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# Impact of score sharing to consumer credit scores





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## Introducing:


- **Christopher Magnotti**  
Experian
- **Lori Dietrich**  
Experian




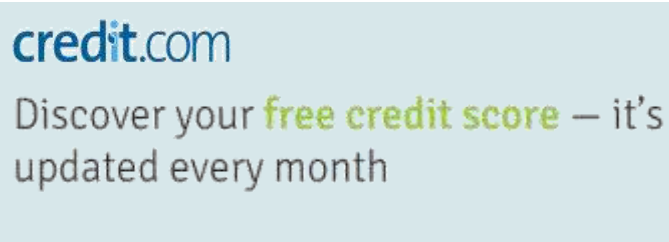
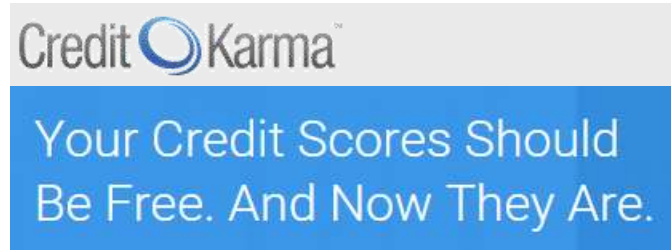


# Banks Now Giving Customers Access to Credit Scores for Free

By KEN SWEET, AP BUSINESS WRITER ·  
CHARLOTTE, N.C. — Mar 9, 2016, 3:09 PM ET

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# A brief history on how we got here



- CFPB has a mandate to educate consumers to make prudent financial decisions. Credit education includes:
  - ▶ Credit reports
  - ▶ Risk scores
  - ▶ Understanding how lending institutions use credit information to make decisions
- Consumers and regulators are looking for transparency in how lenders use credit data

**Education and transparency sounds great, but does it change a consumer's behavior? And how will that affect the lending institution?**



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# Impact of score sharing to consumer credit scores

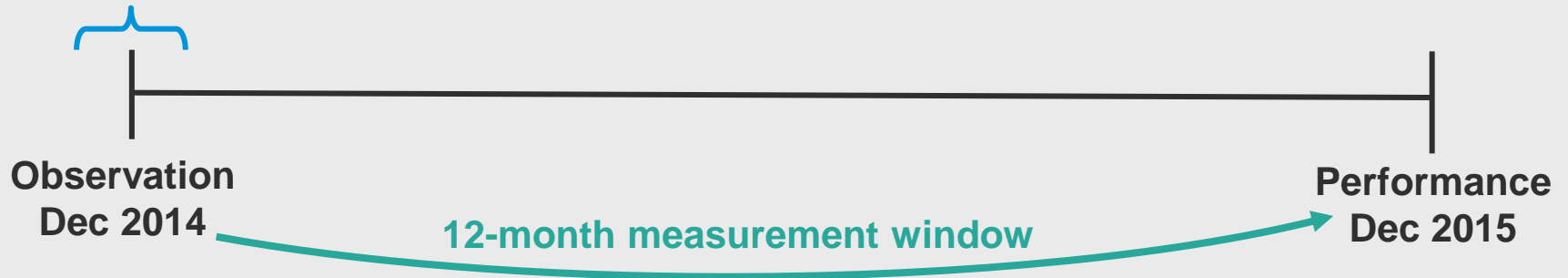
Results





# Analysis design

## Scores and attributes appended



- Scores and attributes appended as of December 2014
- Two groups created at observation
  - ▶ **Observed** is a random population sample of banking institutions that **did share** the risk scores with their customer base around December 2014
  - ▶ **Control** is random population sample of consumers that have a bankcard trade, but **not with** the banking institutions that disclosed risk scores from the observed base



