of consumers who do not use a digital channel to manage and pay loan accounts avoid the technology because they worry their personal data will be stolen. We find no significant difference between web browser users (51%) and mobile app users (52%).

These concerns are held by 60% of Generation X consumers and 59% of baby boomers and seniors who do not manage their loan accounts in a digital environment. We also find that 41% of baby boomers and seniors who do not digitally manage their loans do not want their personal data online, by far exceeding other generations (Gen X is second, at 29%).

FIGURE 9:

Reasons consumers choose not to manage their loan accounts digitally
Share of consumers who cite select reasons for not using a digital channel to manage their loan accounts, by digital channel

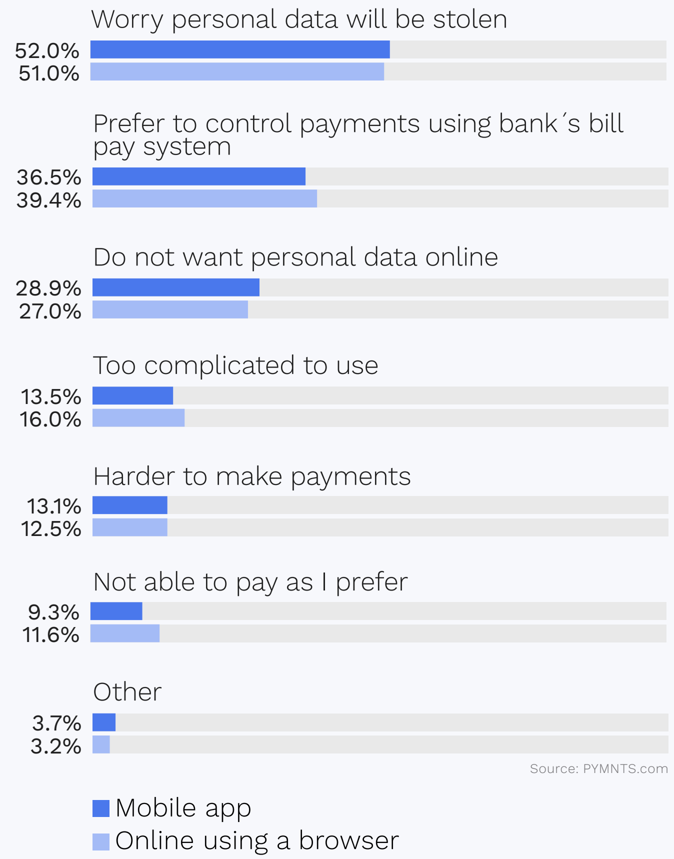


TABLE 6:

Reasons consumers choose not to manage their loan accounts digitally
Share of consumers who cite select reasons for not using a digital channel to manage their loan accounts, by generation

	Generation Z	Millennials	Bridge millennials	Generation X	Baby boomers and seniors
Worry personal data will be stolen	51.1%	57.2%	51.6%	60.4%	58.8%
Prefer to control payments using bank´s bill pay system	59.7%	34.2%	33.1%	41.0%	51.3%
Do not want personal data online	13.6%	24.3%	22.0%	29.1%	40.7%
Too complicated to use	26.3%	32.1%	31.5%	14.9%	13.3%
Harder to make payments	52.1%	29.3%	21.6%	11.5%	9.0%
Not able to pay as I prefer	32.0%	12.6%	11.1%	13.0%	11.7%
Other	1.2%	2.8%	3.9%	5.4%	6.3%

Source: PYMNTS.com

41%

Share of baby boomers and seniors who **do not digitally manage their loans** who say they do not want their **personal data** online

Part III: Leveraging Digital Tools To Streamline Account Opening

Consumers are more comfortable **digitally opening new accounts** than digitally managing existing loan accounts.

Digital tools for both account opening and loan servicing are readily available via web browser or mobile app, yet PYMNTS' research finds that consumers are more comfortable opening new accounts in a digital environment than managing existing loan accounts this way. Nearly two-thirds of consumers are comfortable opening new financial accounts digitally, while less than half of consumers are comfortable managing loan accounts in a digital environment. This gap is even larger among Generation Z consumers, though it is critical to remember that relatively fewer Gen Zers have loan accounts to manage.

