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# Digital Denial: The Hidden Cost of Lending's Communication Gap

David Albertazzi, Ariana-Michele Moore

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# Summary and Key Findings

The lending industry is experiencing a fundamental transformation driven by digital innovation and shifting consumer demographics. In 2023, 64% of consumers applied for loans or credit cards, with digital channels becoming increasingly dominant.[1] This shift is particularly pronounced among younger generations, with Gen Z and millennials not only taking on more loans but also showing distinctly different expectations for their lending experience, shaped by the digital era in which they grew up.

Digital Denial: The Hidden Cost of Lending's Communication Gap, commissioned by Solutions by Text and produced by Datos Insights, examines how text can help lenders adjust to this dynamic industry and increase their market share capture. This white paper is based on findings from a Q3 2024 survey of 1,506 U.S. consumers on lending preference and experience. The following are key takeaways:

- **Text messaging is becoming an operational necessity in lending, particularly for younger generations.** Lenders who fail to adapt risk losing market share, while those who implement comprehensive text strategies position themselves for competitive advantage in an increasingly digital lending landscape.
- **The market data reveals a significant disconnect between consumer preferences and current lending practices.** While 79% of consumers consider mobile loan applications important, and 80% want text communication capabilities with their lenders, 41% of loan applicants receive no text communications during the application process. This gap is particularly concerning given that 49% of Gen Z and Millennial consumers would consider switching providers over a lack of text communication options.
- **Text messaging integration offers substantial operational benefits across the lending life cycle.** Lenders implementing text communications report streamlined application processes, higher completion rates, and improved payment timeliness, with 75% of Gen X and younger consumers confirming that text reminders help them make on-time payments. The cross-selling potential is also significant, with 49% of consumers being open to product recommendations via text. Customer experience metrics strongly support this channel's effectiveness, as 69% of customers receiving texts during

1 Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024.

origination would recommend their lender. This is statistically higher than customers who don't receive texts.

- **Text security and compliance are top of mind for consumers.** Security concerns are paramount, with 74% of consumers worried about personal information protection and 85% concerned about fraud from unrecognized numbers. Regulatory compliance is equally important, with 85% of consumers valuing lenders who understand and adhere to texting protection laws.
- **Lenders should pursue a secure, compliant, comprehensive strategy that prioritizes text integration across the entire lending life cycle.** This should include developing a mobile-first application process and implementing educational initiatives about secure and compliant text-based services.

The data is clear. Consumers want to communicate with financial institutions about loan opportunities, applications, management, and payment via the text channel. Despite their preferences, organizations remain slow to adopt pay-in-text solutions and utilize text for reminders at a lower rate than other communication channels. The time is now to bridge the gap.

# Generation Text: Who Lenders Stand to Lose

Three key trends are fundamentally reshaping the lending landscape, requiring financial institutions to adapt their operational approaches: the rise of digital-only lenders and applications, generational shifts, and the growth of texting as the primary means of communication.

These three trends are shaping a market rich with opportunities for lenders who are poised to capture it. There are new approaches and opportunities for lenders that can drive revenue opportunities and promote positive customer experiences. The biggest opportunity lies in how lenders communicate with their customers. As with any relationship, communication is everything and getting it wrong when it matters isn't an option.

## The Rise of Digital-Only Lenders and Applications

The digital age has made applying for loans easier. Within minutes, consumers can apply for multiple loans or credit cards. In 2023, 64% of consumers applied for either an auto loan, a credit card, or a personal loan. For each loan type, at least a third of applicants submitted multiple applications.

The lender landscape has also changed. Similar to the shift in retail banking, neo-lenders have emerged. Because they are unburdened by legacy platforms, they can offer the latest technological bells and whistles in addition to competitive rates. Their rise is driving consumer behavior. Eighteen percent of loan applicants in 2023 applied with an online or digital-only lender.[2]