# Generic Model

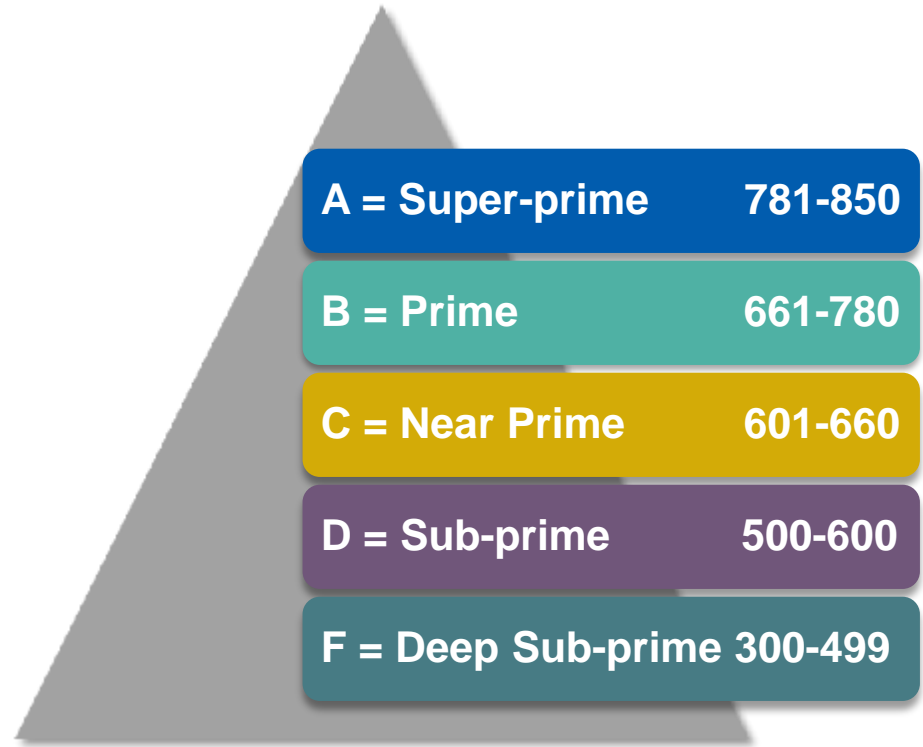
## VantageScore® 3.0

### Predicts risk of borrower

- Likelihood of future serious delinquencies (90 days past due or greater in next 24 months)
- Any type of account

### VantageScore® 3.0

- Score range of 300-850
- Higher scores represent a lower likelihood of risk
- Lower scores are higher risk



**VantageScore® 3.0 Credit Score used in credit trend analysis**



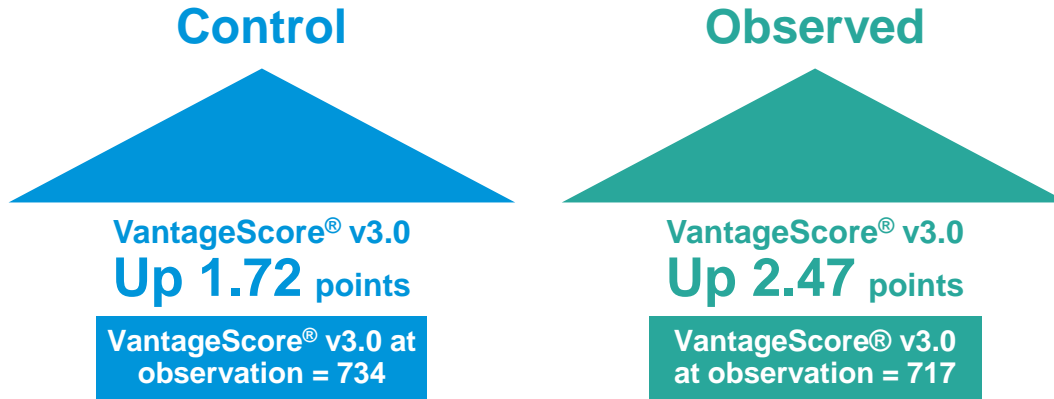
# Portfolio metrics evaluated

Trades Opened in Past 12 mos  
Spend  
On-Us Balance  
Trades not Delinquent  
Attrition  
Total Credit Limit  
Avg Age of Open Trades  
On-Us Credit limit  
Off-Us Balance  
Inquiries in Past 12 mos  
Off-Us Credit limit  
Risk Category  
Total Utilization  
Pay Rate  
VantageScore®  
# Open Trades

