PayNearMe

Consumer Trends Driving the Future of Loan Payments

A deep dive into consumer preferences and behaviors surrounding loan payments

Table of Contents

About This Survey

PayNearMe conducted an online survey in March 2024 (“survey”) to identify perceptions and preferences for how U.S. consumers pay their loans. The survey captured responses from a broad distribution of 1,574 consumers aged 18+ (“respondents”).

THE SURVEY AIMED TO UNCOVER:

- What challenges make it difficult to pay loans
- How important convenience and personalization are to consumers in the payment experience
- The gaps between consumers, expectations and their current loan payment experience
- What features would make loan payment easier for consumers
- How much positive or negative loan payment experiences impact retention

Respondent Profile

1,574 adult consumers (ages 18+) with representatives from all U.S. regions.

52% - Female | **48%** - Male

Age Ranges

18-29	30-44	45-60	60+
12%	35%	44%	9%

Household Incomes

<$25,000 - 8% | **$25,000-$49,999** - 18% | **$50,000-$74,999** - 16%

$75,000-$124,999 - 28% | **>$125,000** - 27% | **UNKNOWN** - 3%

Key Findings

- **61% wish that managing and paying loans was easier,** reflecting a strong desire for more streamlined and user-friendly payment processes.

- **51% reported that managing and paying loans causes them anxiety,** indicating a critical area for improvement in the loan payment process.

- **80% said it's important to have their payment details (loan number, amount due, etc.)** pre-populated, confirming that consumers want a personalized and simple loan repayment experience.

- **59% would be very likely or likely to pay their loans with digital wallets,** and PayPal is the most popular with over half (55%) of respondents saying it's very important or important to have as a payment option.

- **Despite the growing trend toward mobile payments, many borrowers still rely on cash.** Of the respondents that stated they pay some or all of their loans with cash, 84% consider it very important or important to be able to pay with cash at a retail location during checkout.

- **65% who do not use autopay** say it's because they want more control over when bills get paid, which highlights the need for more flexible options to drive autopay enrollment.

Introduction

Over the years, PayNearMe has been researching consumer bill pay behaviors to track common challenges and changing preferences in the loan payment experience. Our goal is to uncover how various hurdles may be impacting consumers' payment habits, and which strategic improvements lenders should consider to help drive better outcomes and improve customer relationships.

Along with fierce competition for consumer credit, 65% of lenders are seeing escalating rates of delinquency, and 70% anticipate an increase in loan defaults.[1] This shows that it's more critical than ever for lenders to incorporate personalization, convenience and flexibility in the loan payment process in order to drive on-time payments.

In this report, we'll dive into key findings from our 2024 consumer survey to help lenders better understand the loan payment challenges consumers are experiencing, identify how consumer expectations are changing and highlight opportunities to deliver a more engaging, personalized payment experience.

Loan Payment Challenges

For many consumers, managing bills can be stressful due to economic constraints—but it is often made more difficult with traditional payment processes that don't keep pace with changing technological advancements.

Over half (51%) of respondents reported that managing and paying loans causes them anxiety, and 60% wish that process was easier. This sentiment was notably highest among top earners, including 65% of individuals who earn $100,000-$124,999 and 75% who earn $150,000-$174,999, suggesting that frustrations with the loan payment process are pervasive and not limited to specific income or age groups.

Whether consumers are juggling more bills, higher debt or simply need better ways to manage cash flow, these findings signal a need for lenders to remove friction as much as possible.

What makes loan payment difficult?