Our data reveals another impact of mobile devices' proliferation: Consumers feel slightly more comfortable opening accounts using a mobile app rather than a web browser. On average, 64% of consumers say they are "very" or "extremely" comfortable opening an account via mobile app, and 63% are comfortable opening an account via web browser. Consumers earning more than $100,000 represent the greatest shares who say they are "very" or "extremely" comfortable opening an account both via web browser (72%) and mobile app (74%). Generation Z consumers also deliver on their digital-first reputations, exceeding all other demographics in mobile account-opening: 78% say they are "very" or "extremely" comfortable opening an account via mobile app.

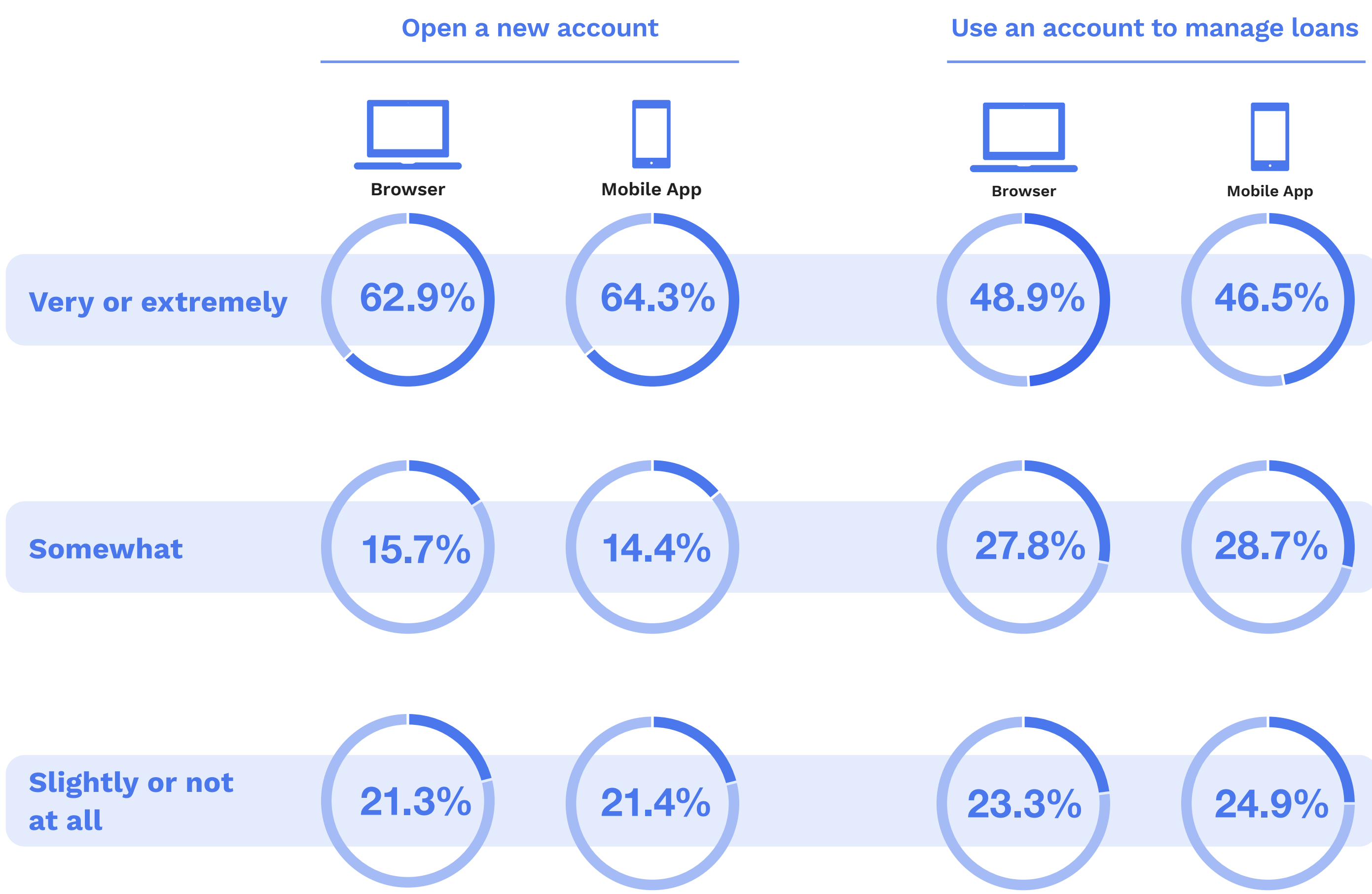
78%

Share of Generation Z consumers who say they are "very" or "extremely" **comfortable opening an account via mobile app**