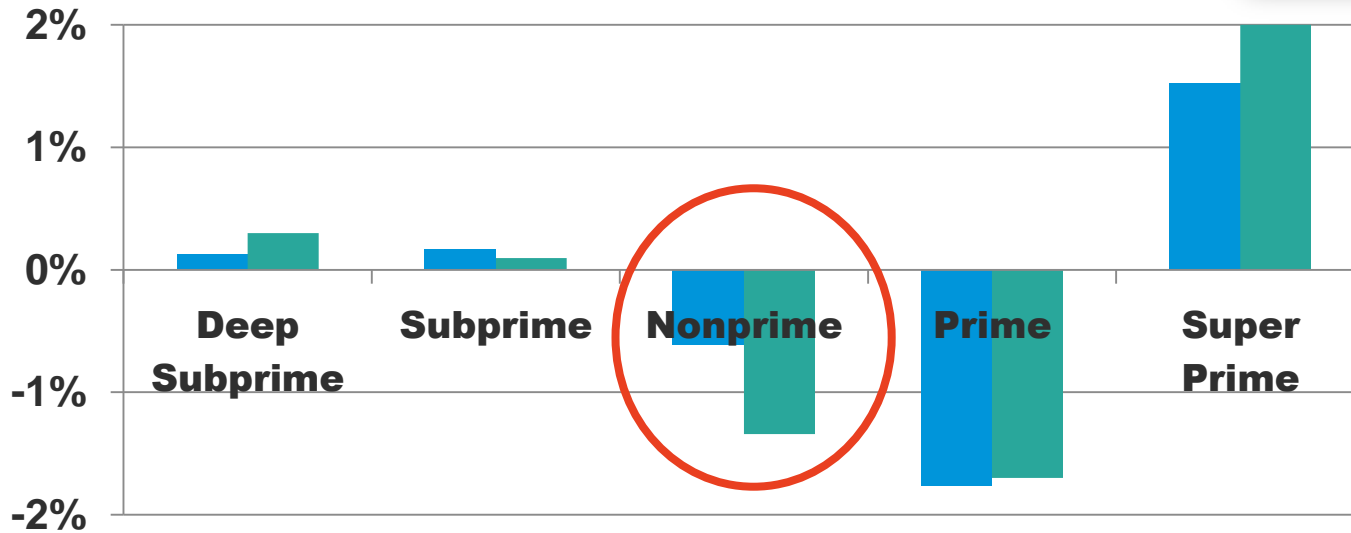




# Risk changes

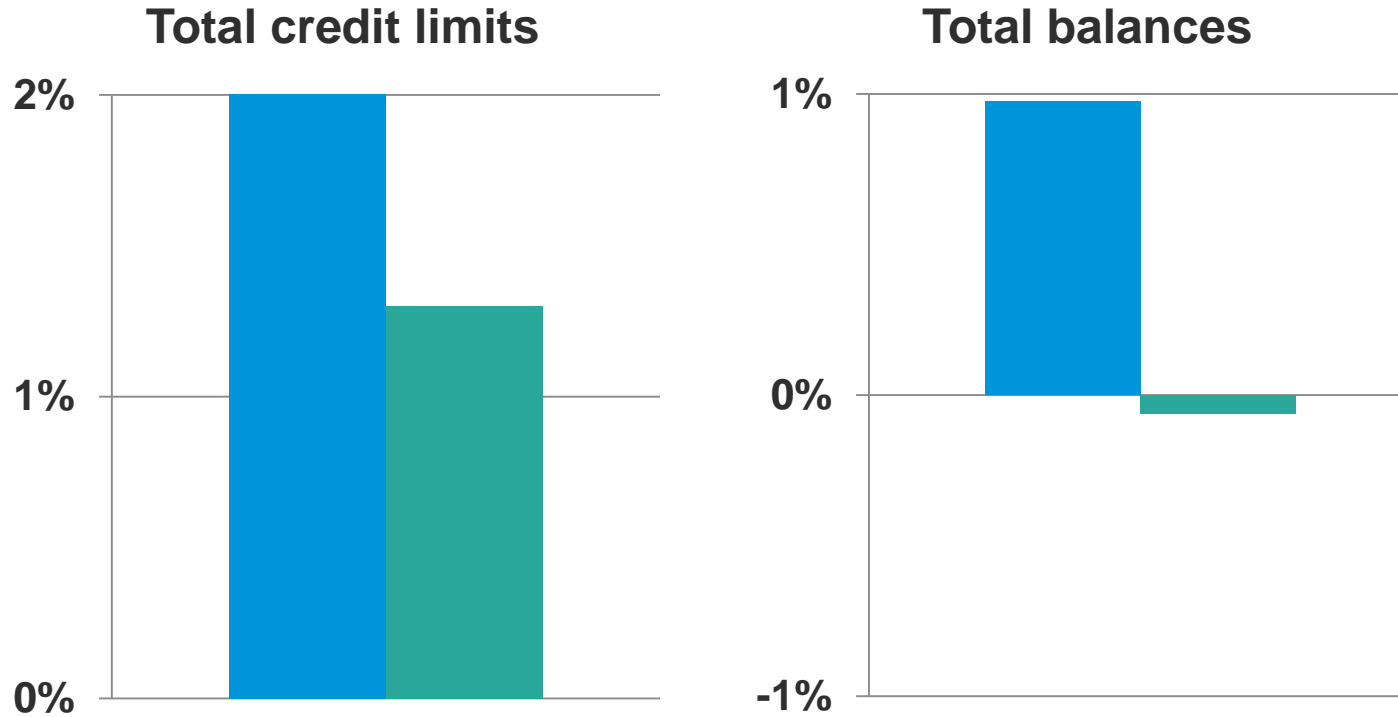


The observed population's VantageScore® change is 43% greater than control as more nonprimes moving up not just one risk category, but two.





