

THE ECONOMIC IMPACT OF PERSONAL LENDING BY FINANCE COMPANIES

A REPORT FOR AFSA

JULY 2025

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July 2025

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The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

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NOTE ON TERMINOLOGY

Precisely defining the scope of personal lending and the types of businesses providing personal loans is challenging. Similar terms are employed colloquially and by various academic and commercial sources and terms are sometimes used interchangeably. Since this report is based largely on loan data reported to Equifax, we rely on industry lender code classifications reported to Equifax as a starting point. Where necessary for clarification, we provide explanations of other terms in the text.

This report focuses on the economic impact attributable to the provision of personal loans by non-depository finance companies: personal loan companies (which provide cash directly to the borrower) and sales financing companies (which fund consumer purchases of non-automotive retail goods by acquiring a sales contract from a retailer). For simplicity, these entities are hereafter referred to as “finance companies.”

A large majority of personal loans are made by finance companies or by depository institutions such as banks and credit unions. Many companies provide both personal loans and sales financing, as well as other types of products, complicating definitional distinctions. A minority of personal loans (approximately 11% by dollar value in 2023) were reported to Equifax under industry codes classified for the purposes of this study as “miscellaneous” and “other.”

Although personal loans can be used to fund vehicle repair and maintenance expenses, they are distinct from auto financing that is used for the initial purchase of a new or used vehicle at a dealership.

EXECUTIVE SUMMARY

PERSONAL LOANS: A VALUABLE TOOL FOR U.S. HOUSEHOLDS

Personal loans are an important component of the American economy. Although depository institutions, such as banks and credit unions, comprise the largest share of personal loan originations measured by dollar value, non-depository finance companies provide a larger absolute number of loans. This is because finance companies make much smaller loans on average.

Indeed, finance companies fill a critical gap in the financial intermediation landscape by providing the majority, both in absolute numbers and in dollar value, of smaller loans (e.g.: loans below \$5,000)¹ and loans to subprime borrowers. They are also the primary lenders to low-income borrowers, offering more loans to this group than other types of financial institutions.



We estimate finance companies provided 12.5 million personal loans with a total value of \$62 billion to American households in 2023—45% and 30%, respectively, of total personal lending.

The dollar value of finance company personal lending increased 14% in dollar value from pre-Covid-19 2019 levels.²

THE ECONOMIC IMPACT OF PERSONAL LENDING BY FINANCE COMPANIES

Using data provided by the American Financial Services Association (AFSA) and aggregated origination volume reports derived from Equifax's Analytic Dataset³, Oxford Economics estimated the economic impact of the provision of these 12.5 million personal loans in 2023.

¹ This includes traditional installment loans (TILs), which are a type of small-dollar personal loan offered by finance companies. TILs are not separately identifiable in credit bureau data but are generally understood to have several common characteristics. They have a fixed interest rate and fixed term, providing consumers with upfront visibility on the total cost of the loan. These loans are used by millions of consumers who might not have access to credit cards or other forms of credit, who may prefer the straightforwardness of a closed-end loan, or who may simply prefer to have the opportunity to visit a branch location in person. They are underwritten based on the borrower's likelihood to repay and, because they are reported to credit bureaus, they also allow consumers to build credit.

² According to estimates derived from the Equifax Analytic Dataset, approximately \$206 billion in personal loans were originated by all types of lenders in 2023 (an increase of 9.4% from pre-Covid-19 2019 levels).

³ The Equifax Analytic Dataset tracks the balances, characteristics, and performance of all major credit accounts/loans of an anonymous, unbiased, random 10% sample of the U.S. credit-active population in the Equifax core credit file database dating back to 2005.

In total, we estimate that the economic footprint associated with personal lending by finance companies contributed \$20.4 billion to U.S. GDP in 2023. This impact includes \$7.8 billion directly, \$4.3 billion of impact through spending along the supply chain, and \$8.3 billion in impact through wage spending effects.

In terms of employment, we estimate **personal lending by finance companies supported 159,000 jobs in the U.S.:** 56,000 jobs directly employed, a further 33,000 jobs supported by their spending with their suppliers, and 70,000 supported by wage spending effects.

Finally, we estimate that personal lending by **finance companies supported a total of \$4.9 billion in tax revenue to the U.S. government in 2023.** More than two-thirds (68%) of this was in the form of federal tax revenue, and the remaining 32% was state and local government tax revenue.

STATE LEVEL IMPACTS FROM PERSONAL LENDING BY FINANCE COMPANIES

At the state level, finance companies' personal loan operations had the largest economic impacts in the states of Texas and California, contributing \$2.9 billion and \$2.5 billion to their respective economies. In a total of 12 states the total economic contribution to GDP was more than \$500 million each.



1. INTRODUCTION

Founded in 1916, the American Financial Services Association (AFSA) is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA provides the consumer credit industry and the customers it serves with a voice in Washington, D.C. and across the country. AFSA members provide consumers with many kinds of credit, including traditional installment loans, direct and indirect vehicle financing, mortgages, payment cards, and retail-sales financing. AFSA members do not offer payday or vehicle title loans.⁴

AFSA commissioned Oxford Economics to estimate the economic contribution of finance companies to the U.S. economy, related to their activity of offering personal loans. Many of these companies are AFSA members, but the scope of this report is not limited to AFSA members. This report focuses on the impacts of personal loans provided by AFSA and non-AFSA member finance companies⁵ in the United States,⁶ which are reported to major credit bureaus.