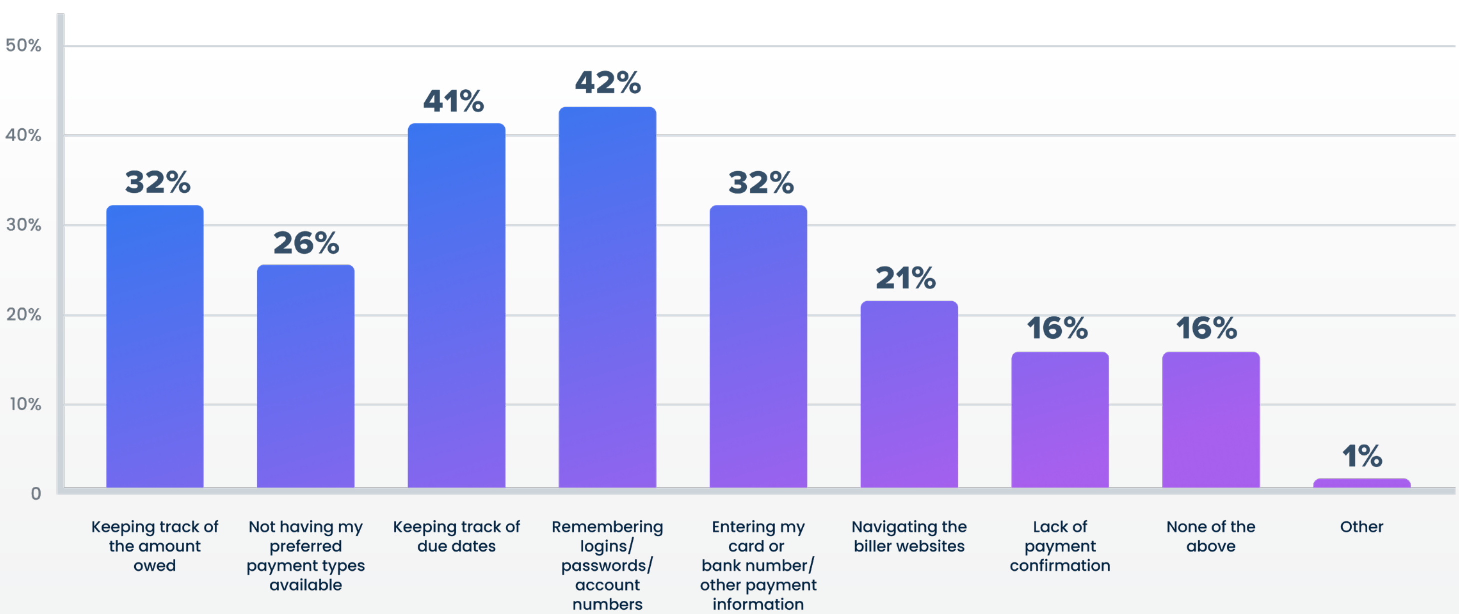
A variety of challenges complicate the loan repayment process, and consumers were asked to rank a number of potential issues. The plurality of respondents (42%) cited that remembering logins, passwords and account numbers for biller websites is the biggest pain point. While this is down from 52% in our 2021 survey[2], login issues continue to stand out as the primary concern over other problems related to paying bills.

A close second is the hassle of remembering payment due dates—a key issue for 41% of respondents. This is prevalent for younger payers, where nearly half (48%) of respondents aged 18-29 struggle to keep track of due dates, the only group where the "remembering logins" option wasn't their top choice.

Nearly one-third (32%) of respondents are most frustrated with having to repeatedly enter card or bank account information. That's a 6% increase since our 2021 research[2], and may reflect growing impatience with cumbersome processes that could lead borrowers to delay or skip payment.

Lenders should also be tracking the challenge of limited payment options, stated by a quarter of respondents (25%). Among the youngest group (age 18-29), more than a third noted that not having their preferred payment types available makes it harder to pay their loan.

Which of the following makes paying loans online difficult for you?



A Widespread Desire for Easier Loan Management

The fact that 60% of respondents agree that managing and paying bills should be easier reflects a significant desire for more streamlined and user-friendly payment processes. This sentiment spans across age groups and is notably stronger among higher-income brackets, suggesting that frustrations with loan payments are pervasive and not limited to any particular demographic.

The overarching themes related to making payment processes more user-friendly relate to disorganization and a fundamental lack of ease and convenience, which could sway consumers' decision to recommend their lender to others or use the lender for future loans.

> ***Consumers are now used to personalized payment experiences in other lifestyle activities such as shopping and ride shares, and that simplicity is reshaping their expectations for loan repayment.***

Consumer Loan Pay Preferences

Where and how do consumers primarily pay their loans? When given multiple options, the channel respondents said they use most regularly for paying loans is the biller's website or mobile app (71%), followed by their bank's bill pay service (49%). Respondents indicated they most regularly pay via ACH or debit card, which are often the only options offered by lenders, yet a growing preference for digital wallets may disrupt that.

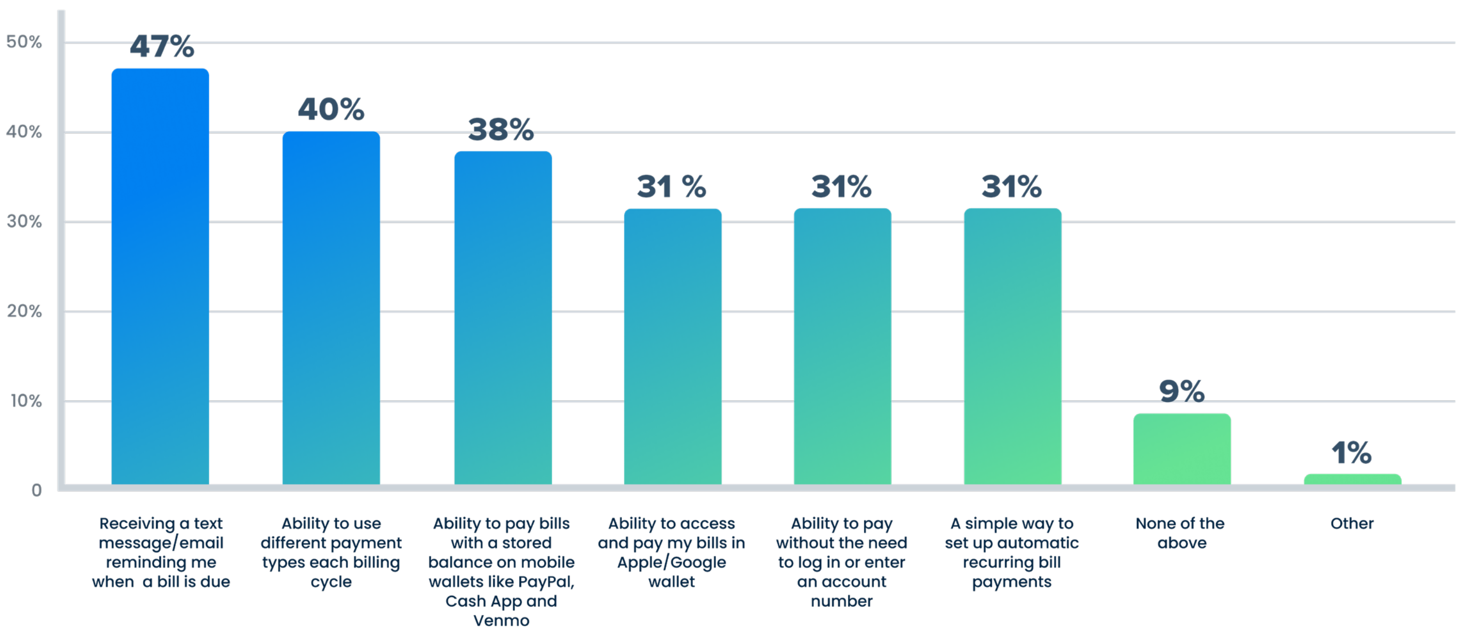
Nearly one in five respondents (19%) say they regularly call customer service to pay their loans. Phone payments come at a high price for lenders given that they are up to 80x more expensive than self-service channels, according to Gartner[3].

