

2017 VANTAGESCORE MARKET STUDY REPORT

AUTHOR

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CONTEXT AND RETENTION

Oliver Wyman was retained by Berens & Miller, P.A. to conduct primary research into the use of VantageScore ("VS") credit scores throughout the United States on behalf of VantageScore Solutions, LLC. Berens & Miller asked the three credit reporting agencies, Equifax, Experian and TransUnion (hereinafter the "CRCs") to provide data on the number of VantageScore credit scores provided between July 1, 2016 and June 30, 2017.

Credit scores are used by lenders and other industry participants to make credit decisions across the lifecycle of consumer loans: to pre-screen applicants, to underwrite and price new loans, and to manage existing accounts¹. The specific ways in which lenders incorporate scores in their credit processes vary significantly. For example, more sophisticated lenders (e.g. large banks, large credit card issuers, innovative FinTech lenders) tend to use a combination of third-party scores (e.g. VantageScore) and internal models (e.g. custom-built and product-specific credit scores) to make decisions across the loan lifecycle. Smaller lenders, by contrast, often rely almost entirely on third-party scores for their decisioning.

VantageScore competes in the credit score market with other models developed by Equifax, Experian and TransUnion and with multiple FICO scores. This report focuses exclusively on VantageScore adoption without considering the use of other models.

SUMMARY OF RESULTS

This year's market study confirms that VantageScore credit scores were extensively used across the entire lifecycle of consumer lending and across every relevant category except mortgage originations. In the 12-month period between July 1, 2016 and June 30, 2017, more than 8.6 billion VantageScore credit scores were used by more than 2,700 users. The table below summarizes the number of VantageScore credit scores used by category.

CATEGORY OF USER	TOTAL USAGE OF VS CREDIT SCORES	
	# USED (MILLIONS)	% OF TOTAL
Credit card issuers	4,948	57%
Personal and installment loan companies	752	9%
Auto lenders	60	1%
Mortgage lenders	84	1%
Credit unions (not attributable to specific line of business) ²	13	0%
Banks (not attributable to specific line of business) ²	547	6%
Subtotal: all lenders	6,404	74%
Tenant screening, telecommunications, utility, and other	752	9%
Consumer education websites	1,373	16%
Government entities	110	1%
Subtotal: all non-lenders	2,235	26%
Total number of VantageScore credit scores used	8,639	100%

¹ Other use cases could include model building, stress-testing, loan loss reserving, etc.

² These categories include scores used by credit unions and banks, respectively, that we were not able to attribute to a specific line of business.

Financial institutions represented by far the largest category of users: more than 2,200 unique entities pulled approximately 6.4 billion scores, or almost 74% of all VantageScore credit scores. 10 of the 10 largest banks and 29 of the 100 largest credit unions used VantageScore credit scores in one or more lines of business. While use was widespread, the depth and volume of use varied considerably across the banks and other lenders on these lists.

The most prevalent use cases were for credit card issuers to manage existing accounts (e.g., credit line increase/decrease decisions, risk assessment of portfolio, loss forecasting, etc.) and to pre-screen applicants. Heavy usage by card issuers is not surprising: a large card issuer may create 5 million new accounts in a year, and many refresh and review the credit score on each existing account on a monthly basis. Likewise, pre-screened campaigns aimed at attracting new borrowers typically see conversion rates in the low single digits, and so multiple scores may be pulled for each new account actually opened. We were able to identify approximately 55 million scores associated with account opening decisions. For context, 55 million scores compare to an industry total of approximately 118 million new card accounts opened in the 12-month period from July 2016 to June 2017³.

Consumer and personal lenders, many of which are so-called “marketplace” lenders, were also users of VantageScore credit scores. This category also includes point-of-sale financing companies and installment lenders, some of which lend to underserved populations. In total, consumer and personal lenders used more than 750 million VantageScore credit scores, of which more than 50 million were used for underwriting or account opening decisions.

Several major auto lenders used VantageScore credit scores to provide auto and/or truck financing to their customers. Auto lenders used approximately 60 million VantageScore credit scores, at least 21 million of which were used for loan applications or new account origination. This compares to an industry total of approximately 29 million new auto loans and leases originated in the 12-month period from July 2016 to June 2017.

Credit unions were also users of VantageScore credit scores: 29 of the top 100 credit unions were joined by many smaller credit unions in using a total of approximately 13 million VantageScore credit scores, of which approximately 2.7 million were used for loan applications or new account origination. In total, credit unions originated approximately 16 million new loan accounts the 12-month period from July 2016 to June 2017.

Adoption among non-lenders was also considerable: landlords (tenant screening), telecommunications providers, utilities companies, consumer websites, government entities, asset managers and others used more than 2 billion VantageScore credit scores.

³ Many lenders pull multiple credit scores to underwrite each new account, and therefore it is impossible to extrapolate market share for VantageScore specifically. It is further precluded because the number of total credit scores used in any given time period is unknown. The number of new loan accounts sourced in this study is derived from the Experian-Oliver Wyman Market Intelligence Report.

More specifically, in the category of non-lenders, consumer websites used approximately 1.4 billion VantageScore credit scores. In the last several years, many websites (e.g. account aggregators, personal finance management providers, online and mobile banking portals) started offering consumers the ability to check their credit scores (often at no charge). Many of these websites also provide educational tools and advice to help consumers understand and improve their credit scores. There are many players, but a handful dominate the space.

Several investment firms (19 in this study) also used VantageScore credit scores as part of their investment decision-making. For example, investors may use scores through third-party services to analyze bonds backed by pools of loans for stress testing and valuation purposes.

METHODOLOGY

Berens & Miller asked the three CRCs to provide data on the total number of VantageScore credit scores used between July 1, 2016 and June 30, 2017, segregated by the following categories of entities or end-users: (a) mortgage originators; (b) credit card issuers; (c) auto lenders; (d) banks and thrifts⁴; (e) credit unions; (f) consumer websites; (g) government entities; (h) consumer lending/person loan providers; and (i) tenant screening companies, telcos, utilities, and others. The CRCs were also asked to divide the data regarding the number of VantageScore credit scores used by method (i.e. batch-pull vs. online/real-time pull) and by purpose (i.e. pre-screen/pre-select/pre-approve, underwriting/account origination, portfolio management/account review, and other) – when such data was available.

The data from each individual CRC were never provided to either of the other two CRCs. In addition, VantageScore Solutions, LLC was never provided with any of the raw market data from any of the three individual CRCs. VantageScore will only receive a summary of deduped, anonymized data. Oliver Wyman has conducted quality checks on the data received to perform aggregate-level, anonymized analysis; however, Oliver Wyman assumes no responsibility for the accuracy or completeness of the information provided by each of the individual CRCs.

⁴ This captures the use of VantageScore credit scores when it was not possible to attribute that use to any specific line of business.

ABOUT OLIVER WYMAN

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