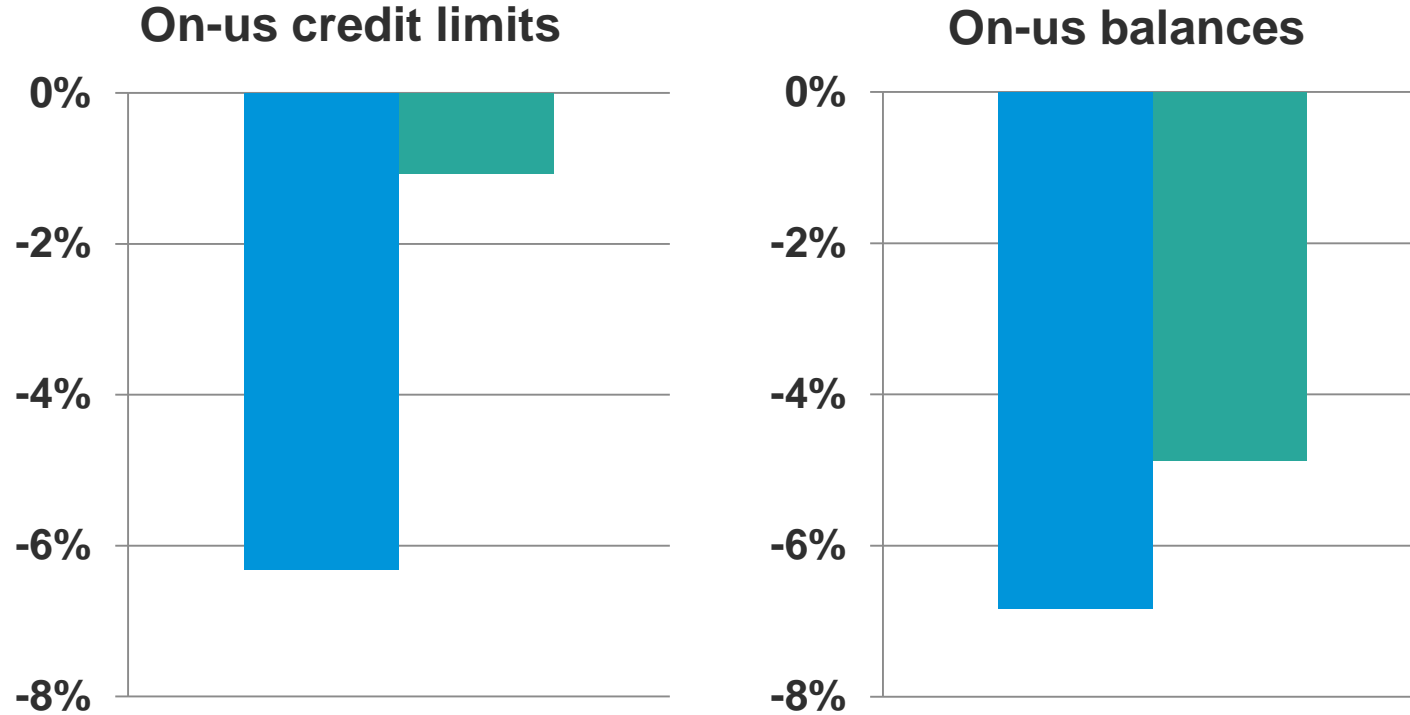
# Credit limits and balance changes



Observed consumers are requesting fewer credit line increases because change in open trade lines for observed/control are the same. Also, balance growth remains flat, unlike the increase on the control population.



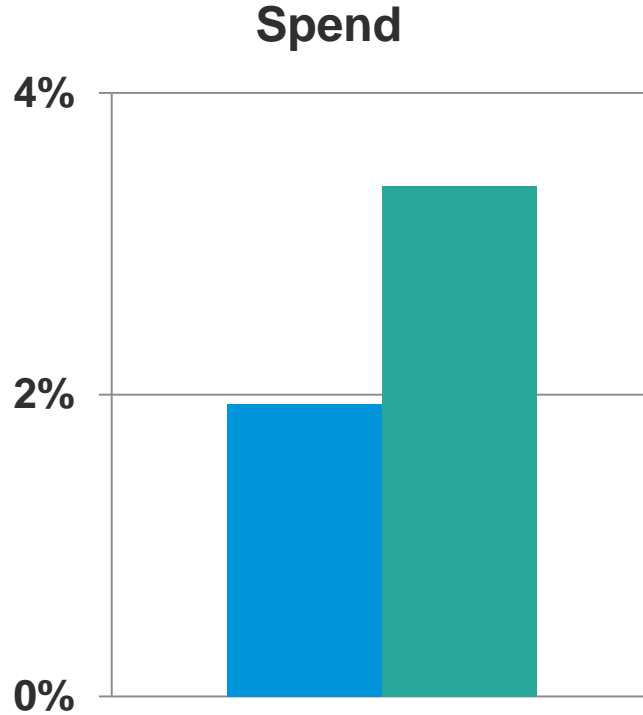
# On-us credit limits and balance changes



On-us utilization decreased by 5% on the observed consumers because the control's decreases in both credit limit and balances offset each other. More observed balances stay on-us, while off-us balance growth is lower than the control.