However, the survey revealed that 17% of respondents regularly use their biller's automated IVR system to make their loan payments, indicating a strong preference for self-service convenience. We suspect the phone and IVR payers may overlap, and they are using IVR to pay only when their lender makes it easy to do so, or the wait for a live agent is too long.

Overall, the significant shift toward digital payment adoption in recent years reinforces the importance of optimizing online and mobile channels.

What would make it easier for borrowers to pay loans on time? The respondents say that having more ways to pay, including digital wallets, is very important, and more than 40% want the flexibility to use different payment types each billing cycle (e.g., pay via debit card one month, PayPal the next month, etc.).

Which of the following do you feel would make it easier to pay loans on time?



Rising Demand for Alternative Payment & Disbursement Options

Alternative payment methods are increasingly important to motivate on-time payments and drive customer satisfaction. The survey revealed that consumers across all ages want the flexibility to make loan payments with a digital wallet such as PayPal, Venmo or Cash App Pay.

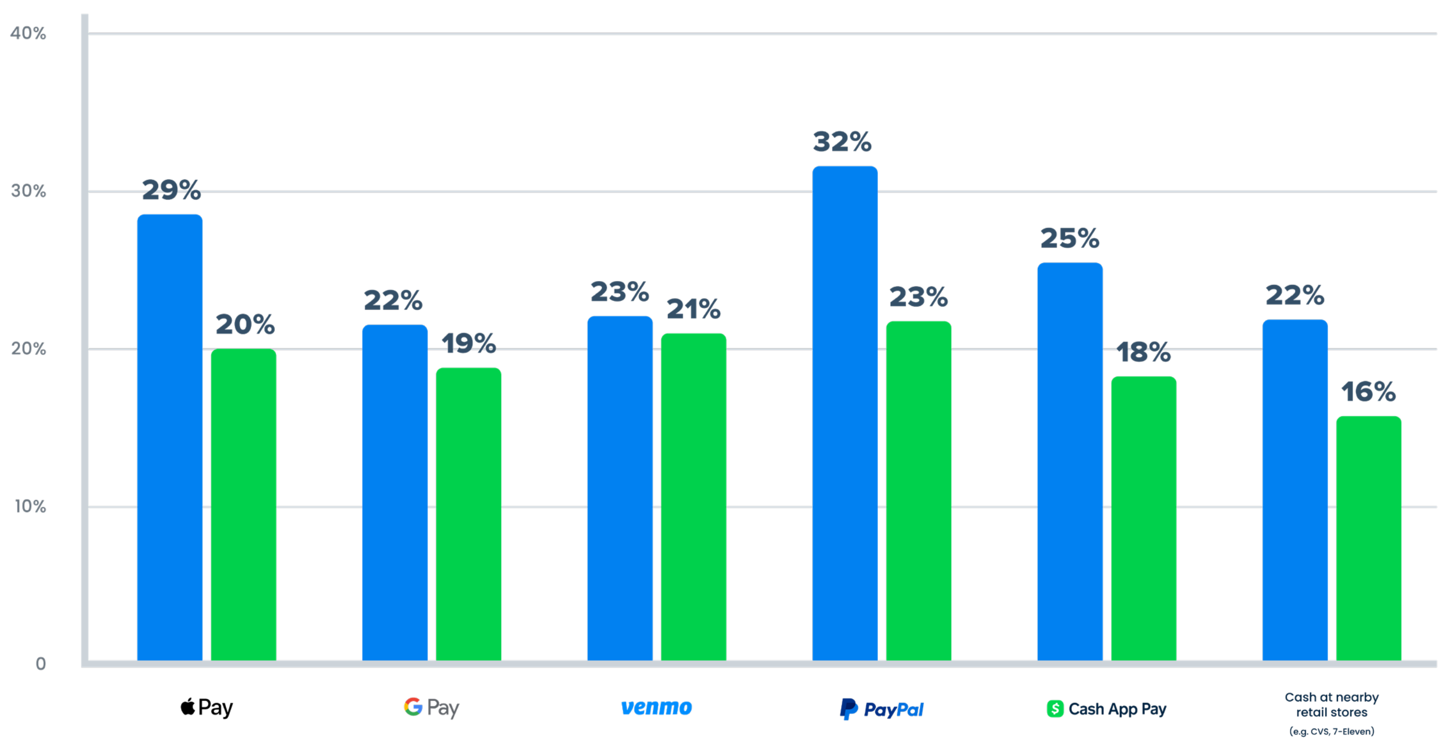
Overall, 59% of respondents said they would be very likely or likely to pay their loans with a digital wallet, a striking increase from 37% since our 2021 survey.

