

SURVEYING FINTECH

Understanding the
Leaders in Financial
Technology

LEND36 ®

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Executive Summary

LEND360 staff surveyed financial technology executives to better understand the thoughts and perspectives of those who lead the industry. The survey ran from August 30 through September 30, 2023. The survey was comprised of 53 seasoned executives in the online lending industry with 33 CEOs, seven presidents, and five founders. Among the survey respondents, 20 were lenders, and another 33 were vendors, including payment processors, credit bureaus, and more.

Among the lenders who filled out the survey, about a third were state licensed lenders, a third serviced banks, and a third were owned by Tribes. Moreover, seventeen provided installment loans; seven provided line-of-credit products; two provided earned wage access products; three provided single-pay products; and two provided commercial loans.

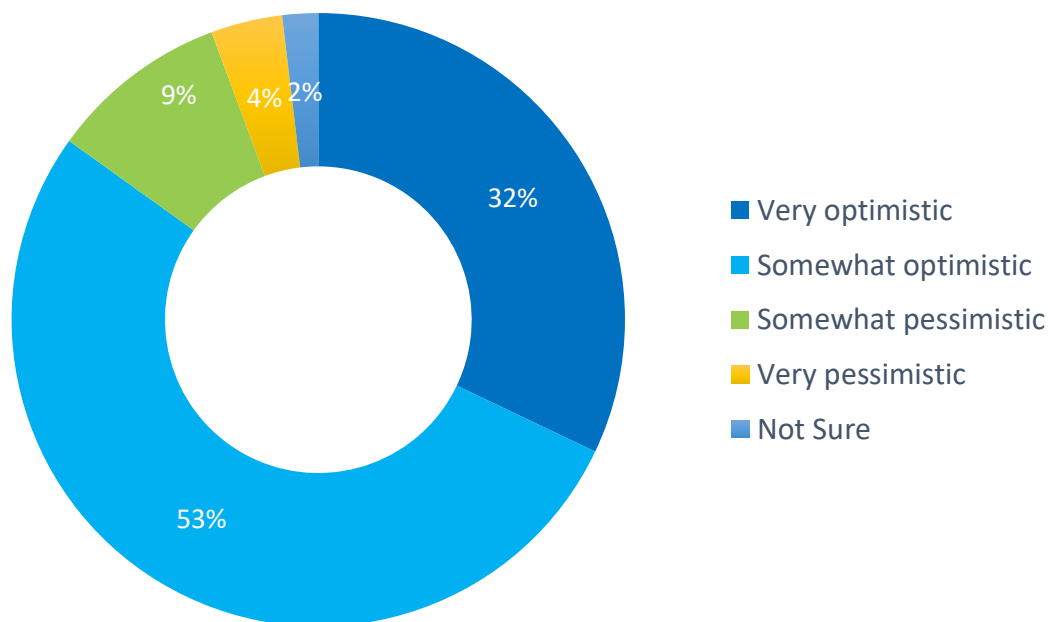
Key findings include:

- The majority of fintech leaders are optimistic about the industry's future over the next 12 months. However, a tenth of those surveyed are pessimistic about the future. Top concerns among those in the industry are credit quality, bad legislation, and regulatory burden.
- In terms of staffing, just under half of fintech companies are experiencing issues with acquiring or retaining talent. In contrast, a quarter stated they are having issues with both acquiring and retaining talent.
- Fintech lenders stated that their most important objective in the next 12 months were increasing loan volume and improving loan productivity. To do this, fintech lenders are employing a variety of innovative technology, with APIs and cloud computing being the most deployed technologies currently.

Optimism or Pessimism

Fintech leaders were asked to think about the future and indicate whether they were optimistic or pessimistic about the industry's prospects over the next 12 months. About 85 percent of respondents said they were either very optimistic or somewhat optimistic about the industry.

Question: "How optimistic or pessimistic are you about the prospects for the fintech industry over the next 12 months?"



Source: LEND360

Reasons for Optimism or Pessimism

Optimists say:

“Traditional Banks will serve fewer customers as recessionary pressures mount... more prime customers will need to turn to alternative financing channels.” – the CEO of an alternative lender.