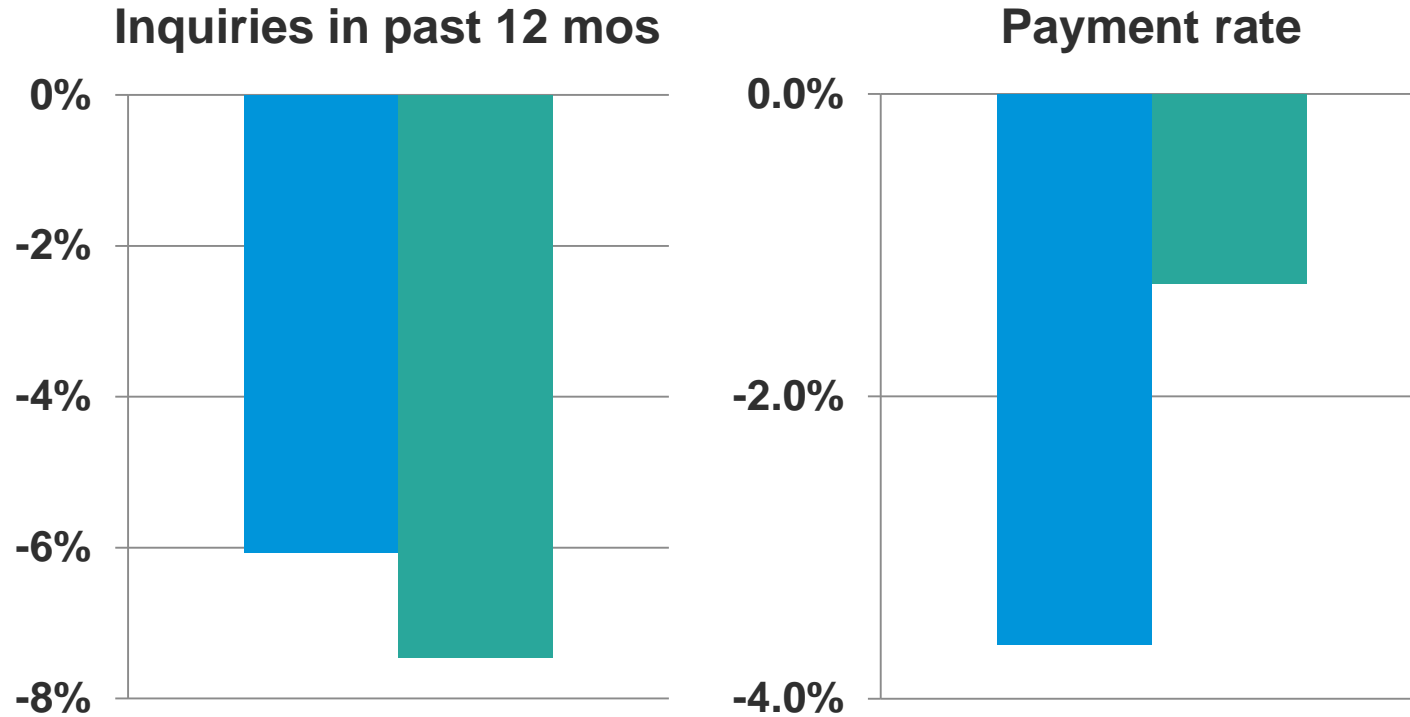
# Spend



Spend is nearly 75% greater for the observed sample. If the observed consumers are not growing the off-us balances by as much as the control, then the spend is going to their on-us trade, hence why balance reduction was lower.