1.1 THE ECONOMIC IMPACT OF PERSONAL LENDING BY FINANCE COMPANIES

Standard economic metrics, such as the contribution to GDP and employment supported by finance companies' personal lending operations, underpin this research. Our core evaluation starts with an economic-impact analysis that measures both the direct impact of the institutions and the "ripple effects" on jobs, income, GDP, and taxes across the United States. The methodology is described in greater detail in Section 3.1 and in the Appendix.

We note, however, that such an analysis does not capture the full value that the personal loan companies provide. While we do not attempt to quantify these additional benefits, it is worth outlining them here.

The benefits to borrowers. Personal loans provided by finance companies are an important option for consumers to access funds. Many of these loans require no collateral, allowing flexible and rapid access to funds during emergency periods. In economist parlance, they allow for "consumption smoothing" allowing consumers to manage their spending and savings, maintain a consistent standard of living, and weather fluctuations in cash-flow and economic downturns.

Traditional installment loans (TILs) are a type of personal loan offered by finance companies.⁷ TILs are fixed rate and fixed term, providing consumers with visibility on the total cost of the loan. These loans are used by millions of consumers who might not have access to credit cards or other forms of credit, who may prefer the straightforwardness of a closed-end loan, or who may simply prefer to have the

⁴ AFSA, "[About AFSA](#)".

⁵ This includes personal loan companies, which provide cash directly to the borrower, and sales financing companies, which fund consumer purchases of retail goods by acquiring a sales contract from a retailer.

⁶ This excludes U.S. territories.

⁷ AFSA members provide traditional instalment loans in more than 40 states, across more than 6,000 branch offices, and directly employ more than 25,000 people based on a member survey conducted in 2023 shared with Oxford Economics.

opportunity to visit a branch location in person. They are underwritten based on the borrower's likelihood to repay and, because they are reported to credit bureaus, they also allow consumers to build credit.

The benefits to the wider economy. Personal loans play a crucial role in helping businesses sell such "big-ticket" items as large appliances and vehicles, which also supports economy activity and creates jobs. Especially in times of economic uncertainty such loans enable consumers to manage larger expenses without delay, allowing individuals of all income levels to acquire products when they are needed.

Personal lending is critical in facilitating consumer spending, which, at 68%, is the largest component of GDP. Fluctuations in spending are thus closely linked to overall economic activity. Reliable lending is therefore an important component of economic activity. Personal loan companies can help consumers smooth their spending over the economic cycle. However, any lending also comes with risks, such as unsustainable debt burdens and higher rates of delinquency.

The rest of the report proceeds as follows:

- Chapter 2 presents an overall introduction to the importance of personal loans in the broader economy, focusing on the role of finance companies.
- Chapter 3 examines the economic impact of the personal lending operations of finance companies in the United States.
- The appendix provides details on the methodology.

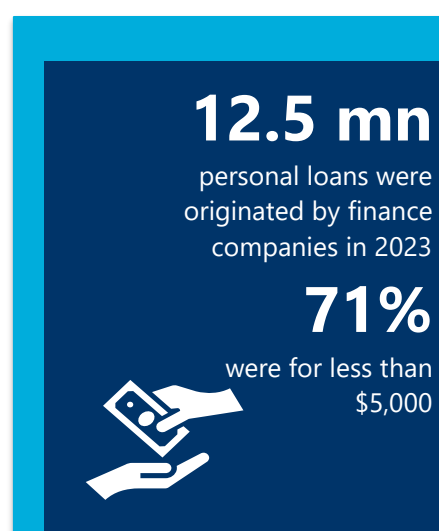
2. PERSONAL LOANS: FILLING AN IMPORTANT GAP FOR AMERICAN HOUSEHOLDS

Personal loans are an important financial product for millions of households in the United States. Finance companies play a critical role in the supply of personal loans since they disproportionately serve lower income consumers and those with poor credit records. They also provide smaller loans on average than depository institutions such as banks and credit unions. Drawing on our estimates from data derived from the Equifax Analytic Dataset, this section illustrates the important role of these loans.

2.1 PERSONAL LOANS IN THE U.S. ECONOMY

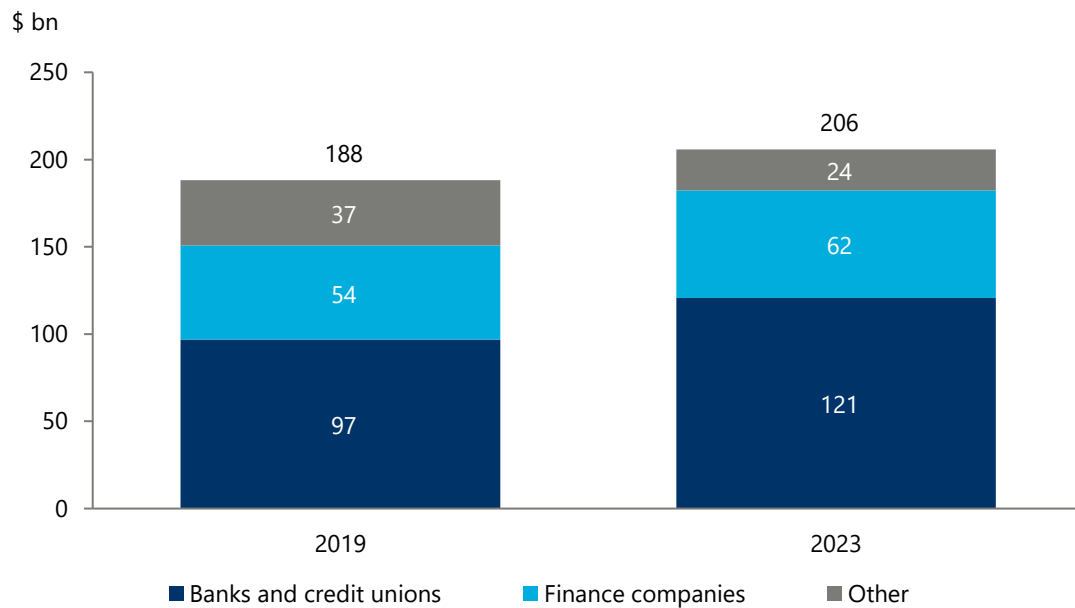
Although the dollar value of personal lending from banks and credit unions exceeded that of finance companies in 2023, finance companies issued a larger number of loans. Finance companies made 12.5 million loans, while banks and credit unions made 10.7 million loans.⁸ That is, finance companies were responsible for smaller loans than banks and credit unions (see Figure 2), suggesting that the types of customers and their borrowing needs, and even the organizational priorities of lending institutions differ widely across depository institutions, finance companies, and other types of lenders.