“The fintech industry's prospects in the upcoming 12 months are promising due to increased digital adoption, technological advancements, focus on financial inclusion, evolving regulations, robust investments, expansion opportunities, and the rise of niche solutions, neobanks, and decentralized finance (DeFi). Consumer demand and infrastructure development further propel its potential.” – the CEO of an alternative lender.

“Emerging consumer groups of millennials, Gen Z and Gen A are less and less likely to utilize traditional banking systems. Traditional banking is still working from legacy and dispirit ideals, systems, and infrastructure. Fintech businesses are able to be more agile and responsive to changing market conditions and emerging technologies opening the door for improved solutions and experiences. Fintech is still working from an infancy position, meaning there is significant room for growth and new entrants.” – a VP of a service provider.

Pessimists say:

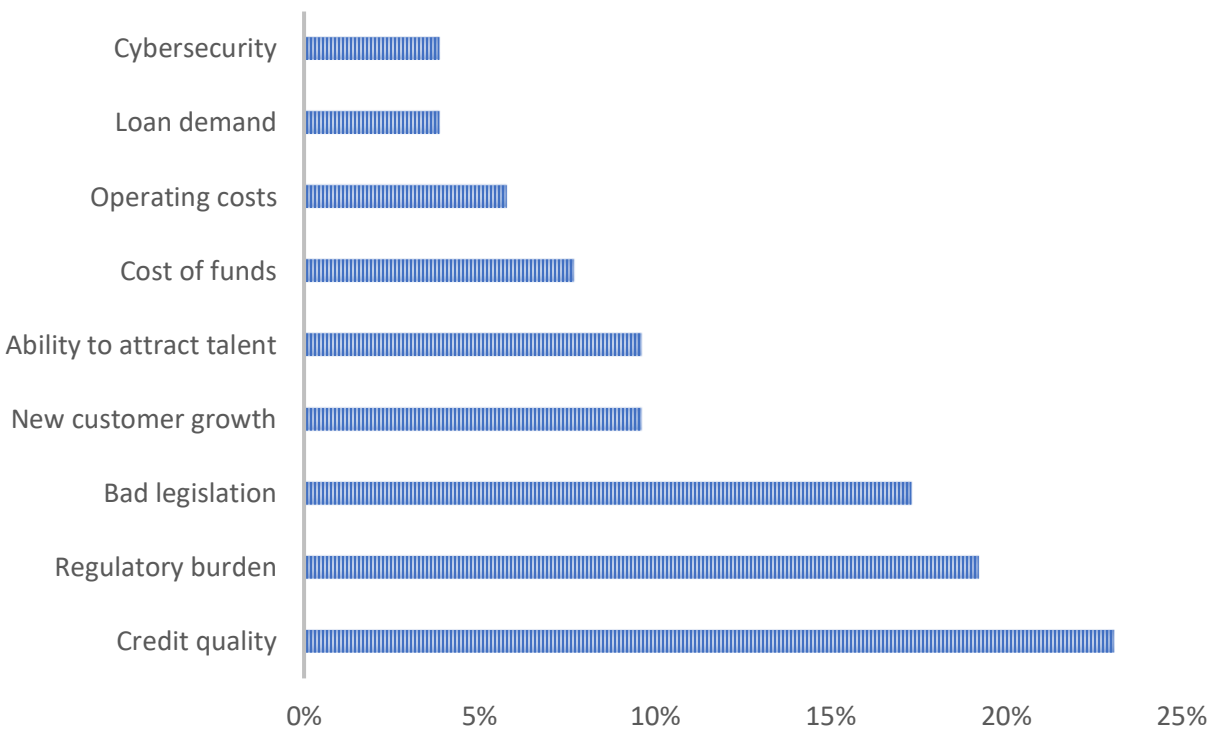
“The CFPB supreme court ruling expected first half next year could change things very negatively if they affirm the [payments provisions of the Small Dollar Rule]. That rule was adopted to make it almost impossible for fintech [to serve consumers].” – the CEO of an alternative lender.

“Macro credit environment is tough. I worry it may take more than 12 months before it starts to materially improve.” – the CEO of an alternative lender.

