VantageScore
a higher level of confidence

www.vantagescore.com

CREDIT WITH A CONSCIENCE: Driving Financial Inclusion with Data and Analytics

Based on the 2019 Census data and a large, random sample of consumers from the National Credit Reporting Companies, nearly 47 million consumers are invisible to conventional credit score models.*

The latest VantageScore research[1] dives deep into who is considered "conventionally unscoreable" and breaks down socioeconomic factors, such as income, homeownership (vs. renting), access to banking services, and race/ethnicity – all of which contribute to how this consumer segment cannot be scored using a conventional credit score model.

*What is a Conventional Credit Score Model?

Unlike VantageScore models, "conventional models" limit the scoreable population by employing a chosen, minimum scoring criteria, which is defined as requiring: (1) at least one tradeline/account to be open and reported to the credit bureaus for six months or more; and (2) at least one tradeline/account that has been reported to a credit bureau within the past six months.

WHO ARE CONVENTIONAL MODELS LOCKING OUT?

In certain disadvantaged urban areas, 1 in 3 adults are unable to obtain a credit score from conventional models.

Consumers living in areas with high renter rates or areas with more limited access to banking services have lower odds of obtaining a score with a conventional model.

The percentage of consumers with a thin file (those with less than 3 credit accounts) tends to be significantly higher in areas with lower income levels, higher minority representation, lower homeownership and lower levels of access to banking services.

Consumers in communities with low household income levels (less than $50,000) have less than 50% of the odds of obtaining a credit score with conventional models when compared to consumers in communities with higher household income levels (greater than $90,000).

After accounting for other factors, communities with a higher percentage of African American and/or Hispanic populations experience lower levels of scoreability when using of conventional models.

THE IMPORTANCE OF FINANCIAL INCLUSION

There has never been a more opportune time to use a more modern and inclusive credit scoring model to predictively assess consumers' creditworthiness. Increasing financial inclusion and equity is a key area of focus in the financial services industry, particularly in the aftermath of the COVID-19 pandemic which exacerbated the economic gaps faced by many disadvantaged communities.

30% Newly scoreable rates may be as high as 30% in many urban areas that are socioeconomically disadvantaged.

14.5% Using more advanced credit scoring models – like VantageScore 4.0 – opens up avenues to credit for approximately 14.5% of adults who are newly scoreable.

620+ 13 million of the newly scoreable consumers, including 3 million African Americans and Hispanics, obtain scores of 620 or higher with VantageScore models.

VANTAGESCORE SCORES MORE

VantageScore models use the same credit data as conventional scoring models but apply more modern, patented modeling methodologies that can more effectively use the available data for consumers who may have more limited activity reported in their credit files.

The use of VantageScore 4.0 provides lenders with a significant opportunity to identify new, potential creditworthy borrowers so that lenders are able grow their portfolios in a safe and sound manner that also supports the goals of greater financial equity and inclusion.

And, in turn, also provides opportunities to consumers to access mainstream credit.

Everybody wins.

VantageScore 4.0 allows lenders to accurately evaluate

96 percent

of American consumers who are 18 or older, representing approximately 37 million more consumers than are scored using conventional models, including 10.7 million African Americans and Hispanics.

[1] "Credit Scoring and Financial Inclusion" research study (https://vss.credit/CreditScoringAndFI) and "Credit Invisible No Longer: Examining the Relationship Between Socioeconomic Disparities and Scoreability" research study (https://vss.credit/CreditInvisibleNoLonger), 2021