In 2023, 71% of personal loans issued by finance companies were for amounts less than \$5,000. In contrast, only 52% of personal loans originated by banks and credit unions were for amounts less than \$5,000. The average size of a personal loan made by a finance company was \$4,900, compared to \$11,200 for banks and credit unions.



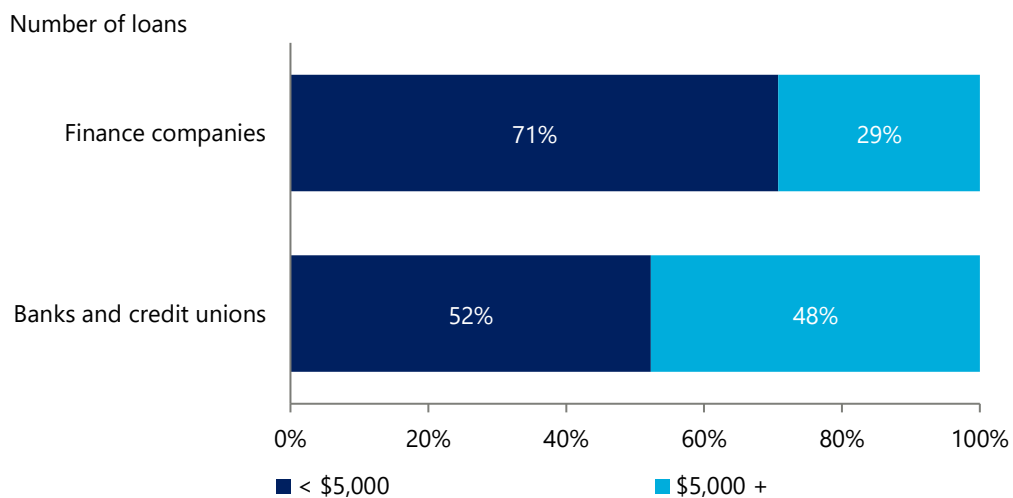
⁸ \$206 billion in personal loans were originated by all lenders in 2023 (an increase of 9.4% from 2019 levels). Depository institutions (banks and credit unions) accounted for 59% of originations by dollar value, followed by finance companies with 30% of originations. A minority of personal loans (12% of originations) are made by lenders reporting industry type codes that are neither depository institutions nor finance companies.

Fig 1. Total personal loan amounts by lender type, 2019 and 2023.



Source: Oxford Economics estimates from data obtained from Equifax Analytic Dataset
Totals may not sum due to rounding

Fig 2. Composition of total number of loans by lending institution and loan size, 2023.



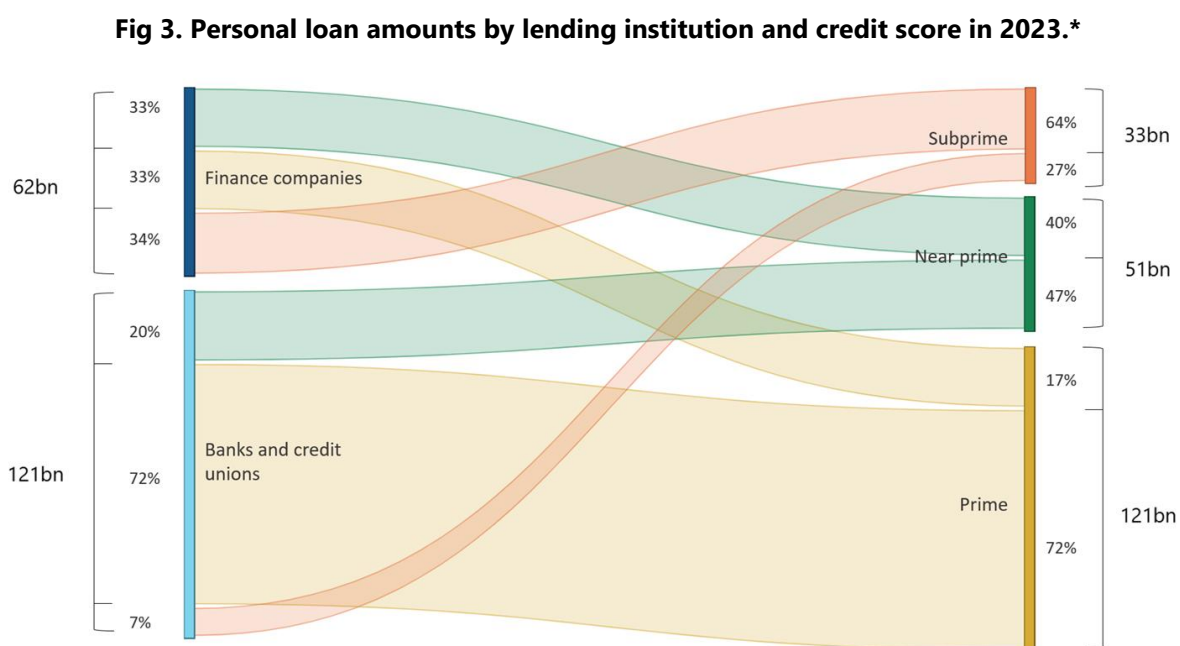
Source: Oxford Economics estimates from data obtained from Equifax Analytic Dataset