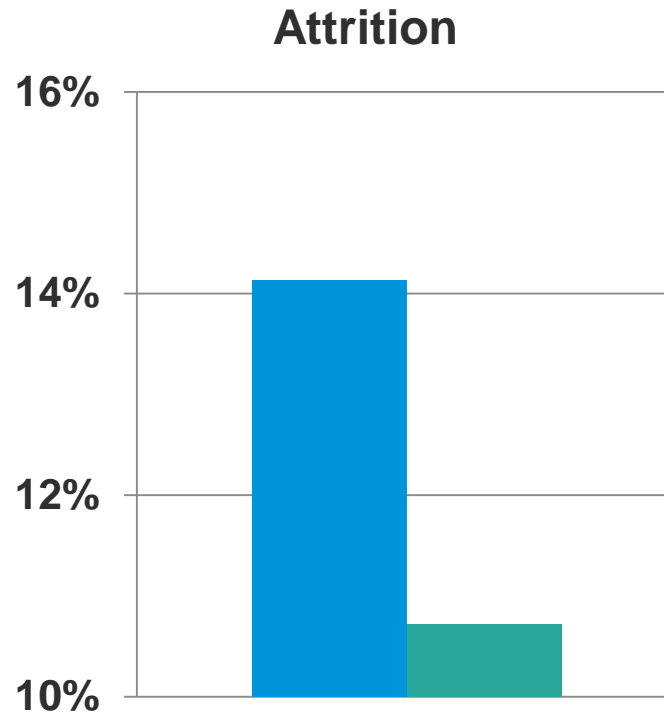
# Inquiry and payment rate changes



Inquiries for the observed consumers are down 23% more while payment rates are higher than the control sample. Clearly the off-us trades lines for the observed are being paid down while on-us trade has lessened negative growth due to the increased spend.



# Attrition rate



Attrition (account closure) is 24% lower for the observed sample



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# How can you engage your customers?





# Share your scores on statements

- Secondary use of scores and attributes pulled for account review purpose
- Allows for sharing of scores and more with consumers on statements and online
- Provides lenders opportunity to:
  - ▶ Use either FICO score (FICO Open Access) or VantageScore® 3.0 (Credit Insights)
  - ▶ Build customer loyalty through consumer engagement
  - ▶ Drive consumer credit literacy
  - ▶ Promote online engagement with customers

**Bank**  
400 Sky Dr.  
Town, AZ 12345  
Mary Customer  
1234 Somewhere Dr.  
Town, AZ 12345

**Your VantageScore**  
**770**  
as of 06/05/2003

**Factors Affecting Your Score**

- Age and mix of credit accounts that can be used in determining a credit score
- How often you check accounts
- Delinquency history on credit accounts
- How often you open new credit accounts

**Credit Score History**

Primary Account Number: 00000752

**Bank Statement**  
If you have any questions about your statement, please call us.  
Statement Date: June 5, 2003  
Page Number: 1

**CONNECTIONS CHECKING** Account # 00000752

**Account Summary** Account # 00000752

Beginning Balance on May 5, 2003	\$7,126.11
Deposits & Other Credits	+3,615.08
ATM Withdrawals & Debits	-20.00
VISA Check Card Purchases & Debits	-0.00
Withdrawals & Other Debits	-0.00
Checks Paid	-200.00
<b>Ending Balance on June 5, 2003</b>	<b>\$10,321.19</b>

**Deposits & Other Credits** Account # 00000752

Description	Date Credited	Amount
Deposit Ref Num: 130012345	05-15	\$3,615.08
<b>Total Deposits &amp; Other Credits</b>		<b>\$3,615.08</b>

**ATM Withdrawals & Debits** Account # 00000752

Description	Trans Date	Date Paid	Amount
ATM Withdrawal 400 Sky Dr. M118 Town, AZ 12345 00009679	05-16	05-16	\$20.00
<b>Total ATM Withdrawals &amp; Debits</b>			<b>\$20.00</b>

**Checks Paid** Account # 00000752

Date Paid	Check Number	Amount	Reference Number
05-12	1001	75.00	00012576588
05-18	1002	30.00	00036547854
05-24	1003	200.00	00099811547
<b>Total Checks Paid</b>			<b>\$305.00</b>





# Online display Sample



Home

Statements & Activity

Customer Center

View all 3  
Credit Reports  
& Scores now!

785 750 775

[View Reports & Scores](#)

FAST AND SECURE ONLINE DELIVERY!

Help end AIDS



Join (RED)'s  
fight for an  
AIDS free generation.

[Learn more](#)

Prequalify  
for a  
mortgage  
today.



