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Four Things to Know About Millennials and Lending



Millennials contribute \$1.3 trillion to annual consumer spending and they are expected to continue boosting consumer spending for years to come.¹ In a head-to-head comparison of different age segments, Millennials show the greatest demand potential for loan products in the U.S. Mortgages, automotive and credit cards are among the top three loan products in demand.² Understanding the current borrowing needs and behaviors of this segment is essential to financial institutions that want to build long-term relationships with Millennials.

For Millennials, there's no place like home

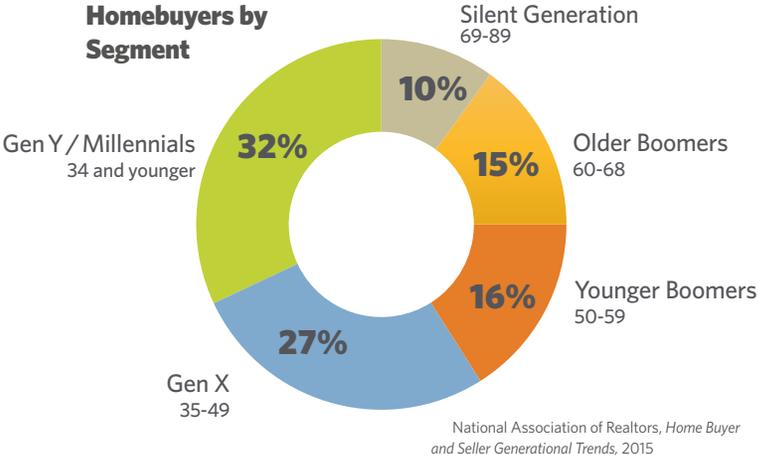
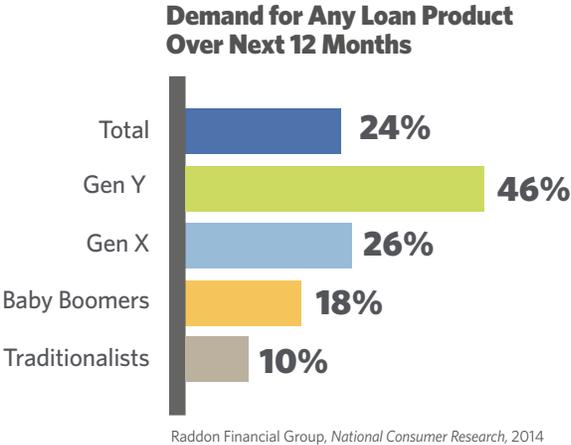
While recent economic upheavals drove some Millennials to Mom and Dad's place, many seek a home of their own. Thirty-two percent of Millennial consumers — more than any other segment — are homebuyers. They are also the largest group of first-time homebuyers, at 68 percent.

With Millennials coming of age during and after the Great Recession, it's perhaps no surprise that those who buy homes

will require assistance from lenders. Ninety-seven percent of Millennials who bought homes financed the purchase with a mortgage. With typical down payments of only seven percent, their mortgages are larger than that of other segments.³

Millennials who don't yet own a home hope they won't have to wait too long. Seventy percent would like to purchase their first home in just five years.⁴

70% of Millennials would like to purchase their first home in five years.⁴



¹ Boston Consulting, *How Millennials Are Changing the Face of Marketing Forever: The Reciprocity Principle*, January 15, 2014
² Raddon Financial Group, *National Consumer Research*, Fall 2014
³ National Association of Realtors, *Home Buyer and Seller Generational Trends*, 2015
⁴ Digital Risk, *Housing Survey*, 2015

Millennials are throttling up automotive lending

Millennials are beginning careers, marrying and starting families — all of which usually drive automotive needs. They now represent more than a quarter of new vehicle sales compared with 14 percent five years ago, making them the fastest growing consumer segment in auto sales.⁵