The data underscores a clear trend toward the increasing importance of alternative payment methods. This is evidenced by the overall high interest in having options beyond ACH and card payments. In fact, Forbes[4] reported that 53% of consumers now use digital wallets more often than traditional payment methods. By 2026, Juniper Research[5] estimates that 5.2 billion people worldwide—more than half the world's population—will use digital wallets.

> ***59% of those surveyed said they would be very likely or likely to pay their loans with a digital wallet, a striking increase from 37% since our 2021 survey.***

How important is it for you to have each of the following alternative payment methods available to you when paying loans online?

Very important
Important



The survey revealed that digital wallets are an important part of the loan payment experience. Over half (55%) of respondents consider it very important or important to be able to pay via PayPal. Venmo is gaining traction as 43% selected it as an important payment option, compared to 27% three years ago. Cash App Pay is also a favorite, with 42% of respondents wanting it as an available payment option. It's worth noting that Venmo has become a preferred option for respondents aged 45-60. This challenges the stereotype that digital wallets are only accepted by younger consumers and indicates a broad shift in payment habits that spans generations.

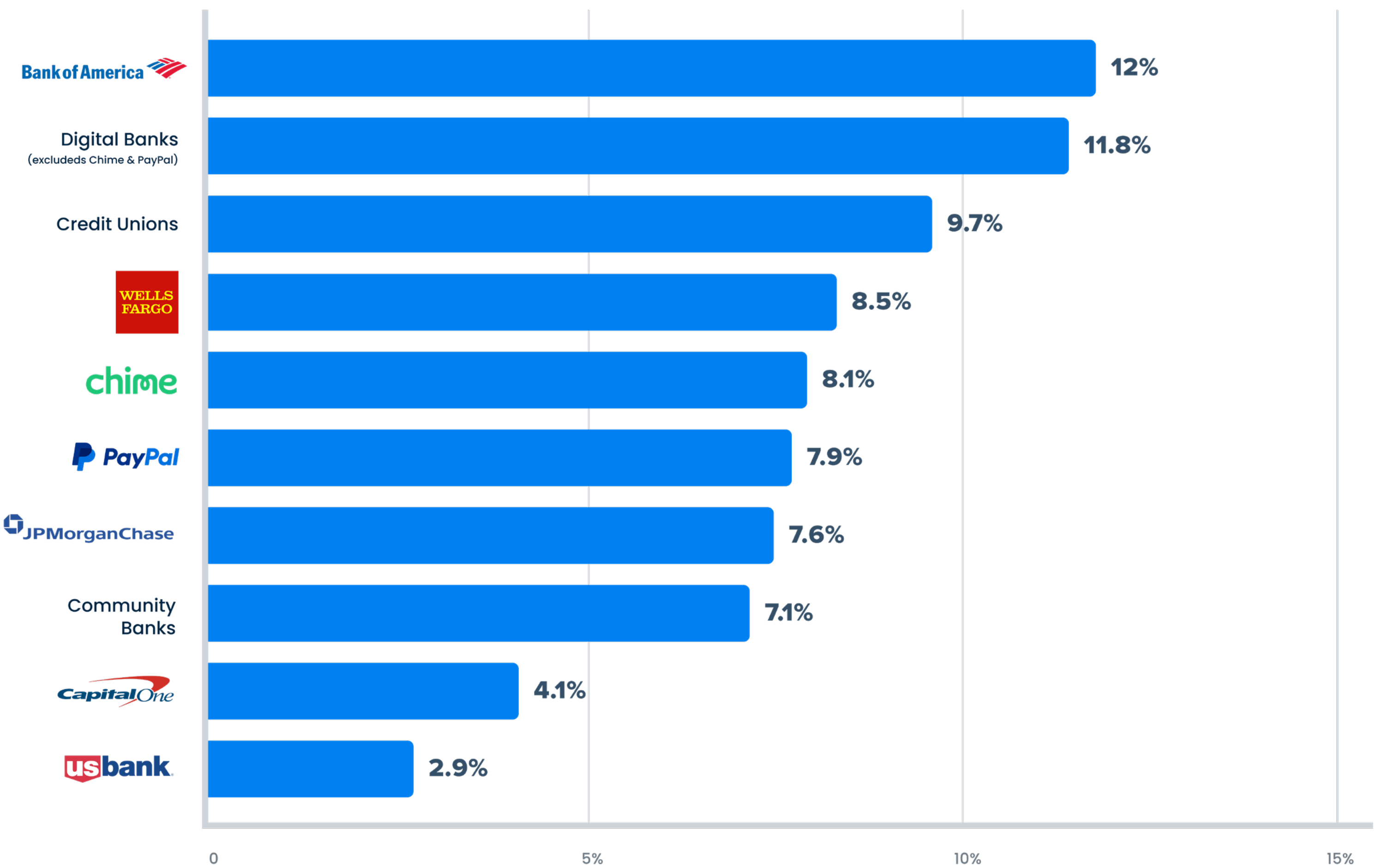
Many individuals (including one-third of unbanked consumers[6]) now use digital wallets for storing cash balances, making it easy to move money in a few taps; perhaps the reason why 38% of respondents said they would like to pay their loans with a stored wallet balance.