FIGURE 10:

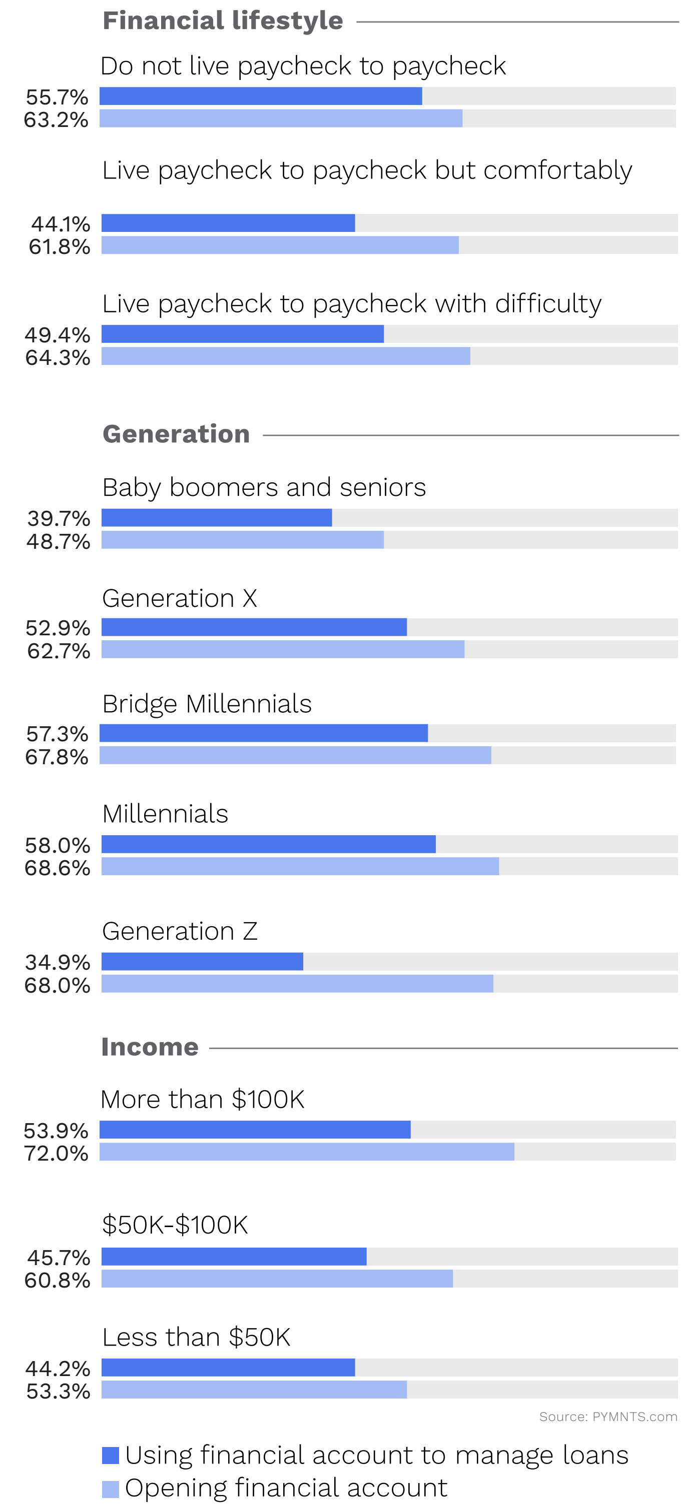
Consumer comfort level opening or using an account online

10A: Share of consumers who are comfortable opening or using an account online with select tools