What's the outlook for financial institutions in automotive lending to this group? Good — and maybe getting better. Auto loans represent 14 percent of Millennials' recently opened accounts.⁶ Approximately 61 percent of Millennials who don't currently own expect to buy (or lease) a vehicle within the next three years. Almost 23 percent expect to do so even sooner — within the next 12 months.⁷

60% of 16-34 year olds and **35%** of 35+ Millennials prefer to **apply for an auto loan online** vs. through a dealership.⁸

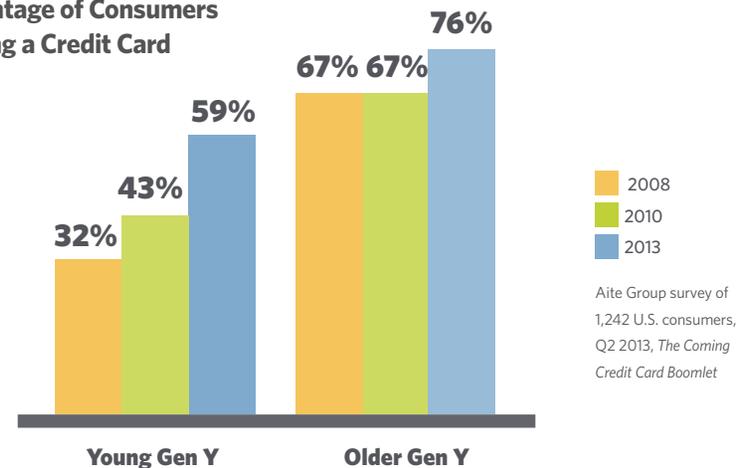


Millennials lead the “cashless movement”

With the surge in payment options, many have migrated away from cash. And Millennials are leading the “cashless movement.” Only about 23 percent of them carry cash, and the amount they carry is less than \$5 in a whole week.⁹ This suggests that they likely use plastic for most of their purchases.¹⁰

The Credit Card Act of 2009 set strict limitations on card ownership among younger consumers. But since 2008, the percentage of Millennials owning credit cards has trended upward.

Percentage of Consumers Holding a Credit Card



⁵ JD Power and Associates, Automotive Survey, 2014

⁶ CUNA.org, *Card Debt Increases, Millennials Still Wary*: Equifax, Experian, August 3, 2015

⁷ Deloitte LLP, *Dude, Here's My Car: Gen Y Shows Interest In Vehicle Ownership*, January 16

⁸ Automotive News, *Gen Y Prefers Online Auto Loans, Survey Says*, August 28, 2013

⁹ Independent Community Bankers of America, *Millennials and Community Banking Study*, 2014

¹⁰ Money.com, *The Spending Mistake That Millennials Are Making*, August 27, 2014

Millennials, however, are not opening credit card accounts with the frequency of other segments — e.g., Gen X, at 46 percent. Credit cards represent 27 percent of Millennials' recently opened accounts.¹¹

Credit cards are a financial tool for Millennials. Those who have them use them a lot, with 43 percent utilization rates — much higher than other segments.¹² Credit cards enable Millennials to cover emergencies and meet basic cash flow needs. They also help them to establish credit histories. Millennials also like the rewards and technology — like mobile apps, automated payment alerts and online statements — that come with credit cards.¹³

Millennials are a complex consumer group

Millennials are a vast and very diverse consumer group. Differences are reflected in their ages, ethnicities, interests and incomes, to name a few factors. One thing they have in common: Millennials are fast becoming the most educated generation in American history. One-third have earned at least a bachelor's degree.¹⁴

While college-educated Millennials can be found at every income level, they tend to have higher household incomes than the general population.¹⁵ Education and income, as expected, are likely to play important roles in Millennials' financial decision making.

An important consideration in marketing to Millennials is life stages. While the youngest of the group are just completing high school and setting off for college, the older members are well into careers and growing their families. Clearly, their financial needs will vary.

Financial services marketers who want to acquire Millennial consumers with the most potential for profit must ask some key questions:

- Which financial products are most likely to appeal to Millennial consumers at particular life stages?
- Can they afford these products?
- How do I get them interested and engaged?