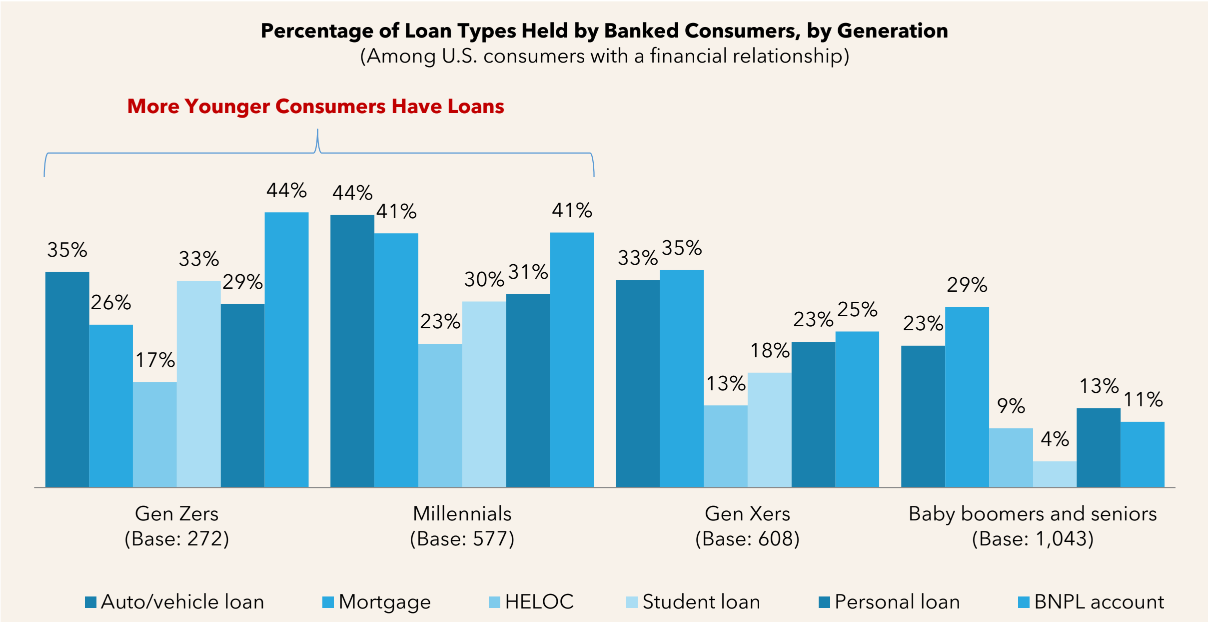
## Generational Shifts

The customer composition of lending's total addressable market is changing. Younger generations hold more loans today than older generations, and they are beginning to take on more debt. The average debt over a two-year period increased the most for Gen Zers and millennials (Figure 1 and Figure 2).

[2] Datos Insights financial behaviors survey of 4,634 North American and U.K. consumers, Q1 2024.

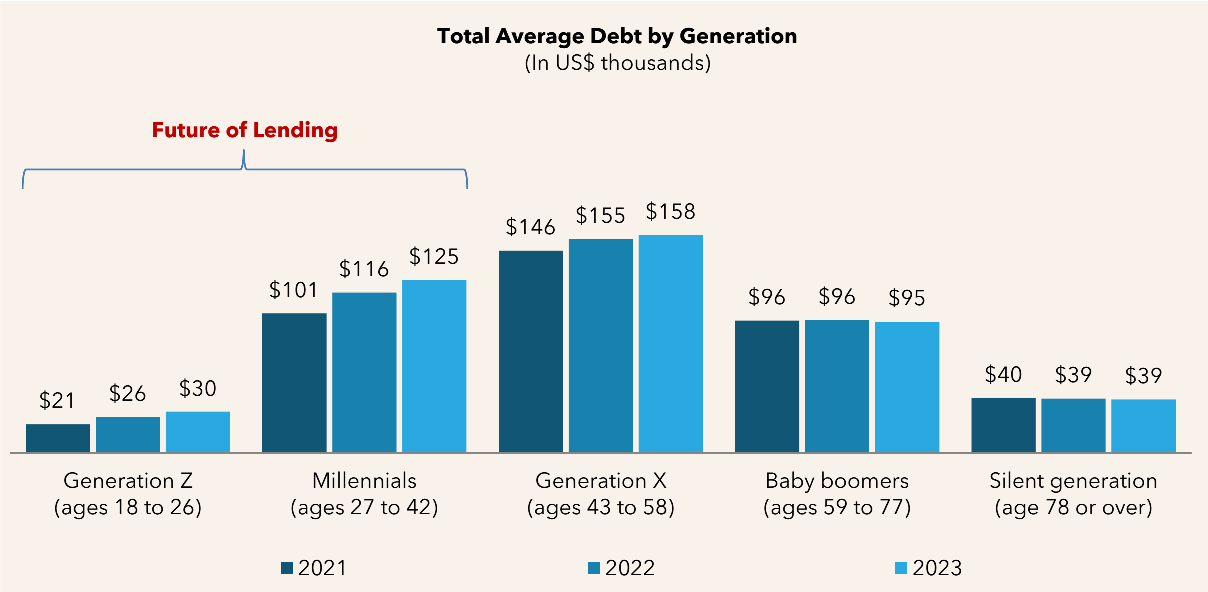
 

## Figure 1: Younger Generations Tend to Hold More Loans Than Older Ones




Source: Datos Insights financial behaviors survey of 4,634 North American and U.K. consumers, Q1 2024

## Figure 2: Average Amount of Debt Varies by Generation




Source: Experian, Q3 of each year; ages as of 2023, www.experian.com/blogs/ask-experian/research/consumer-debt-study/

This generational shift is more significant than most. Because these younger generations came of age during the digital era, they have grown up with a level of service and experience that their parents never knew existed. It's often referred to as the "Amazon effect." These newly minted consumers expect overnight or even same-day delivery of online shopping orders. Fast-food delivery services know their favorite food orders and make suggestions based on them. Apps like Starbucks define the mobile experience. Gen Z-geared services communicate increasingly by text. And their social lives are conducted largely in metaverses and social media platforms such as Snapchat.

These consumers' financial behaviors are meaningfully different from their elders. They expect hyper-personalization and convenience at their fingertips. Lenders must shift their focus from what they have known to what is coming by understanding how these generations function and what they expect from businesses.

## Text As the De Facto Method of Communication

The mass adoption of smartphones is influencing the way in which consumers communicate. The COVID-19 pandemic transformed consumer behavior, forcing many hesitant consumers to embrace the mobile channel. This shift has persisted. Smartphones have recently taken the lead as the most popular channel for consumers to conduct their financial lives. Fifty-eight percent of banked consumers, including 79% of Gen Zers and millennials, use their smartphones weekly to log into their financial accounts.[3] This rise in phone usage has naturally translated into an increased reliance on text as the primary means of communication. Younger generations are even more apt to rely on text messaging for communication.