2.2 SERVING FINANCIALLY VULNERABLE HOUSEHOLDS

Personal loans are an important source of funds for borrowers facing financial stress. 41% of all personal loans by dollar value made in 2023 were made to nonprime customers, while 16% were made to subprime customers.⁹

However, it is finance companies that disproportionately serve the nonprime community. Two-thirds of the dollar value of personal loans issued by finance companies were made to nonprime borrowers, while one-third were made to subprime borrowers. Meanwhile, subprime customers received a large majority of their personal loans—64%—from finance companies. This amounted to \$21 billion in loan proceeds in 2023. Only 7% of bank and credit union personal loans went to subprime borrowers, accounting for 27% of subprime funding (see Figure 3).

Finance companies also serve millions of lower income borrowers. For example, in 2023 finance companies originated more than 8.6 million personal loans with a value of \$29 billion to borrowers earning less than \$40,000 a year, according to Equifax data. This represented 69% of personal loans and nearly half of the dollar amount of personal lending extended by finance companies. This cohort of borrowers received 54% of their personal loans and 46% of the dollar value of these loans from finance companies.



Source: Oxford Economics estimates from data obtained from the Equifax Analytic Dataset

*Percentages may not sum to 100% due to the exclusion of 'Other' lending institutions and 'Unscored' borrowers.

⁹ We classify subprime lenders as those with credit scores of 620 or below, near prime as those with scores between 621 and 680, and prime as those with scores of 681 or higher.

2.3 THE USE OF PERSONAL LOANS

As with other forms of credit, consumers use personal loans for a variety of reasons, such as expenses related to healthcare, the purchase of “big-ticket” items as kitchen appliances, vacations and even debt consolidation.¹⁰ Due to their characteristics, personal loans can also help cover unexpected expenses or emergencies, providing vulnerable consumers with a lifeline for both emergencies and everyday necessities.¹¹ Although these loans can be used to fund vehicle repair and maintenance expenses, they are not auto loans in the sense that they are used for the initial purchase of a new or used vehicle through a dealership.

Ultimately, these lending products can be used for a wide range of reasons. Given that more than half of these loans are made to subprime consumers, it is reasonable to conclude that many of these loans are being used to cover unexpected or additional expenses that households incur but are unable to manage given challenging financial situations such as a low and/or variable income, limited savings, or damaged credit.

Indicative data gathered by AFSA reinforce the idea that these loans are used for important, routine expenses. According to a survey conducted by AFSA of its members, roughly 14% of loan originations were used for debt consolidation, 7% for vehicle maintenance and repair, and 7% for home related expenses.¹² Additionally, a survey by the Board of Governors of the Federal Reserve System found that 37% of adults would not be able to cover a hypothetical \$400 emergency expense exclusively using cash or its equivalent. While 16% indicated that they would charge the hypothetical expense to a credit card and pay it over time, some also reported they would turn to a loan of some kind.¹³

¹⁰ Flagg, Jessica N., and Simona M. Hannon (2023). “[An Overview of Personal Loans in the U.S.](#),” Finance and Economics Discussion Series 2023-057. Washington: Board of Governors of the Federal Reserve System, <https://doi.org/10.17016/FEDS.2023.057>.

¹¹ Thomas Miller, “[How do small dollar, nonbank loans work?](#)” Mercatus Center, May 2019

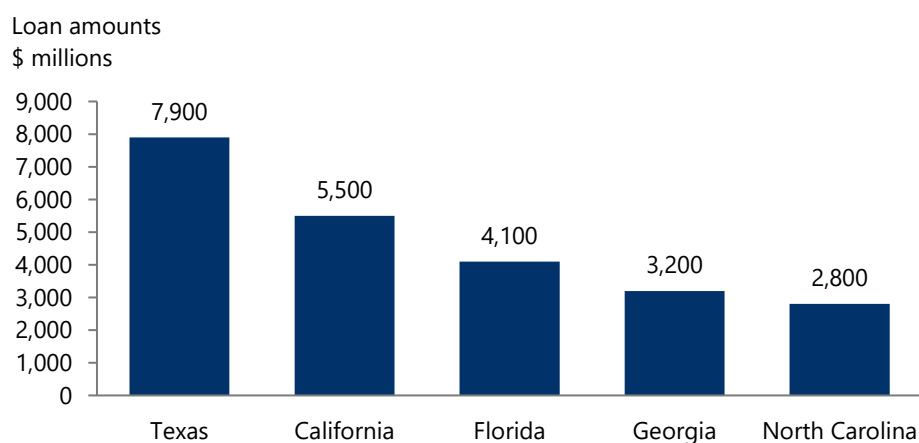
¹² Weighted average of 3 companies totalling \$477 million in originations in 2022. The rest was classified as medical care (2%), other expenses (55%), and unknown (15%).