It's also important to consider that Americans often store money in digital wallets in lieu of a bank account. In fact, as shown in the chart below, nearly 8% of Americans consider PayPal as their primary checking account.

Primary Checking Account Market Share

(% of Americans that consider firm to be their primary checking account provider)

Source: Cornerstone Advisors

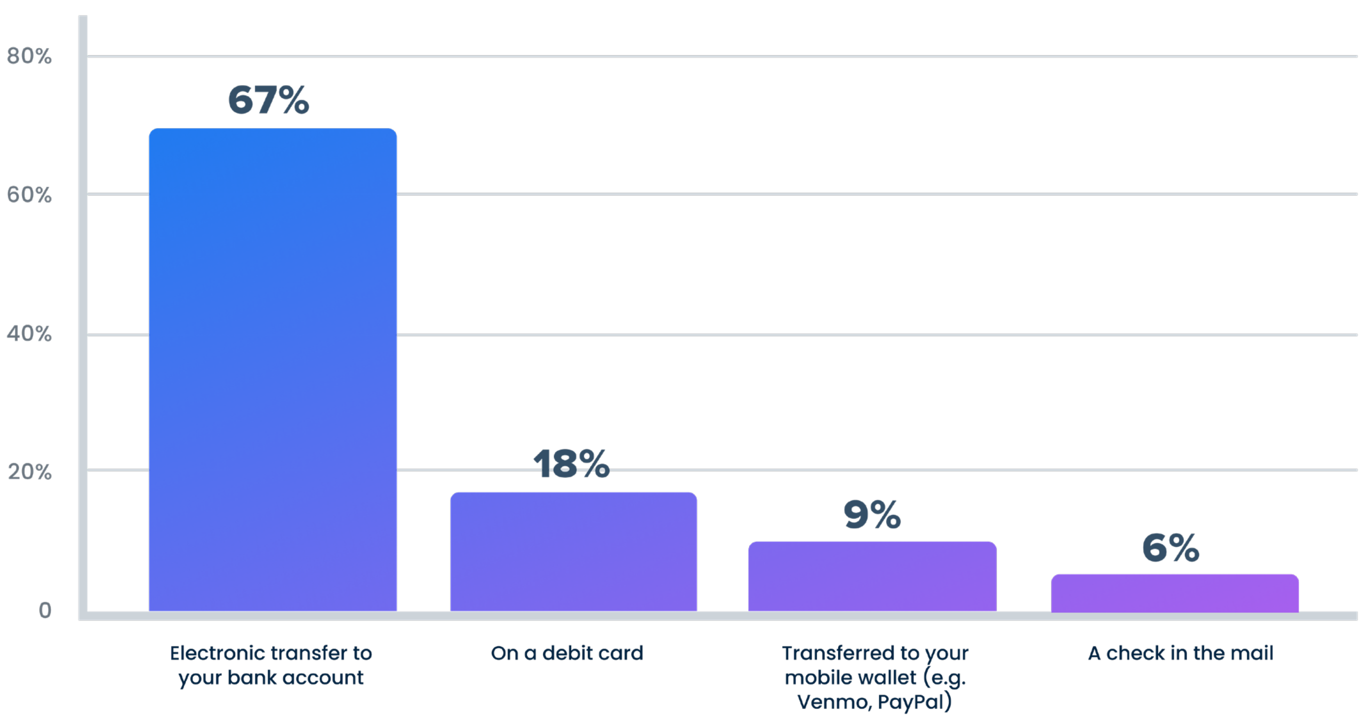


The survey revealed that 47% of respondents with income under $25,000 per year agreed that being able to pay loans with a stored wallet balance is very important to making it easier to pay their loan. The fact that the ability to pay loans with a stored mobile wallet balance is most important to the lowest income bracket surveyed suggests that these payment methods may offer more accessibility or convenience to those with less income.