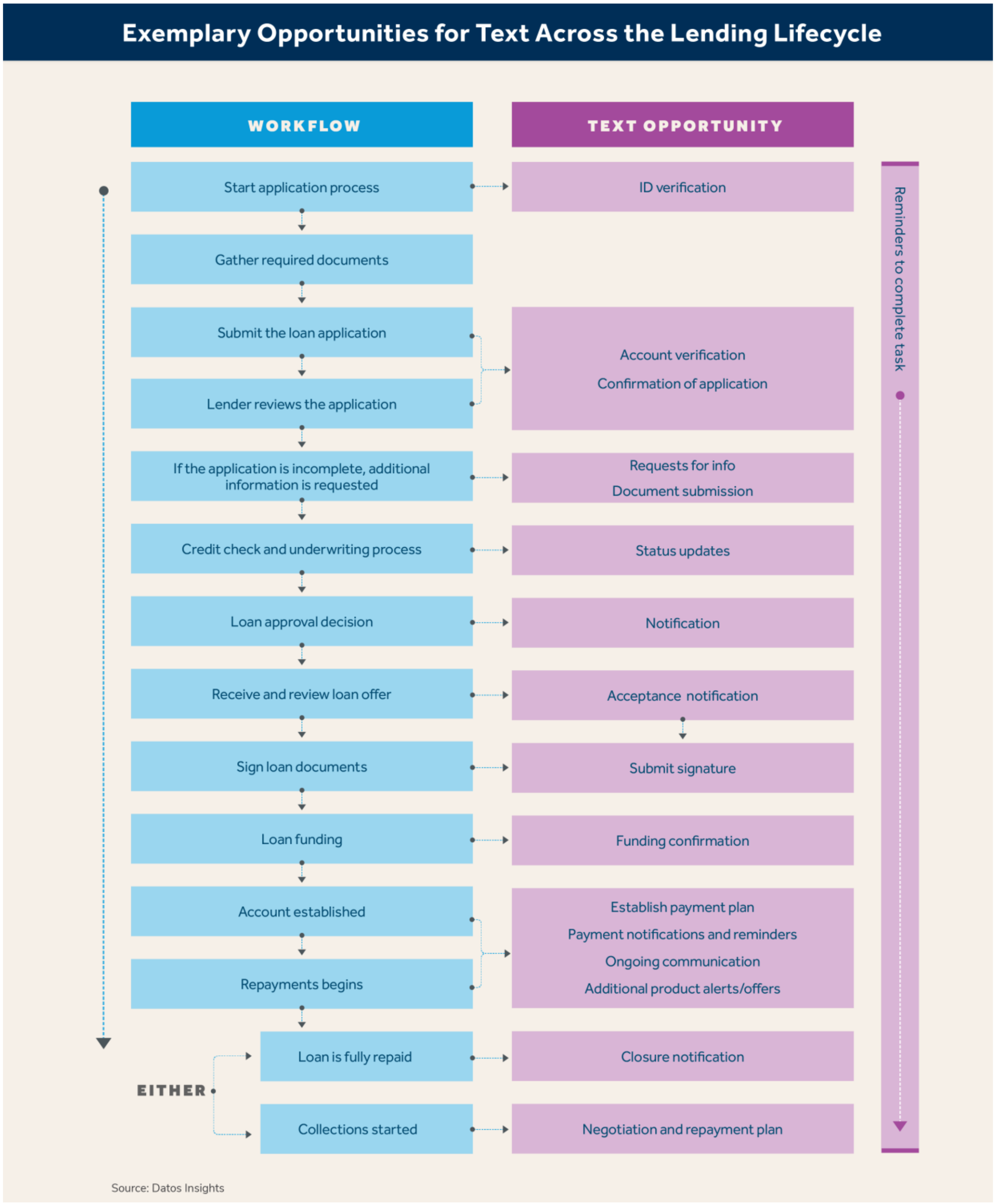
[3] Datos Insights financial behaviors survey of 4,634 North American and U.K. consumers, Q1 2024.

# Text and Lending

Text messaging's immediate accessibility and high engagement rates make it uniquely effective compared to traditional communication channels. Throughout the lending life cycle—from initial inquiry through final payment—text messaging can streamline customer interactions and reduce friction at every touchpoint along the customer journey (Figure 3).

## Figure 3: Exemplary Opportunities for Text Across the Lending Life Cycle



## Benefits of Text

The fact that text is an efficient, low-cost form of communication applicable across the lending life cycle offers many benefits and opportunities for lenders. Incorporating text can result in immediate cost savings simply by effectively capturing consumers' attention.

Some of the ways text can positively impact the lending life cycle follow:

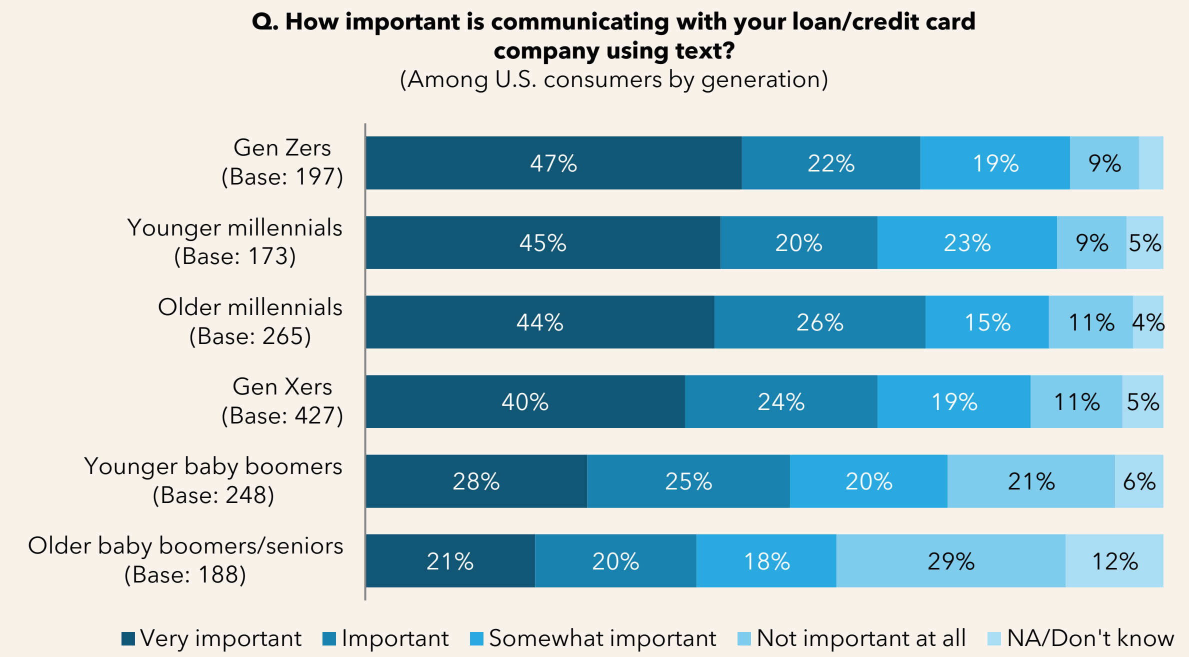
- **Streamlines the application process:** The ease of the application process is important to at least 91% of consumers applying for personal and auto loans; the easier the process, the more likely consumers are to cross the finish line. Text is seen as a more convenient way to receive loan application updates by 66% of Gen X and younger generation consumers.
- **Helps to close the deal:** Text effectively captures the attention of recipients, but getting them to complete the application process is its own challenge. The likelihood of "shopping cart abandonment" and another lender winning the business is high. Almost two-thirds (63%) of consumers believe that receiving text updates on the progress of their loan documents could help them finish the process. This percentage climbs to 74% for Gen Zers and millennials.
- **Facilitates on-time payments:** At least 54% of consumers will forget to pay at least one bill over the course of a year. However, 75% of Gen X and younger generations (67% of all consumers) agree that text reminders help them make payments on time.
- **Facilitates cross-sell opportunities:** Lenders can leverage the attention-grabbing benefit of text to pitch cross-sell opportunities. Almost half ( 49%) of consumers are open to receiving text recommendations or alerts about new loans, credit cards, or products that might be helpful based on past loan or credit history.
- **Higher customer satisfaction rates:** Text positively adds to the customer experience by touching upon many areas important to consumers. As previously mentioned, a frictionless loan application experience is important to consumers, and 94% of applicants say frequent updates on the status of their applications are important. Data show that text positively impacts the customer experience: 69% of consumers who received text during the origination and booking process would recommend their lender. This is a significant increase over consumers who did not receive a text.
- **Today's competitive advantage is tomorrow's table stakes:** Forty-four percent of consumers overall and 60% of Gen Zers and millennials are more likely to select a

financial service provider if they offer communication via text messaging. Right now, text is a competitive advantage, but as companies embrace it, text will become a necessity to retain market share.

## The Demand for Text

Customers increasingly prefer the use of smartphones and text messaging over other channels and methods of communication. Approximately 79% of consumers think it's important to complete the entire loan application process using a mobile device. This number increases to 89% when only Gen Zers and millennials are considered. Similarly, 80% believe it's important to be able to communicate with loan/credit card companies during the application process using text. This number increases to 88% for Gen Zers. (Figure 4).

**Figure 4: The Importance of Using Text During the Application Process**




Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

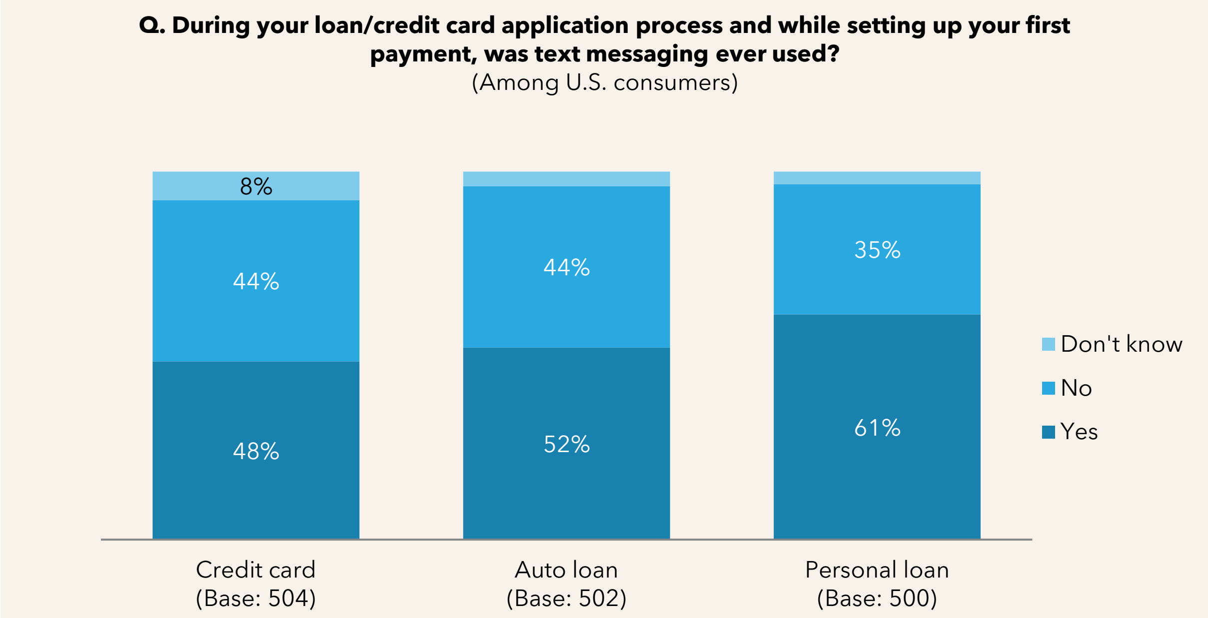
This preference is so strong that it will quickly become a basic operational requirement for lenders. A third of consumers overall and nearly half (49%) of Gen Zers and millennials said they would be willing to leave their financial services provider if they didn't offer the option to resolve a question over text.