¹³ Board of Governors of the Federal Reserve system, “[Economic Well-Being of U.S. Households in 2023](#)”, May 2024.

2.4 LENDING ACROSS THE COUNTRY

In 2023, 38% of the value of personal loans provided by finance companies were issued in the states of Texas, California, Florida, Georgia, and North Carolina (see Figure 4.)

Fig 4. Personal loan amounts made by finance companies by state, 2023.



Source: Oxford Economics estimates of data obtained from Analysis Equifax Analytic Dataset

3. THE ECONOMIC IMPACT OF PERSONAL LENDING BY FINANCE COMPANIES

3.1 MODELING THE ECONOMIC IMPACT OF PERSONAL LOANS

To capture the economic footprint associated with personal lending by finance companies, Oxford Economics built a model drawing on data from a number of sources, including:

- Equifax Analytic Dataset, which tracks the characteristics and performance of all major tradelines (credit accounts) associated with an anonymous, unbiased, random 10% sample of the U.S. credit-active population in the Equifax credit file. This provided estimates of the scale of lending activity;
- A survey of AFSA members¹⁴ that provided lending and employment aggregates; and
- Public financial reports from companies that make personal loans, which provided information on industry procurement inputs, as well as providing useful benchmarks for our analysis.

We estimated our main modeling inputs, employment, and procurement from the total quantity and dollar value of personal loans originated by finance companies in the United States in 2023, drawn from data from the Equifax Analytic Dataset. We used industry standard software, IMPLAN, to implement an Input-Output model and mapped the indirect (supply chain) and induced economic activity associated with the industry.

We conducted this analysis at both the national and state levels, which allowed us to develop estimates for the economic footprint of the industry at the state level.

The data we received helped us develop a model to estimate the economic footprint of finance companies related to their personal lending activity. Specifically, we estimate the economic footprint in terms of gross domestic product (GDP), the standard measure of a country's economic activity—people employed, and tax revenues. The box below provides details on the modeling approach.

METHODOLOGICAL INTRODUCTION: ECONOMIC IMPACT ANALYSIS

An input-output model constructed using IMPLAN, calculated economic impact results. Input-output models capture the flow of value throughout the economy, following the inter-industry linkages of supply chains. Results reflect 2023 economic contributions and are presented in 2023 dollars.

In calculating our results, we include the following three “channels” of economic activity. These distinguish among spending for direct operations, the supply chain supporting those operations, and wider impacts as the employees from the first two channels (those directly employed and those

¹⁴ AFSA conducted the survey in 2023 and shared anonymised and aggregated results for our analysis.

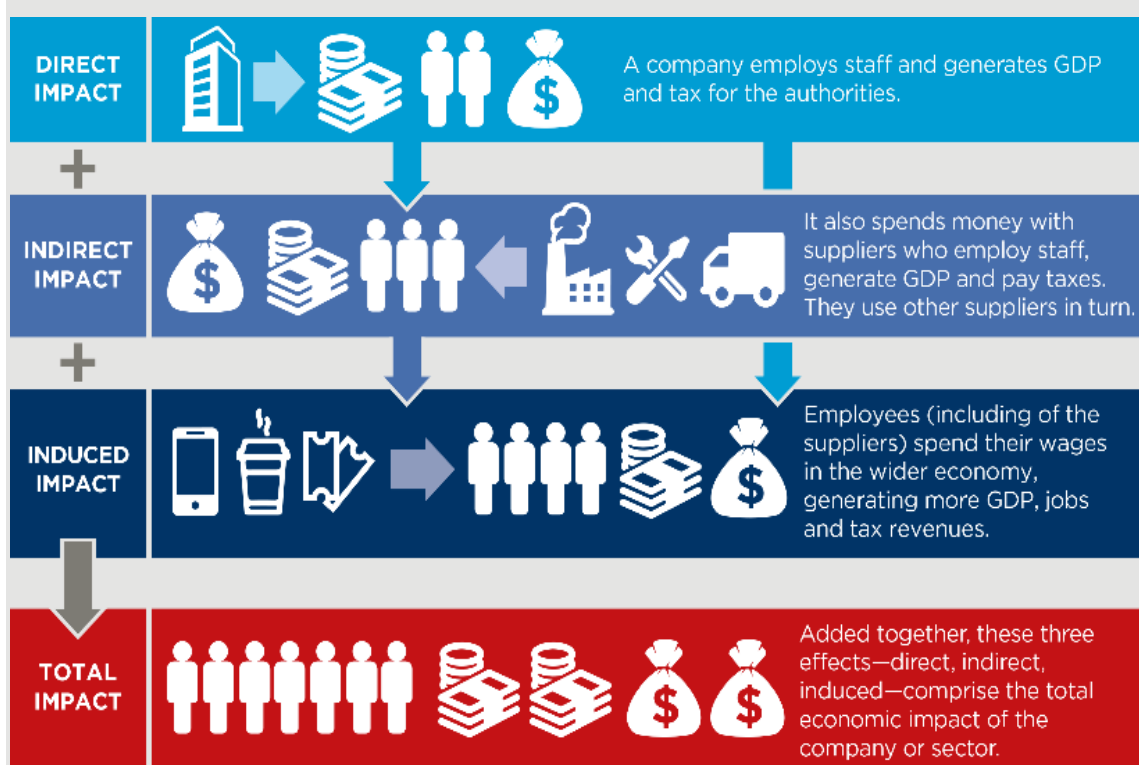
employed by suppliers) spend their wages in the broader U.S. economy. The three channels are defined as follows:

- **Direct impact** is the economic activity directly generated by personal lending by finance companies themselves. This includes, for example wages and benefits paid to their employees, and earnings associated with their lending.
- **Indirect impact** is the activity supported throughout the domestic supply chains of those direct entities, because of their procurement of goods and services, such as information technology, professional services, and insurance.
- **Induced impact:** This includes the additional value added that results as employees of the finance companies and others whose jobs are supported in the supply chain spend their incomes in the broader economy.

These three channels are summarized graphically in Figure 5 below. These impacts are quantified according to the following three metrics:

- **GDP** measures the economic value-added of each entity in the supply chain and thus reflects the sum of economic activity occurring as a result of the activity being modelled.
- **Employment:** This represents the headcount employment associated with the economic activity being quantified.
- **Taxes:** This includes taxes from the economic activity at the local, state, and federal levels.

Fig 5. The relationship among direct, indirect, and induced channels.



Additional details of the data, assumptions, and estimates that underpin the economic impact model can be found in the appendix.

3.2 NATIONAL ECONOMIC IMPACTS

THE ACTIVITY RELATED TO PERSONAL LENDING BY FINANCE COMPANIES GENERATED AN ESTIMATED \$20.4 BILLION CONTRIBUTION TO U.S. GDP IN 2023

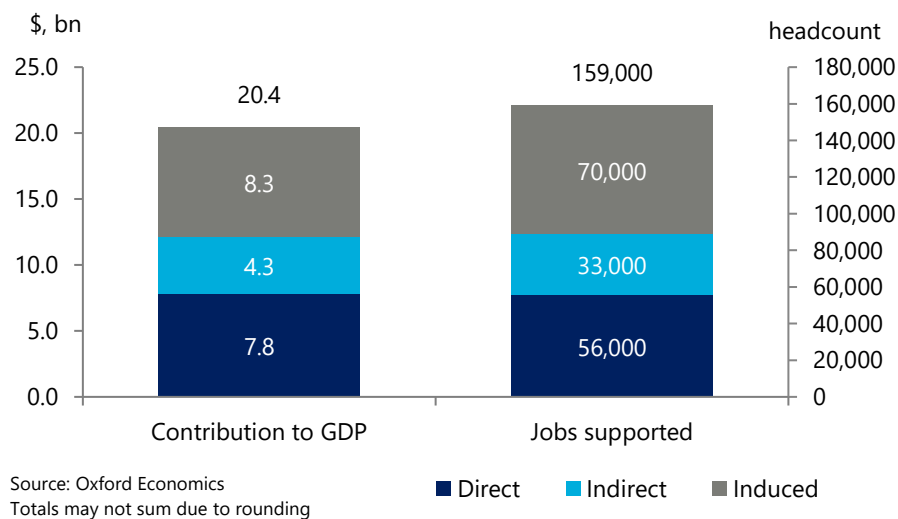
We estimate that the operations of finance companies in the United States, driven by personal loans to consumers in 2023, contributed \$20.4 billion to the country's GDP. Approximately \$7.8 billion, or 38%, of this was generated by the companies themselves (direct impact). The local spending on goods and services supported another \$4.3 billion along the supply chain (indirect impact), which represents 21% of the total. The spending of wages of employees of the companies and those supported in the supply chain comprised a \$8.3 billion contribution to GDP (induced impact), or 41% (see Figure 6).



PERSONAL LENDING BY FINANCE COMPANIES SUPPORTED 159,000 JOBS IN THE U.S. IN 2023

The operations of finance companies associated with this lending also had a significant impact on employment. We estimate that finance companies supported 159,000 jobs across the United States in 2023. We estimate that they directly employed 56,000 U.S. workers, or 35% of the total. The local spending on goods and services supported another 33,000 jobs along the supply chain, or 21% of the total, while 70,000 jobs were supported through the induced channel, or 44% of the total.

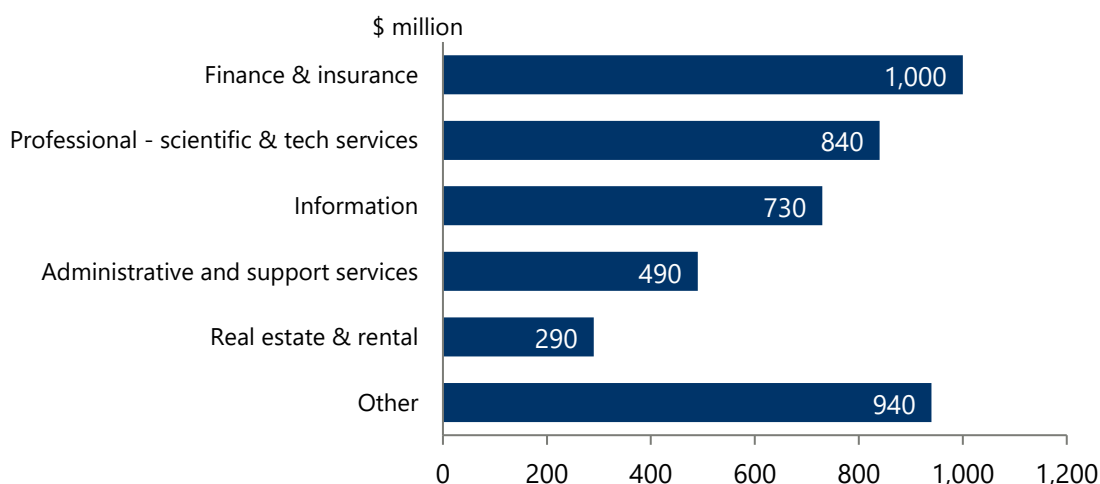
Fig 6. The economic contribution supported by personal lending by finance companies, 2023.