Top Concerns

When asked about their top concern over the next 12 months, fintech leaders are most concerned about bad credit quality and regulatory burden. Bad legislation is also a substantial concern. Interestingly, cybersecurity and loan demand rank near the bottom of top concerns among most fintech executives.

Question: "What is your top concern over the next 12 months?"

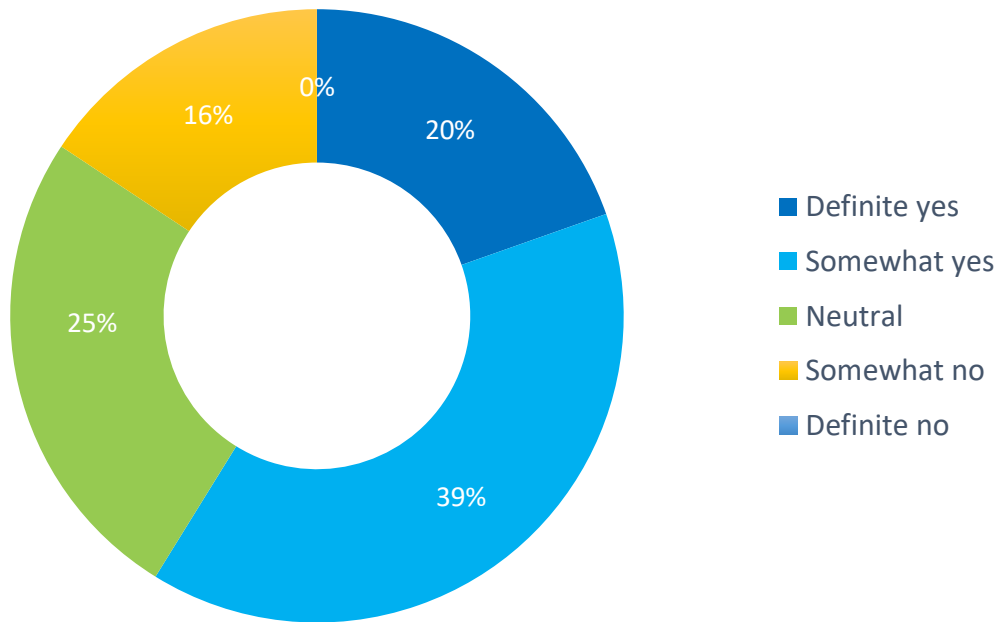


Source: LEND360

Operation Choke Point 2.0?

The majority of those surveyed expressed their concerns about federal regulators starting a new “Operation Choke Point 2.0”. Only 11% of respondents said they had no concerns. The LEND360 survey described the original Operation Choke Point as a “2013 federal government initiative to discontinue banking relationships with small dollar online lenders and other businesses based on government officials’ personal and subjective views of lawful industries.”

Question: “Are you worried about Choke Point 2.0?”