# Lenders Are Missing the Mark by Failing to Deliver

Despite the many benefits of text and consumer preference for it, lenders aren't delivering it. Across credit card, auto loan, and personal applications, 41% of consumers report never receiving a text of any kind during the loan application process (Figure 5).

### Figure 5: The Use of Text During Origination Across Loan Types

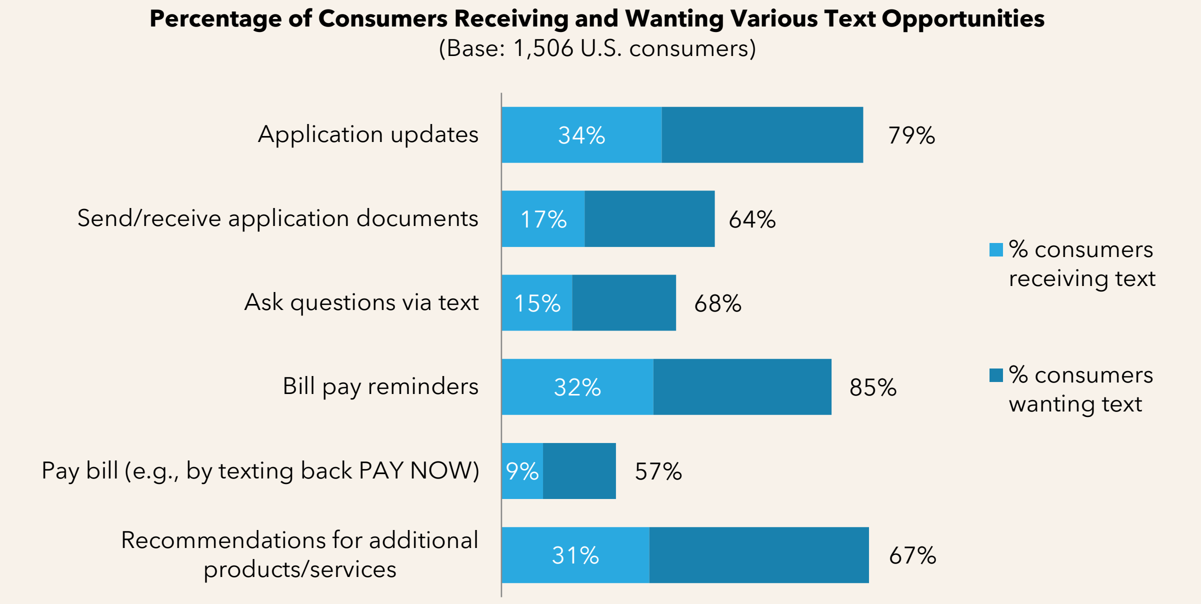



Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

A cross-check between the beneficial areas in which consumers want text and what lenders deliver reveals many gaps. Receiving application status updates is perhaps the most substantial omission, given the correlation between updates and closing the sale. Almost 80% of consumers want application updates via text, yet only 34% received them (Figure 6).

### Figure 6: Lenders Are Missing the Mark and Leaving Money on the Table



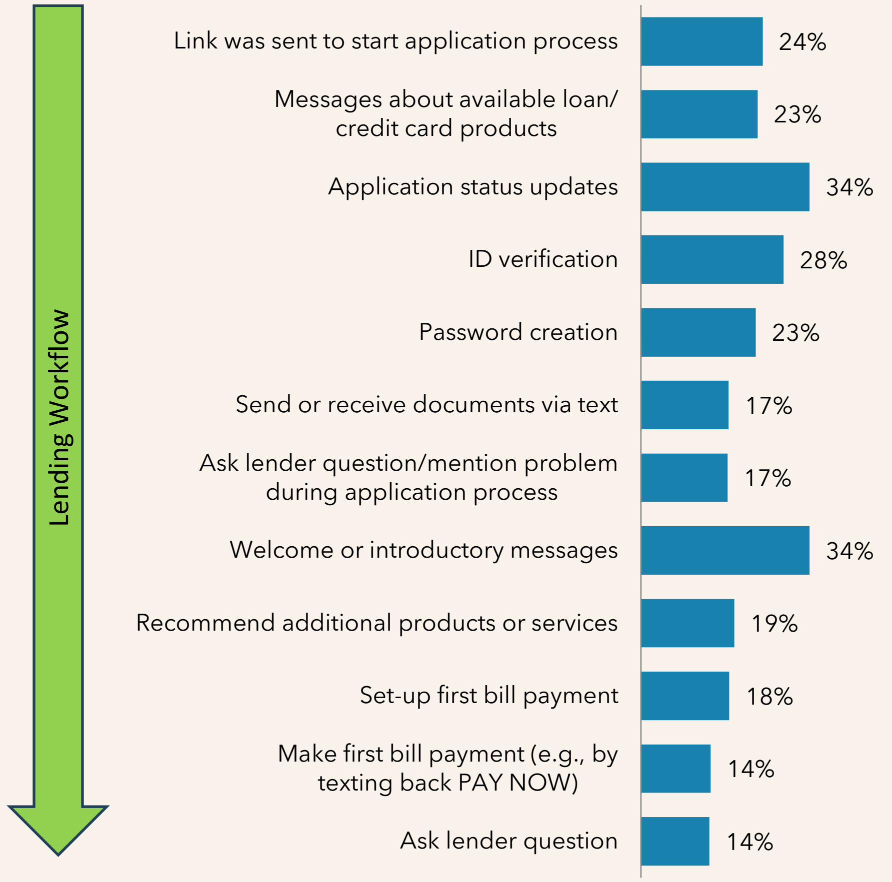

Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

Less than half (48%) of consumers were presented with a text message during the origination and booking process for their loan. The top three categories of texts loan applicants received during the application process were related to welcome or introductory messages, status updates, or identity verification. However, the use of text was inconsistent across experiences (Figure 7).