Based on Nielsen's P\$YCLE segmentation research, we have identified **10 consumer segments** that may offer financial institutions opportunities for growth.



¹¹ CUNA.org, *Card Debt Increases, Millennials Still Wary*; Equifax, Experian, August 3, 2015

¹² Experian, *Snapshot of Credit Characteristics by Generations*, July 2015

¹³ Equifax, *Straight Talk from the Next Generation of Credit Card Customers*, 2014

¹⁴ TIAA CREF Institute, *College-Educated Millennials: An Overview of Their Personal Finances*, February 2014

¹⁵ Ibid.

Segment	Fiscal Rookies	Loan Rangers	Up & Comers	Online Living	Young Digerati	New Nests	Rural Roots	White Picket Fences	New Homesteaders	Kids & Cul-de-sacs
Interests	<ul style="list-style-type: none"> Exercising (sports) Music Fitness reading 	<ul style="list-style-type: none"> Reading Music Instant Messaging 	<ul style="list-style-type: none"> Athletics Technology Nightlife South American travel 	<ul style="list-style-type: none"> Fitness Music Travel Online retail shopping 	<ul style="list-style-type: none"> Upscale shopping Asian travel 	<ul style="list-style-type: none"> Home-centered activities Parenting Country & Rock Music eBay shopping 	<ul style="list-style-type: none"> Parenting Fast food outings Home-centered activities 	<ul style="list-style-type: none"> Parenting Ice hockey games 	<ul style="list-style-type: none"> Parenting Cars Recreational vehicles Playstation 	<ul style="list-style-type: none"> Child-centered products/services Fantasy sports Watching X games
Income	\$61,673	\$56,146	\$54,846	\$76,499	\$95,580	\$45,081	\$46,451	\$55,645	\$61,156	\$74,704
Income Producing	Below Average	Low	Moderate	Moderate	Elite	Low	Low	Above Average	Above Average	Above Average
Assets (IPA)										
Home Ownership	Mostly owners	Renters	Mix, renters	Mix, owners	Mix, renters	Homeowners	Homeowners	Mostly owners	Mostly owners	Mostly owners
Education	College Graduate	College Graduate	College Graduate	Graduate Plus	Graduate Plus	College Graduate	College Graduate	College Graduate	College Graduate	College Graduate
Employment	Professional	Professional	Professional	Management	Management	White Collar, Service, Mix	White Color, Mix	White Collar, Service, Mix	White Collar, Service, Mix	Professional
Financial Goals	<ul style="list-style-type: none"> Paying off student, auto loan and mortgage debt 	<ul style="list-style-type: none"> Paying off student loan debt Purchasing auto, rental and life insurance Accessing/building credit Purchasing homes 	<ul style="list-style-type: none"> Auto purchases Home purchases Establishing credit 	<ul style="list-style-type: none"> Paying off student and personal loan debt Online stock trading 	<ul style="list-style-type: none"> Auto purchases Home purchases 	<ul style="list-style-type: none"> First-time home purchases First-time auto purchase Installment credit for home furnishings Purchasing term or whole life insurance 	<ul style="list-style-type: none"> Establishing savings Home purchases Auto purchases Auto insurance purchases 	<ul style="list-style-type: none"> Purchasing recreational vehicles Home improvements 		



Nielsen PSYCLE Segmentation System/Harland Clarke Marketing Services, 2015



As lending prospects, Millennials pose a unique challenge to the financial institutions seeking to attract and serve them. However, this generation is leading loan product demand, and it is critical for financial institutions to tap into this growing demand. By understanding the experiences and life stages of this group, financial institutions can tailor their programs to market to and serve this generation.

Our strategic, data-driven marketing programs are designed specifically for financial institutions.

To learn more about marketing to Millennials, call **1.800.351.3843**, email contactHC@harlandclarke.com or visit harlandclarke.com/MarketingServices.