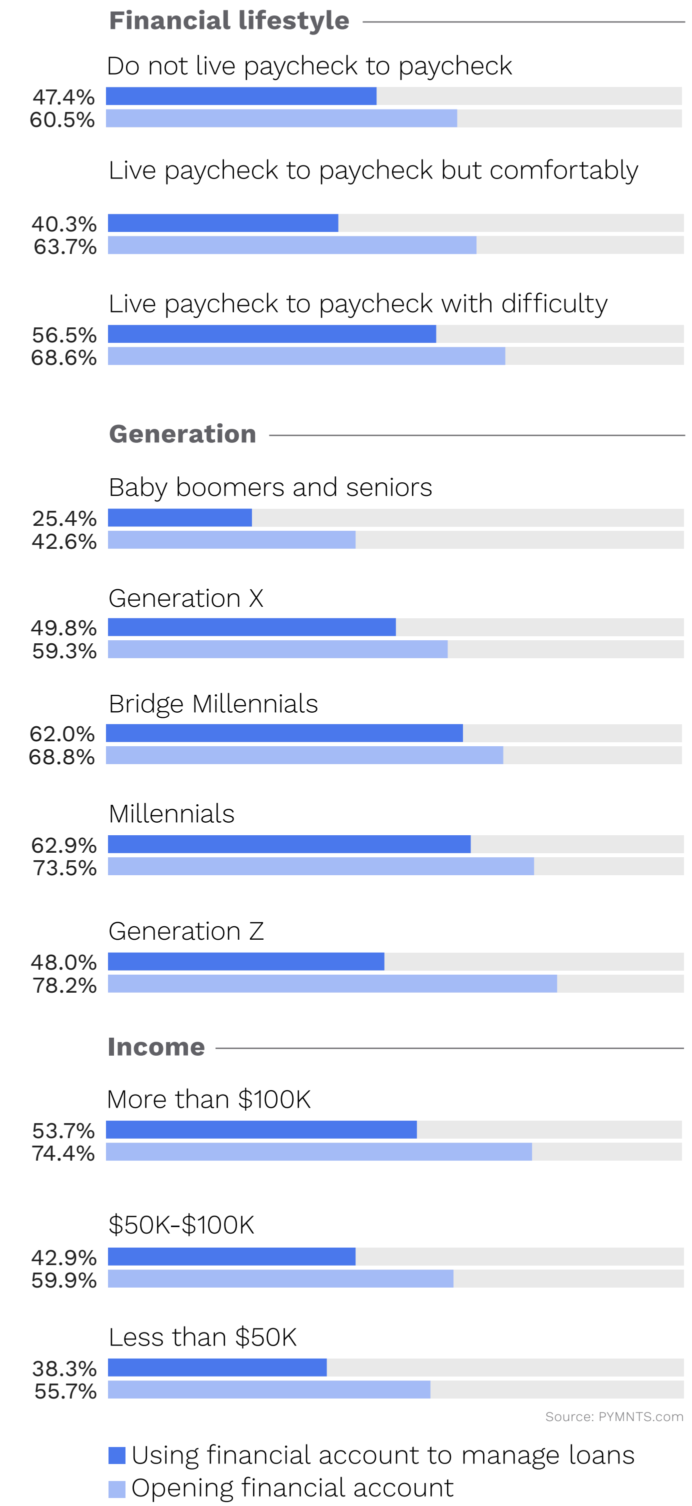


While fewer consumers feel comfortable managing loan accounts in a digital channel, we generally found no significant differences between web browser and mobile app users. The exception is among baby boomers and seniors: 40% say they are "very" or "extremely" comfortable managing a loan account via web browser, but just 25% are "very" or "extremely" comfortable managing a loan account via mobile app.

10B: Share of consumers who are "very" or "extremely" comfortable opening or using an account in a digital environment using a web browser



10C: Share of consumers who are "very" or "extremely" comfortable opening or using an account in a digital environment using a mobile app



Consumers seek **streamlined and efficient** financial account opening and loan management.

Consumers have grown more comfortable transacting in digital channels, yet this comfort is not always equally distributed. PYMNTS' research finds that consumers are notably more likely to open financial accounts digitally than to use financial accounts in a digital environment. Just 54% of consumers are "more" or "much more" likely to use a digital financial account to manage loans compared to two years ago, yet 77% are "more" or "much more" likely to open a financial account in a digital environment.