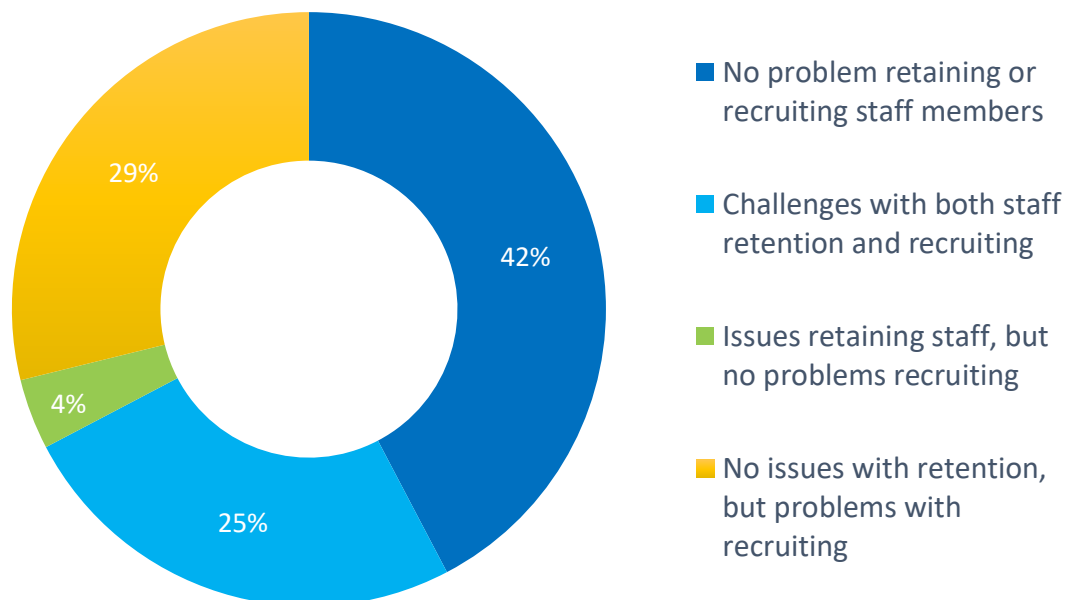


Source: LEND360

Talent Acquisition

When asked about talent acquisition, about two-fifths stated that they had no problem with retaining or recruiting staff members. About a quarter of respondents stated that they had no issues with retention but had problems with recruiting, and another quarter stated they had challenges with both staff and retention and recruiting.

Question: "Turning to talent acquisition, which statement best describes your outlook? We've had..."

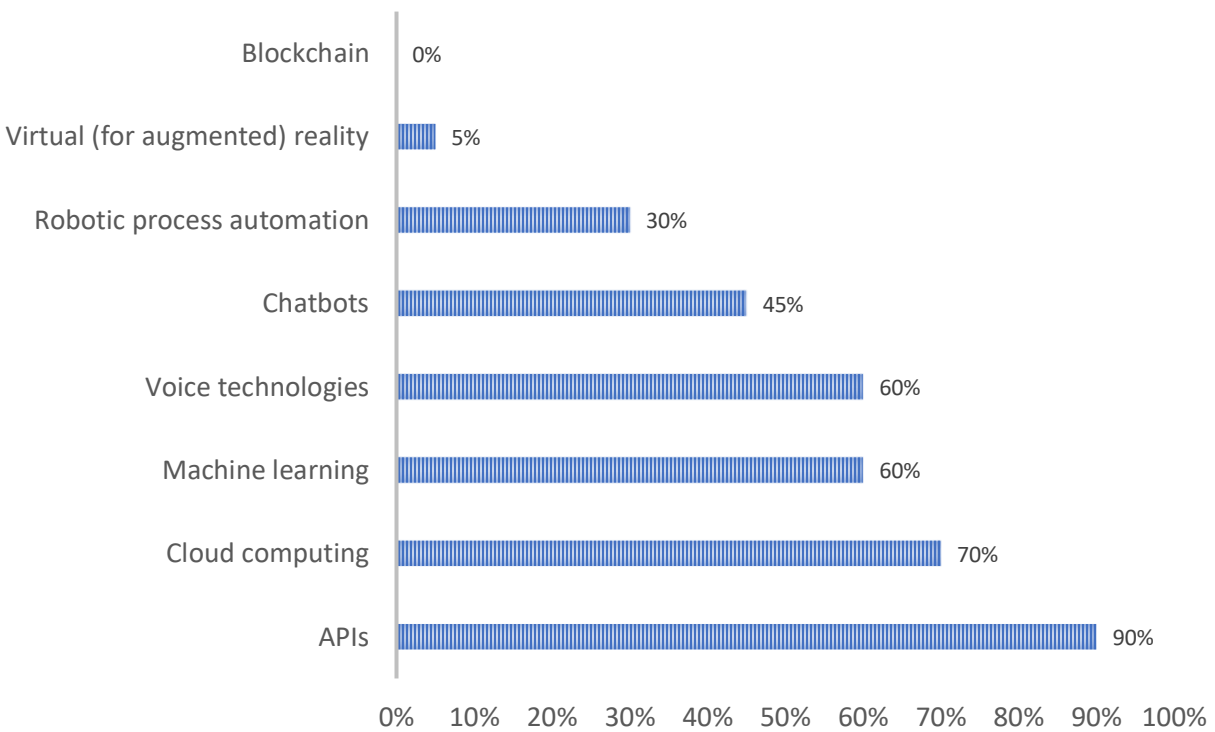


Source: LEND360

Use of Innovative Technology

In the survey, fintech leaders from lending companies were asked a series of additional questions, including whether they had deployed the use of certain technologies in their lending operations. Nearly all lenders used APIs, and other top technologies being employed by most alternative lenders are cloud computing, machine learning, and voice technologies.