Through their expenditures in the supply chain, finance companies contributed \$4.3 billion to GDP. The stimulated economic activity was largest within suppliers in the finance and insurance industry itself, but was also significant in sectors including professional services, information services, administrative services, and real estate and rental services (see Figure 7).



Fig 7. GDP contribution stimulated by the procurement of goods and services from U.S. suppliers, by industry, 2023.



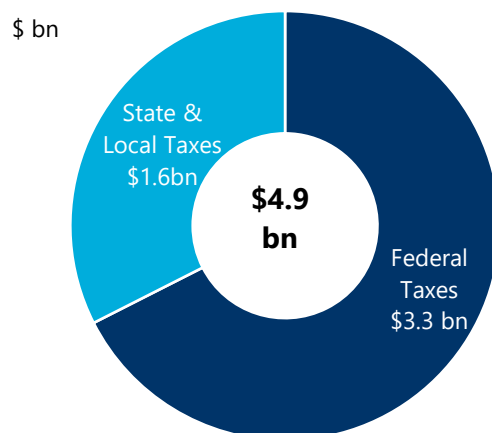
Source: Oxford Economics
Totals may not sum due to rounding

Similarly, the \$8.3 billion contribution to GDP through the induced channel benefited several key industries across the U.S. economy. Specifically, the largest stimulated activity was in real estate, healthcare, and finance and insurance.

FINANCE COMPANIES SUPPORTED AN ESTIMATED \$4.9 BILLION IN TAX REVENUE

In addition, we estimate that the economic activity associated with this lending supported \$4.9 billion in tax revenue to the U.S. government. We estimate this divides into a federal tax contribution of \$3.3 billion, or 68% of the total, and a state and local tax contribution of \$1.6 billion, or 32% of the total (see Figure 8).

Fig 8. Total tax revenue supported by finance company personal lending, 2023.



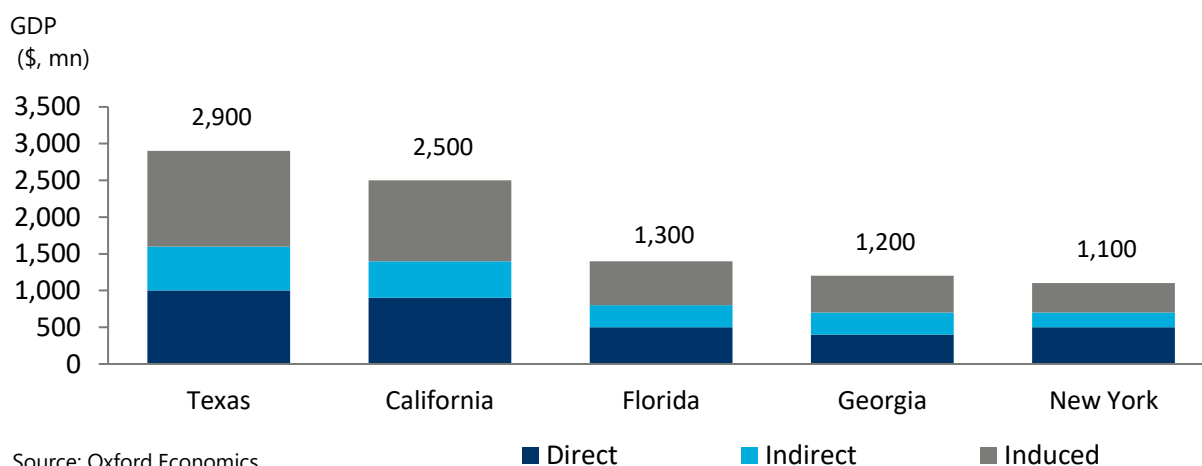
Source: Oxford Economics

3.3 STATE LEVEL ECONOMIC IMPACTS

We conducted sub-regional economic impact assessments across all 50 states and the District of Columbia and found that 44% of the GDP contribution was concentrated in Texas, California, Florida, Georgia, and New York.

Personal loans from finance companies supported a significant amount of GDP across many states. In 12 states, the total economic contribution exceeded \$500 million. The largest impacts were in the states of Texas and California, where they contributed \$2.9 billion and \$2.5 billion, respectively, to the states' GDP in 2023.