We found convenience to be a key driver behind consumers' growing interest in opening financial accounts online. Our findings indicate that half of consumers would be "more" or "much more" likely to open a new account if they could log in to their existing bank and automatically have their financial data provided to the new account rather than being required to provide their credentials at account opening. This is the case for 64% of millennials and 60% of bridge millennials, suggesting that generations more comfortable with the security implications of data sharing are willing to take advantage of it occasionally for convenience.

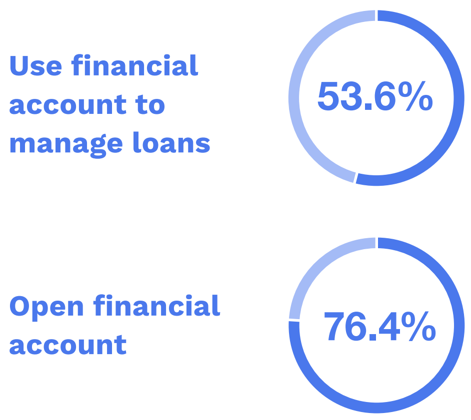
Our data also shows that 55% of consumers would be "more" or "much more" likely to open a new account if funds were directly transferred from an existing bank or loan account. That share rises to 69% if consumers provide access to financial data to either set up or use an account in which funds are transferred or borrowed, and to 67% if consumers fund an account at opening by transferring or borrowing funds.

Notable shares of consumers who fund their account at opening are still "more" or "much more" likely to open a new account if funds are directly transferred from an existing bank or loan account (44%) or if they can log in to their existing bank and permit their financial data to be provided automatically to the new account, instead of being required to provide their credentials at account opening (42%).

FIGURE 11:

Likelihood of consumers to open or use financial accounts digitally over time

11A: Share of consumers "more" or "much more" likely to open or use financial accounts in a digital environment now than they were two years ago



11B: Share of consumers "more" or "much more" likely to open or use financial accounts in a digital environment now than they were two years ago, by demographic

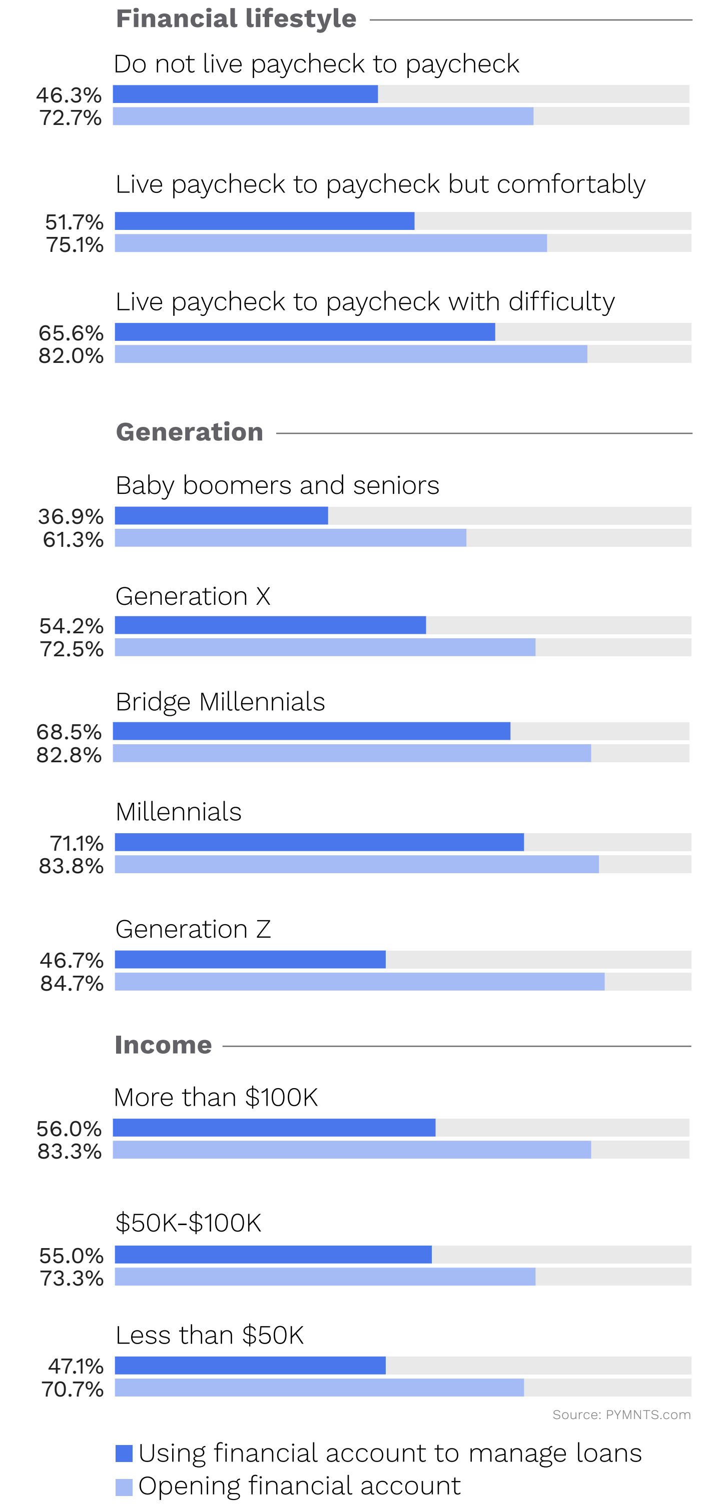
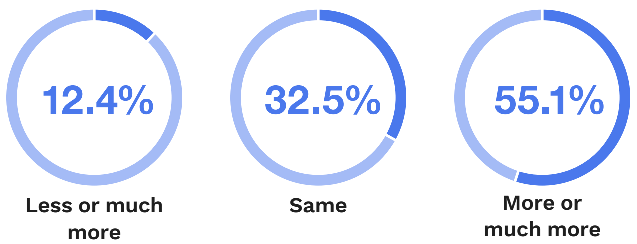