## Figure 7: Reasons for Text Communication During Origination and Booking

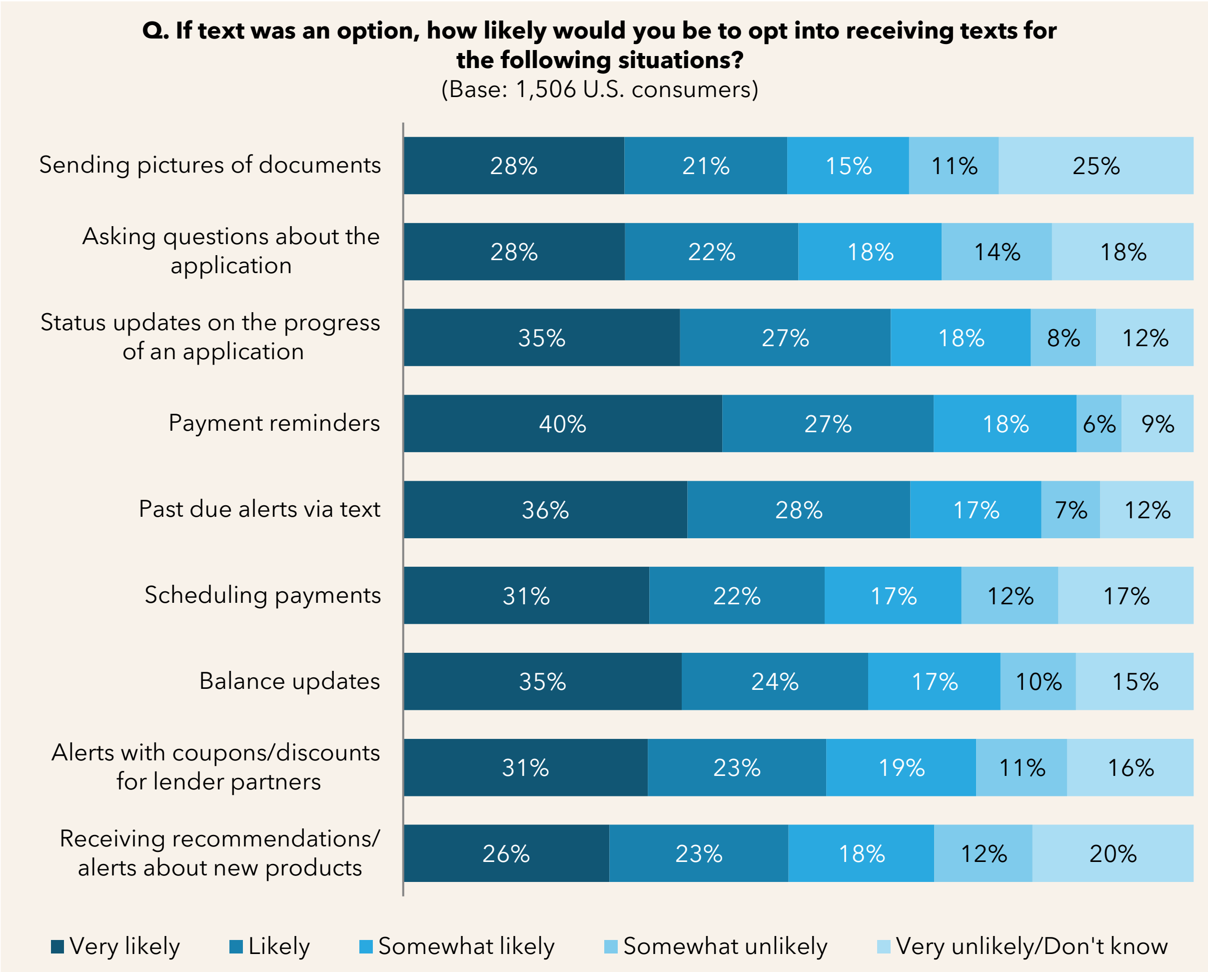
**Reasons Text Messaging Was Used During Loan/Credit Card Origination and Booking**
(Base: 812 U.S. consumers that used text messaging during account origination and booking)




Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

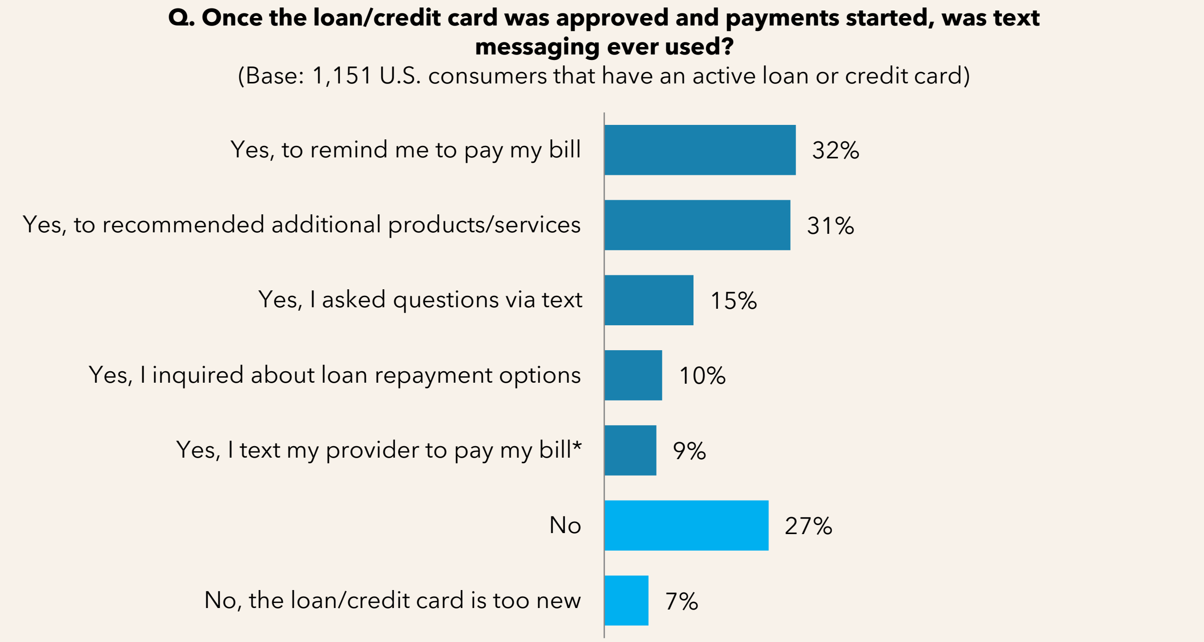
Once the loan is booked, lender use of text messaging is more common. Seventy percent of consumers with a new active loan or credit card interacted with their lender using text messaging. However, the use cases vary substantially. Despite strong consumer interest in payment reminders (85%), only 32% received them. And while 67% of consumers are open to text product recommendations, only 31% got them (Figures 8 and 9).

## Figure 8: Consumers' Openness to Using Text




Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

### Figure 9: How Text Was Used After Origination and Booking




*For example, by texting back PAY NOW
Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

Consumers are open to many cases of use for text that can save lenders money and streamline the lending process. The fruit is ripe for the picking; lenders need to take it.

# Formulating an Action Plan

The data shows that consumers want lenders who can provide a fully mobile experience utilizing text. The data also reveals that consumers do not blindly embrace text but rather approach it with cautious optimism. For this reason, lenders must consider several crucial elements as they formulate an action plan and select solution providers.

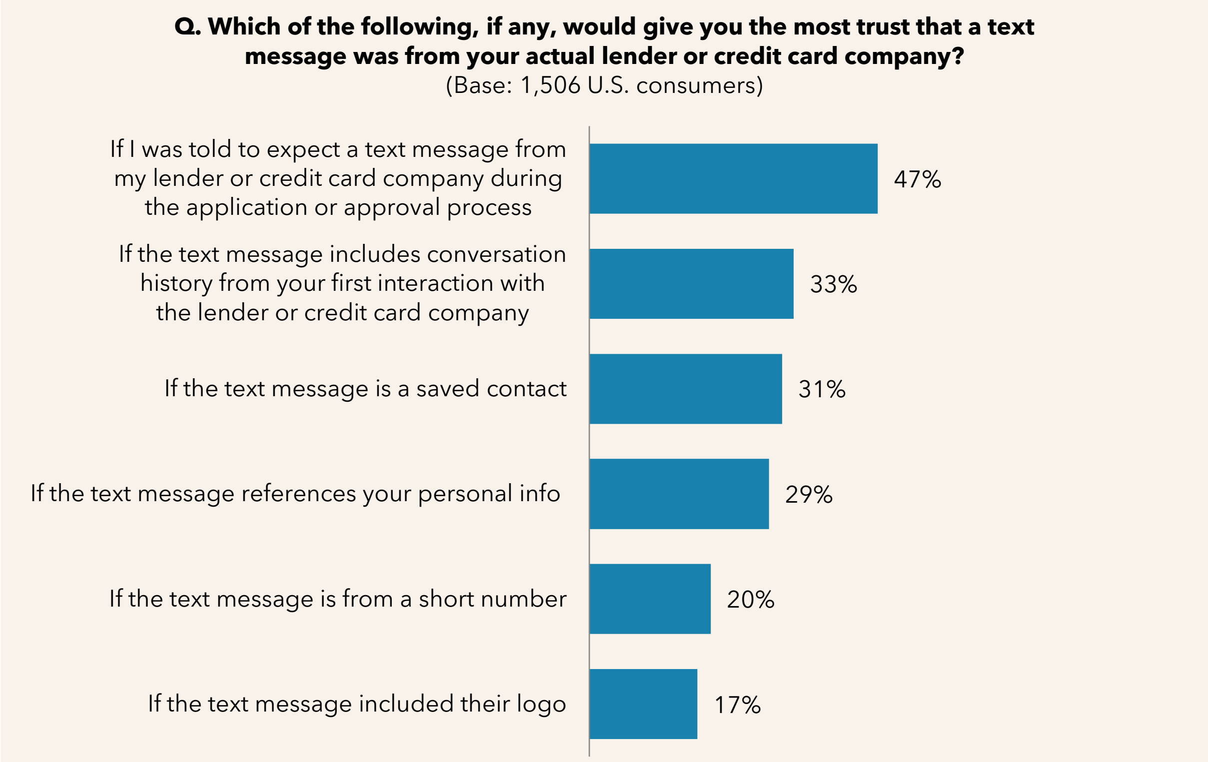
## Protect Consumer Data

Across all generations, 74% of consumers expressed concern about private personal information not being secure via text. Nearly all consumers (98%), regardless of age, believe it is important to have confidence in the security of relaying personal information to the loan/credit card company via text, including document transmission. Lenders need to continue educating consumers on how their info is being protected.