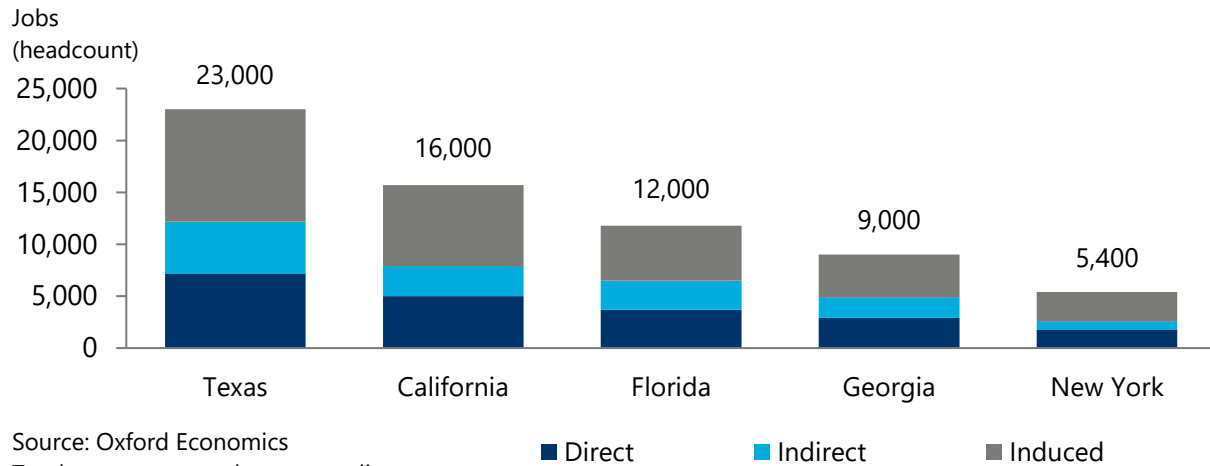
Fig 9. GDP contribution by state for top five states, 2023.



Source: Oxford Economics
Totals may not sum due to rounding

Personal lending from finance companies supported a significant number of jobs in many states. In 30 states, the total number of jobs supported exceeded 1,000. The largest contribution was in the state of Texas, with 23,000 jobs supported in 2023.

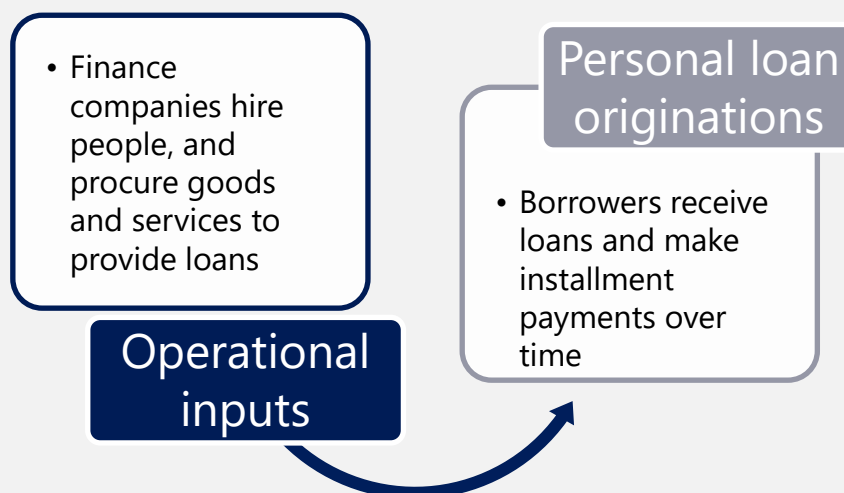
Fig 10. Total employment by state for top five states, 2023.



4. APPENDIX

4.1 DERIVING MODELING INPUTS

To offer personal loans, companies require labor, as well as various inputs (such as office space, accounting software, etc.).



I. Relating loan activity and operations

To derive an estimate of the total headcount involved in providing personal loans we used ratios of output (dollar value of lending) to headcount using (four) publicly available filings of finance companies active in the space. We used a similar approach to estimate operational expenses (a proxy for procurement). Our estimates for industry ratios were constructed as a weighted average of the individual company ratios, where the weighting was by the size of personal lending. For the companies not publicly listed, we proxied their ratios by those of the smallest public operator.

II. Estimating the aggregate operational inputs

To scale to the industry, we used information provided in the Equifax Analytic Dataset to derive the total value of personal loans originated by finance companies across the 50 states and the District of Columbia in 2023. Then, we applied the industry ratios at the national and state levels to estimate our two primary inputs, employment (the number of people employed by finance companies needed to provide these loans) and procurement (the dollar value of goods and services needed to provide these loans. These include things such as office space, insurance, administrative services, etc.)

4.2 INPUT OUTPUT MODELING

Impacts were calculated using the IMPLAN economic impact software. IMPLAN is an industry-standard tool that combines government economic data from a variety of sources. The precise

makeup of the industries' operational spending by commodity type was sourced directly from IMPLAN. Individual state-level IO models were developed and then combined to arrive at a national estimate. This included scaling to account for cross-state-border leakages.

4.3 SCOPE AND LIMITATIONS

The economic impact results presented in this report represent the economic activity generated by the provision of personal loans by institutions reported as finance companies in 2023 in the Equifax Analytic Dataset. They do not include activity of banks, credit unions, and other lenders; nor do they include the impacts of other loan products that finance companies might provide (e.g. vehicle finance, mortgages, credit cards, and others installment loans not reported to the credit bureaus such as some finance products offered under the label *buy now pay later*).

We note also that our estimates were derived from the ratios available, namely those of listed public non-bank lenders. Due to the lack of information on smaller private companies, this may not be representative of all lenders. However, our estimates would tend to be conservative in terms of headcount and procurement spending if it is the case that publicly listed lenders are more efficient (have higher productivity).

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