FIGURE 12:

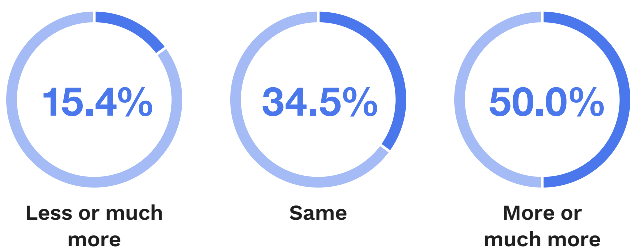
How select capabilities, if offered, would make consumers more or less likely to open new accounts

12A: Share of consumers more or less likely to open new accounts if select capabilities are offered

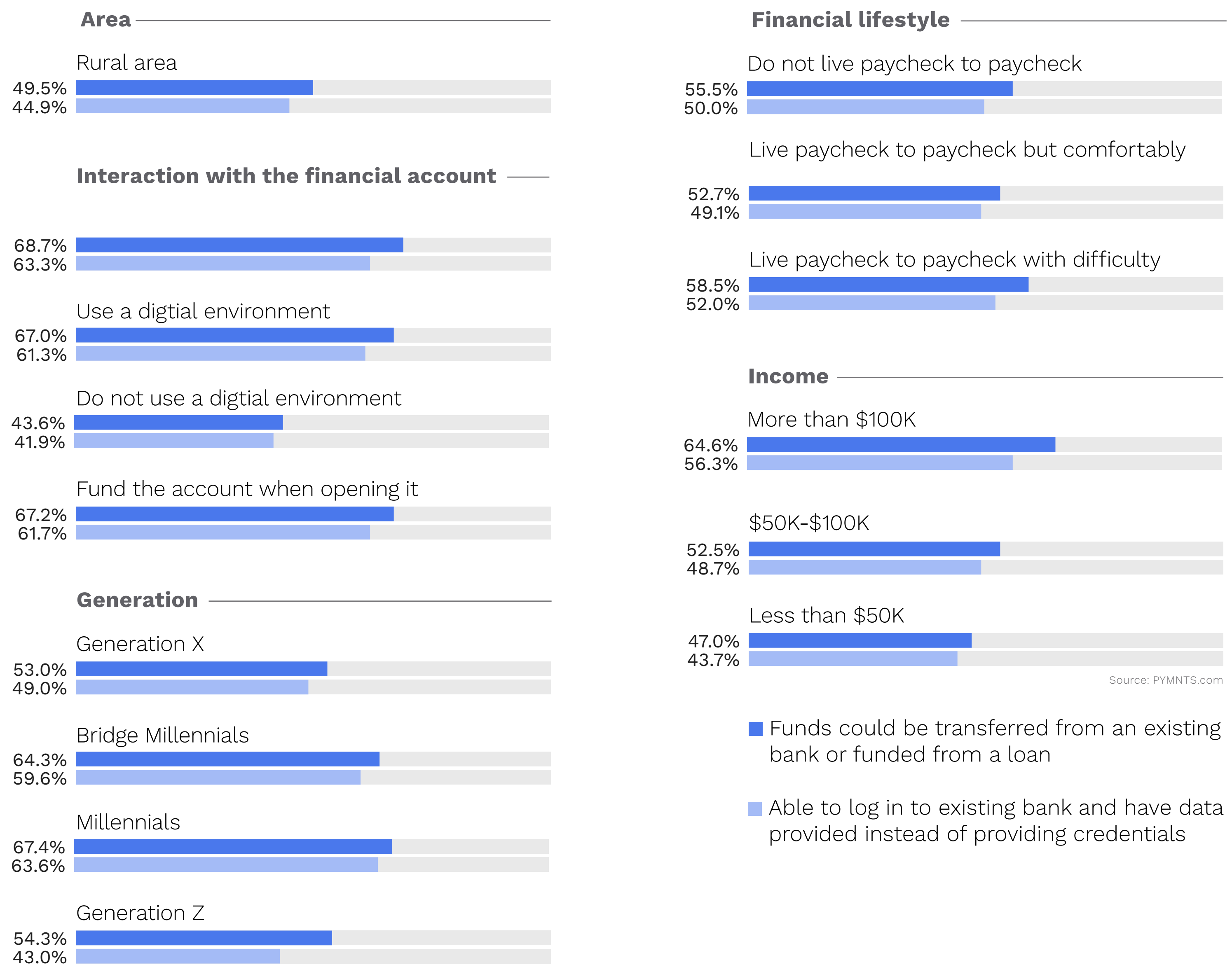
Funds could be transferred from an existing bank or funded from a loan