In this survey, we wanted to explore how consumers view cash and whether they consider it an important loan repayment option. It may surprise lenders to know that of the respondents that said they pay any or all of their loans with cash, 84% consider it very important or important to be able to pay with cash at a retail location during checkout (such as 7-Eleven, Walmart, CVS), rather than having to visit their lender's brick and mortar location. The survey results tell us that cash is alive and well in the area of loan repayment, and lenders shouldn't be quick to phase out cash options. Instead, they should consider digitizing cash payments.

Lenders can encourage cash-preferred customers to move toward more self-service channels when they can work with a payments platform provider that offers cash at retail, allowing their borrowers to pay with cash in the checkout line of stores they already frequent.

When a lender owes you money for something like a refund or overpayment, how would you like to receive your funds?



Adopting alternative payment methods could be a significant advantage for lenders, particularly those who serve below prime audiences who may find it easier to pay via digital wallets or cash.

One last consideration in the dominant trend toward digital payment options is how lenders issue refunds or other disbursements to customers. A whopping 94% of respondents said they prefer to receive funds digitally versus a check in the mail. In addition to being a more secure option, digital disbursements help consumers get their money faster, while being more cost-efficient for lenders.

Importance of a Mobile-Optimized Bill Pay Experience

More than 60% of respondents pay loans with their smartphone, nearly twice as many as those using a computer.

Supporting mobile lifestyles is now a critical success factor for all businesses, including lending. The survey revealed that more than 60% of respondents pay loans with their smartphone, nearly twice as many as those using a computer.

Providing a mobile-optimized loan pay experience is essential to improving portfolio performance and customer satisfaction. Beyond offering digital wallet payments, another key consideration is to leverage mobile channels to provide payment reminders. 47% of respondents revealed that receiving a text message or email reminder when a bill is due would make it easier to pay on time.

Consumers also value a mobile experience that streamlines account access so they don't need to remember login details every time. Over 31% of respondents said that being able to pay loans without having to log in or enter an account number would make payment easier.

Ultimately, lenders may find that profitability and competitive advantage rely on moving beyond the one-size-fits-all approach to payments. Offering more flexible payment options and engaging borrowers at the right time is a crucial start—yet it takes even more than that. Consumers now expect a holistic, highly personalized experience, and next we'll explore what the research tells us about that.

The Power of Personalization

Major consumer brands have set the bar with personalized recommendations and simple, nearly invisible payment experiences based on a consumer's preferences. People now expect companies to 'know them', make every interaction easier and cater to their individual needs and likes—and that includes loan repayment. In fact, 69% of respondents said it was very important or important to have a tailored experience.

> ***68% of respondents said they would be very likely or likely to recommend a lender if it offered a highly personalized experience.***

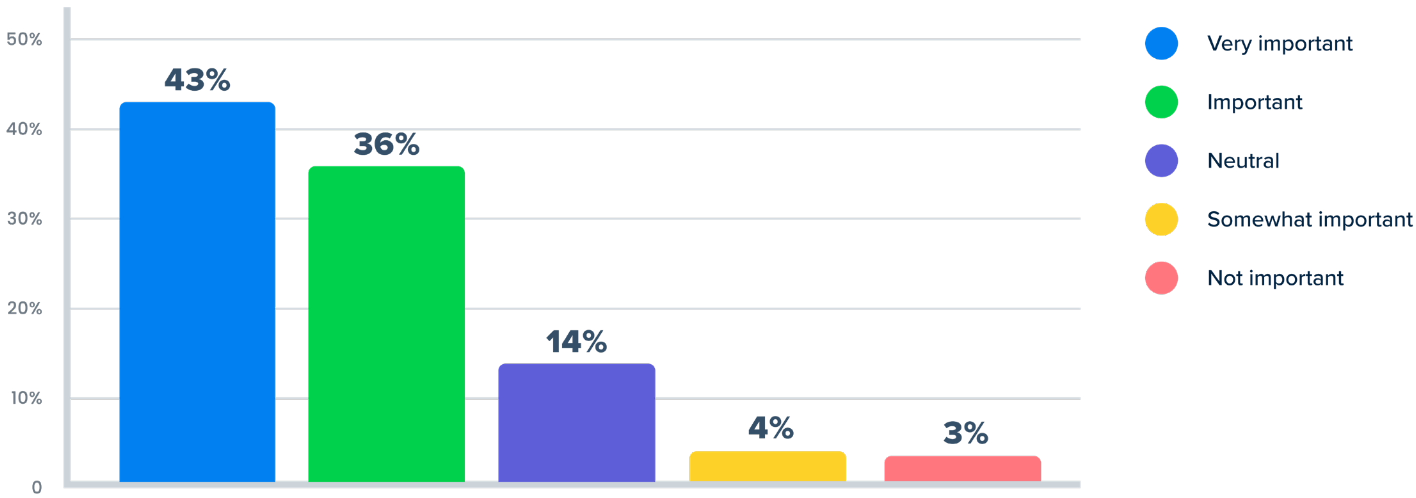
How can lenders enhance the loan payment lifecycle through personalization? By leveraging vast amounts of payment data and applying AI and machine learning, organizations can derive insightful, behavior-based experiences tailored to individual users. This approach not only streamlines personalization efforts but also significantly boosts the bottom line.