Question: “Have you deployed the use of: (mark all that apply)”

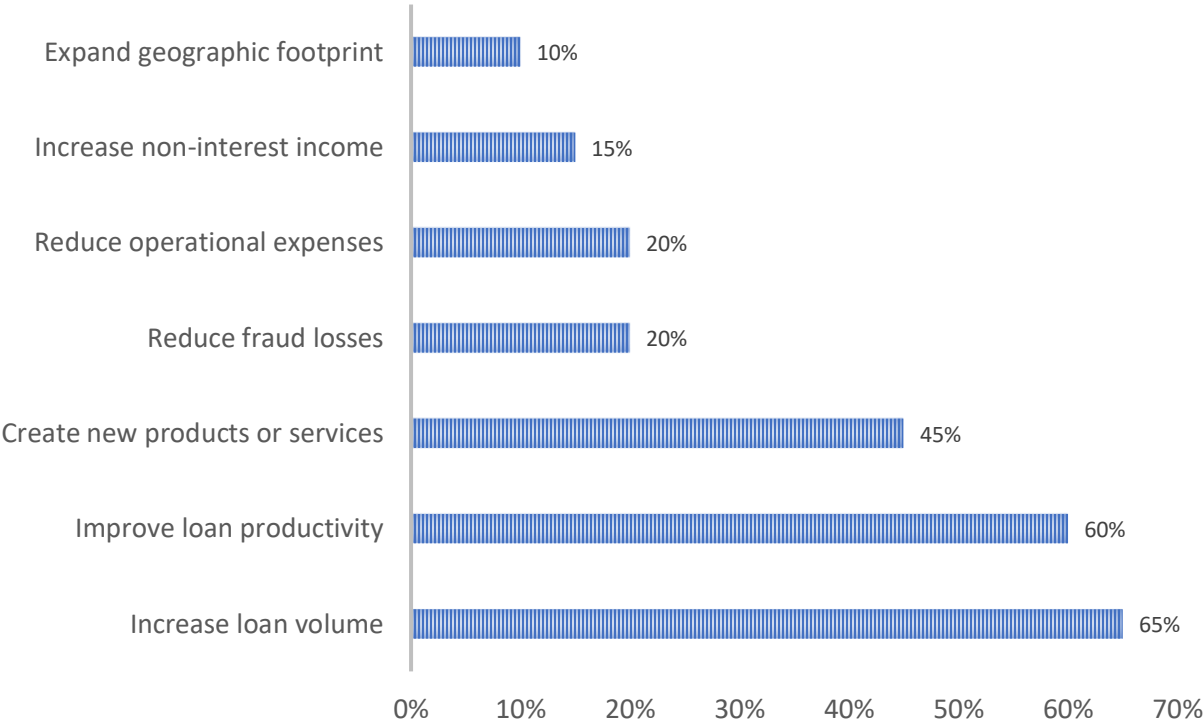


Source: LEND360

Fintech Objectives

When fintech leaders from lending companies were asked about their most important objectives in 2024, many stated that their main objectives were to increase loan volume, improve loan productivity, and create new products or services.

Question: “What are your organization’s three most important objectives in 2024?”



Source: LEND360

Why This Matters

Fintech and consumer lending is changing constantly, and many would argue that data from six months ago is already outdated and stale. LEND360's "Surveying FinTech Leaders" Report provides new and relevant insights on how the leaders in FinTech understand and perceive the environment in which they operate.

Although fintech leaders appear to be optimistic about the future in lending, there are real concerns about a renewal of Operation Choke Point (which some in the industry believe is already happening) and other regulatory burdens. Bad legislation that could negatively impact lending is also a top concern, despite the upcoming elections in 2024.

Lastly, the survey uncovered the top objectives for lending businesses when looking forward twelve months. Increased loan volume, improved loan productivity, and the creation of new products or services rank near the top of those objectives. It will be interesting to see how these businesses deploy new technologies to help achieve these objectives over the next several months.