Able to log in to existing bank and have data provided instead of providing credentials



12B: Share of consumers "more or much more" likely to open new accounts if select capabilities are offered, by demographic



54%

Share of consumers who are "more" or "much more" likely to **use a digital financial account** to manage loans compared to two years ago

Conclusion

The adoption of digital tools — such as mobile apps or web browsers — has been on the rise, and these technologies have become the main way many consumers interact with their financial services providers to open accounts or manage outstanding loan balances. What digital-savvy consumers value most is the ease and convenience of transacting online, and some even find it more secure than submitting personal information on paper. However, some consumers across all demographics remain reluctant to digitally perform financial transactions because of security concerns about providing online access to their personal information. Financial services providers looking to expand their reach to all consumers — the digitally savvy as well as those who are reluctant to transact in a digital environment — must continue to find ways to streamline the account opening and loan servicing processes, minimizing consumers' security concerns while providing the convenience they crave.

Methodology

PYMNTS surveyed a census-balanced panel of 2,303 U.S. residents between Dec. 6 and Dec. 12, 2021. Respondents were 47 years old on average, 52% were female and 32% held college degrees. We also collected data from consumers in different income brackets: 36% of respondents earned more than $100,000 annually, 31% earned between $50,000 and $100,000 and 33% earned less than $50,000.

About

PYMNTS.com

PYMNTS.com is where the best minds and the best content meet on the web to learn about "What's Next" in payments and commerce. Our interactive platform is reinventing the way in which companies in payments share relevant information about the initiatives that shape the future of this dynamic sector and make news. Our data and analytics team includes economists, data scientists and industry analysts who work with companies to measure and quantify the innovation that is at the cutting edge of this new world.

Finicity

Finicity, a Mastercard company, helps individuals, families, and organizations make smarter financial decisions through safe and secure access to fast, high-quality data. The company provides a proven and trusted open banking platform that puts consumers in control of their financial data, transforming the way we experience money for everything from budgeting and payments to investing and lending. Finicity partners with influential financial institutions and disruptive fintech providers alike to give consumers a leg up in a complicated financial world, helping to improve financial literacy, expanding financial inclusion, and ultimately leading to better financial outcomes. Finicity is headquartered in Salt Lake City, Utah. To learn more or test drive its API, visit www.finicity.com.

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