One area of personalization that respondents noted as important is pre-populating payment flows with their account details (e.g., loan number, amount due, etc.). When borrowers are paying loans every month (sometimes more frequently, if they have split payments), having to type in the same information every time is frustrating. Manual entry can increase risk of errors, potentially impacting account status or lead to disputes.

As a result, it's no surprise that 80% of respondents consider it very important to have bill pay screens pre-populated with their payment details. It emphasizes the growing expectation for convenience and efficiency—making it a fundamental form of personalization.

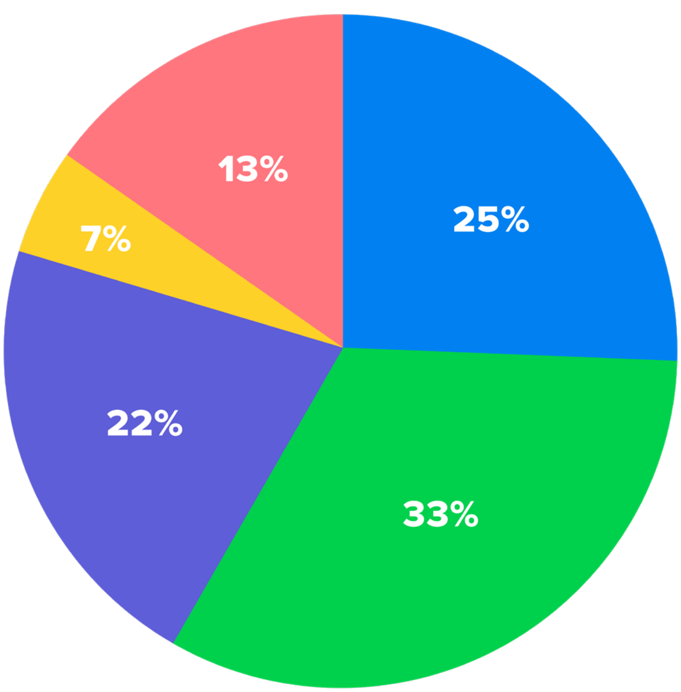
Further, 41% of respondents agreed it was important to have a personalized experience where the payment platform recognizes them and their preferences. This is another area where lenders can put their data to work for them to take action based on patterns and trends to deliver personally relevant value and increase on-time payments.

When paying your loans, how important is it to you to have your payment details (loan number, amount due, due date, etc.) pre-populated?



For example, consumers could receive a reminder text message or email that includes a personalized link taking them directly into their payment flow, an option favored by more than one-third of respondents (36%). This experience eliminates the need to remember due dates and login details, or enter loan information, making the payment experience fast and easy.

The bill pay experience could be further tailored by displaying payment options in the order most used by a given customer.



How appealing is the option to pay a loan by scanning a QR Code on the statement, allowing for quick payment without mailing checks or logging into websites?

Very appealing
Appealing
Neutral
Somewhat appealing
Not appealing

 paynearme.com

Personalized QR codes are another powerful way to simplify loan payments. Lenders can embed payment details in a unique QR code for each customer and include it on statements so borrowers can scan the code to instantly access their account electronically.

58% of respondents found that idea very appealing, and interest jumps for higher income consumers ($150,000-$174,999) where 74% would welcome that option. QR codes facilitate a fast and easy process that meets today's consumer demand for efficiency and convenience.

Improving Autopay Adoption with Personalization

When asked why they had not set up autopay for their loans, more than 65% of respondents said they want more control over when bills get paid. Reinforcing this idea, previous PayNearMe research has found that 65% of respondents would be more likely to enroll in autopay if it offered more scheduling flexibility[7].

To improve autopay adoption rates, lenders can work with their payments provider to make autopay setup easier and more specific to the customer's needs. For instance, enable payers to choose an autopay date that better aligns with when they get paid, or allow them to split payments within a month rather than paying one lump sum, so they can more easily manage cash flow.

Improving Customer Retention

In this age where consumers have countless choices and fleeting loyalty, 82% of respondents said a poor loan payment experience would influence their decision to switch to a different lender in the future, while 69% say they would be likely or very likely to recommend a lender to their friends and family that offers a highly personalized experience. Differentiating the payment process is now business-critical for lenders, and offering highly personalized engagement may be vital to driving new and return business.

Payments Data is Vital to Personalization

Transforming the payment processes can substantially improve operations. Lenders can capture rich data[8] about user behaviors and transactions to gain actionable insights for making better decisions, but it will often require partnering with a payments provider focused on data collection, cleaning and optimization. Lenders can leverage consumer behavior data in a few key ways to improve personalization and the overall customer experience, for example:

- **Leverage data to personalize touch points.** With deeper understanding about customer preferences and needs, lenders can personalize payment options and plans, tailor marketing offers to improve upsell and cross-sell, and proactively offer financial tips that help make it easier for customers to manage loan payments (such as how they can customize autopay).