## Work With Trusted and Secure Vendors

Overall, 85% of consumers, regardless of age, expressed concern about potential fraud via text messages from unrecognized numbers. Among those wary of using text, more than three-quarters of them question the source of the text and whether it is legitimate or worry about the security of their personal information. The right partner can help lenders allay these concerns. For example, when texts come from a recognizable short code or include a lender's logo, trust increases. Lenders need to work with a provider that understands consumers' reservations to build the trust needed for text to thrive.

**Figure 10: Steps that Can Build Consumer Confidence in Text Messaging**




Source: Datos Insights Survey of 1,506 U.S. consumers on lending preference and experience, Q3 2024

## Consider Compliance

Working with a lender or credit card company that understands consumer protection laws around texting is important to 85% of consumers. There are many nuances when it comes to texting, and care must be given to not only comply with applicable laws but also to ensure that consumers are not given a reason to opt out.

## Educate

Consumers like using text messages for communication, applications, and reminders, but they are hesitant to use it as a payment method. Data shows that consumers who use texts beyond application and payment set-up see an improvement in satisfaction levels and are more likely to recommend their loan provider. This means that those who use it like it. Lenders need to educate consumers who are wary of text to increase adoption rates.

# Conclusion

This transformation in lending communication represents not just a technological shift but a fundamental change in how financial services engage with consumers. Success in this new environment will belong to institutions that can effectively bridge the gap between traditional lending practices and the digital-first expectations of modern consumers.

The data presents a clear picture: text messaging is not merely a convenience but a competitive necessity in modern lending. The disparity between consumer expectations and current industry practices is striking. While 80% of consumers want text communication capabilities with their lenders, 41% of loan applicants receive no text communications during their application process. This gap represents both a challenge and an opportunity for lenders willing to evolve.

The generational shift in lending behaviors cannot be ignored. Younger borrowers, particularly Gen Z and millennials, are not only taking on more loans but are bringing fundamentally different expectations to the lending relationship. Shaped by digital-first experiences in other aspects of their lives, these consumers expect the same level of immediacy and convenience in their financial interactions. The fact that 49% of Gen Z and millennial consumers would consider switching providers over text communication capabilities underscores the urgency of adaptation.

However, successful implementation of text messaging strategies requires more than just technological integration. Consumer trust is paramount—74% of consumers express concern about information security and 85% worry about fraud from unrecognized numbers. Lenders must balance convenience with security and compliance with action, ensuring that their text messaging solutions include robust security measures, clear authentication processes, and compliance with consumer protection laws.

The benefits of getting this right are compelling. Lenders who successfully implement text messaging see improved application completion rates, better on-time payments, and higher customer satisfaction levels. The 69% recommendation rate from customers who received texts during origination speaks to the positive impact on customer experience. Furthermore, the potential for cross-selling through this channel (with 49% of consumers open to text product recommendations) presents significant revenue opportunities.

Looking ahead, lenders face a clear choice: Embrace comprehensive text messaging strategies or risk losing market relevance. Success will require a holistic approach that addresses security concerns, maintains regulatory compliance, and delivers the seamless digital experience modern consumers expect. Those who can effectively bridge this digital divide will not only retain their current customer base but position themselves to capture an increasing share of the evolving lending market.

# Methodology

During Q3 2024, Datos Insights conducted an online survey of 1,506 U.S.-based consumers that have applied for a personal loan, auto loan or credit card during the last 12 months. Solutions by Text commissioned this study to identify best practices for lenders that will improve the chances of their loan being a success. The sample was click-balanced to the U.S. population for age, gender, income, geographic region, and race to ensure an accurate market profile of consumer authentication measures.

The data have a margin of error of 2.5 points at the 95% level of confidence. Statistical significance tests when comparing consumer segments were conducted at the 95% level of confidence.

# About Solutions by Text

Solutions by Text is the pioneer of FinText, empowering enterprise financial services companies to compliantly engage, interact and transact with their consumers in real time. Some of the nation's largest consumer finance organizations rely on Solutions by Text's robust compliance platform to mitigate legal and reputational risk while driving messaging and payments performance throughout the consumer life cycle—from marketing and loan origination to servicing, collections and bill payment. Solutions by Text has been recognized as a Built In Best Place to Work and an Inc. 5000 Fastest Growing Company.

For more information about Solutions by Text, please visit solutionsbytext.com and follow on LinkedIn.

# About Datos Insights

Datos Insights is an advisory firm providing mission-critical insights on technology, regulations, strategy, and operations to hundreds of banks, insurers, payments providers, and investment firms—as well as the technology and service providers that support them. Comprising former senior technology, strategy, and operations executives as well as experienced researchers and consultants, our experts provide actionable advice to our client base, leveraging deep insights developed via our extensive network of clients and other industry contacts.

## Contact

**Research, consulting, and events:**

sales@datos-insights.com

**Press inquiries:**

pr@datos-insights.com

**All other inquiries:**

info@datos-insights.com

**Global headquarters:**

6 Liberty Square #2779
Boston, MA 02109

www.datos-insights.com

## Author information

David Albertazzi

dalbertazzi@datos-insights.com

Ariana-Michele Moore

amoore@datos-insights.com