- **Predict payment behaviors to tailor collections outreach.** Innovative payment platforms can apply AI and machine learning to turn payments data into predictive insights that help lenders understand the best times and methods to engage customers for better results. For example, they can suggest which channels get more response (e.g., email, text, push notification), what time of day to push messages, preferred payment methods to put forward and so on.

- **Gather and act on feedback.** An optimized digital payment experience can also equip lenders to continuously capture and analyze customer feedback to help inform where and how to improve specific touch points. It empowers organizations to keep pace with changing expectations and demonstrates a commitment to delivering an exceptional experience. And positive feedback can be turned into advantage, providing an opportunity to engage those customers and offer referral incentives to recommend the lender to family and friends.

Recommendations

Optimizing the loan payment experience is rapidly becoming an imperative. Even if lenders aren't fielding complaints about their legacy system, outdated processes could be adding to delinquencies and declining retention. Our consumer research emphasized pain points, changing expectations and strategic improvements that can help lenders differentiate and improve the customer experience.

- **Prioritize frictionless payment experiences.** Consumers often find the loan repayment process stressful and want streamlined online and mobile-optimized processes that reduce friction. To help improve timely payments, lenders should strive to provide a user-friendly interface that is easy to navigate, requires minimal manual entry and makes bill pay fast and flexible.

- **Expand payment options to meet new preferences.** Rising adoption of digital wallets indicates that lenders could benefit from offering alternative payment methods such as PayPal, Venmo, Apple Pay and Cash App Pay.

- **Personalize engagement to improve outcomes.** The survey revealed that many consumers would find it easier to pay on time if they receive due date reminders via email or text message. Lenders could tailor alerts to customer preferences for frequency and communication channel. Within the payment flow, it's important to pre-populate screens with customer details, such as loan number and amount due. This personalization is a common expectation and reduces potential errors by eliminating the need for users to enter their information every time they make a payment.

- **Innovate with personalized links.** Integrating personalized links in QR codes and other delivery channels bridges all of the improvements above. Links embedded with each customer's account details can be used in multiple ways. Included on statements (print and paperless), customers can scan their unique QR code to instantly access their account. Personalized links can also be sent directly to customers via email or text message, allowing them to pay in as little as two taps.

PayNearMe's consumer research reinforces how ease, convenience and personalization are critical success factors in the loan payment process. By prioritizing these themes as part of a growth strategy, lenders can dramatically improve on-time payments and customer satisfaction.

79% of respondents strongly agreed or agreed that an exceptional bill payment experience would influence their decision to work with the same lender in the future.

About PayNearMe

PayNearMe develops technology that drives better payment experiences for businesses and their customers. Our modern, flexible and reliable platform helps businesses increase customer engagement, improve operational efficiency and drive down the total cost of accepting payments. PayNearMe enables more ways to pay by offering major payment types and channels in a single platform.

PayNearMe processes all major forms of payment including Cash App Pay, PayPal, Venmo, Apple Pay, Google Pay, cards, ACH and has enabled cash payments through our proprietary electronic cash network at more than 62,000 retail locations in the U.S.

To learn more about PayNearMe, please visit www.paynearme.com.
For press inquiries, contact insights@paynearme.com

Sources

Statistics from proprietary research report commissioned by PayNearMe, unless otherwise noted.

1. “Lenders Predict a Rise in Delinquencies and Call Center Volume in 2023.” PayNearMe, 2023
   https://home.paynearme.com/blog/lenders-predict-a-rise-in-delinquencies-and-call-center-volume-in-2023/

2. “How Consumers Pay Bills: Expectations vs. Reality”. PayNearMe, 2021.
   https://home.paynearme.com/resources/research/consumer-expectations/

3. ”Gartner Says Only 9% of Customers Report Solving Their Issues Completely via Self-Service.” Gartner, 2021.
   https://www.gartner.com/en/newsroom/press-releases/2019-09-25-gartner-says-only-9--of-customers-report-solving-thei

4. “53% Of Americans Use Digital Wallets More Than Traditional Payment Methods: Poll.” Forbes, 2023.
   https://www.forbes.com/advisor/banking/digital-wallets-payment-apps/

5. “How Unbanked Americans Pay Their Bills.” PayNearMe, 2023.
   https://home.paynearme.com/blog/how-unbanked-americans-pay-bills/

6. “Digital Wallet Users to Exceed 5.2 Billion Globally by 2026.” Juniper Research, 2022.
   https://www.juniperresearch.com/press/digital-wallet-users-exceed-5bn-globally-2026

7. “Why Consumers Pay Late,” PayNearMe, 2021.
   https://home.paynearme.com/resources/research/why-consumers-pay-late/

8. “How to Use Data to Hyper-Personalize Payment Experiences.” PayNearMe, 2024.
   https://home.paynearme.com/blog/how-to-use-data-to-hyper-personalize-payment-experiences/