## Your VantageScore®:

# 780

### Score Factors

Subject	Date
780 Score - Up 8 Points	Jan 18
780 Score - Target passed!	Jan 18
771 Score - Up 32 Points	Dec 11
Credit Usage Increase ...	Dec 06
Credit Usage Decrease ...	Nov 25
Credit Usage Decrease ...	Nov 13



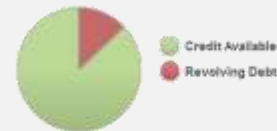
**My Credit Used** 12%

Credit and Retail Card Debt: \$8,723  
 Credit Available: \$58,527  
 Total Credit Limit: \$67,250

National  
Average  
is 16%

**My Total Debt** \$123,271

Real Estate and Other Debt: \$100,008  
 Installment Debt: \$14,520  
 Credit and Retail Card Debt: \$8,723



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# NCAC phone support



- National Consumer Assistance Center (NCAC) call center MISSION:  
**Use our unique knowledge and experience to deliver products and services that enable our customers to effectively manage their businesses and personal lives.**
- To support lenders who are sharing scores, NCAC agents will provide:
  - ▶ Consumer disclosure
  - ▶ Review risk score factor codes
  - ▶ Answer general scoring model questions
  - ▶ Process any disputes

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# Hosted credit report display

User experience will be like the lender's Website

## Lender Website (sample)

1



Member follows an ad from the lender website to a custom branded landing and sign-up page

2

All pages look like the lender page but are hosted by Experian Connect<sup>SM</sup>



3

Easy-to-read, graphically-enhanced credit report with a VantageScore<sup>®</sup>





# Credit education

## Experian Credit Educator<sup>SM</sup>

**Experian Credit Educator<sup>SM</sup> is Experian's premier consumer credit education service.** Session is a one-time, approx. 35-minute, phone-based education session conducted by one of our trained Experian Credit Educator<sup>SM</sup> agents. Session includes the following:

### Credit report basics

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- Explanation and copy of personal credit report
- Review of each section within the credit report
- Discuss different types of inquiries
- Discuss potentially negative and positive items
- Potentially fraudulent accounts and attempts

### Credit score

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- Personal VantageScore<sup>®</sup>
- Explanation and review of score factors
- How do creditors utilize scoring models?
- Examples of actions that may improve my VantageScore<sup>®</sup>
- Benchmark scores for the nation, my state and region

### Value add services

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- Tips and information for maintaining a healthy credit profile
  - Data management tips
  - Links to online resources for credit management and life events information
-



# Experian credit education analysis

**Educated consumers are reacting to the education they have received and see shorter timelines to reach positive improvements**

Action	Educated group	Control group
Average VantageScore® 3.0	↑ +14 pts	→ +/- 0 pts
Number of credit inquiries	↓ -9%	→ 0%
External collection trades	↓ -21%	↑ +1%
% of trades ever delinquent in last 12 months	↓ -7%	→ 0%
Trades voluntarily closed (3 months after course)	↑ +10%	↓ -8%
Number of open revolving bankcard trades >75% utilization (3 months after course)	↓ -13%	↓ -4%

Data shown is 12 months post observation, unless otherwise noted

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# Customers with credit educational gap

**~16% of observed population exhibited no change in score**

**~60%**

- Presence of a child
- Blue collar or other occupation (stay-at-home parent, student, or unemployed)
- Under-banked
- Non-registered party affiliation
- Email receptive
- Domestic vehicles

**~80%**

- Risk statistics indicate highest and second highest risk levels
- Used vehicles

**Lifestyles interests: Listen to country music, bought video games, and have the potential to become environmentally green**

**Experian's marketing services group can help target a credit educational campaign**



# Customer engagement is key to retention



# 5x

The cost of acquiring a new customer over retaining an existing one.

**Retention marketing today is a core business requirement.**



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1 Select the Survey button and complete

2 Select the breakout session you attended



Vision Conference  
Breakout Session Survey

Experian

1. How would you rate the presenters' knowledge?  
 Excellent  Above average  Average  Below average  Poor

2. How would you rate the presenters' delivery?  
 Excellent  Above average  Average  Below average  Poor

3. How would you rate the presenters' time management?  
 Excellent  Above average  Average  Below average  Poor

4. How useful was the session information?  
 Very useful  Somewhat useful  Neutral  
 Somewhat not useful  Not useful

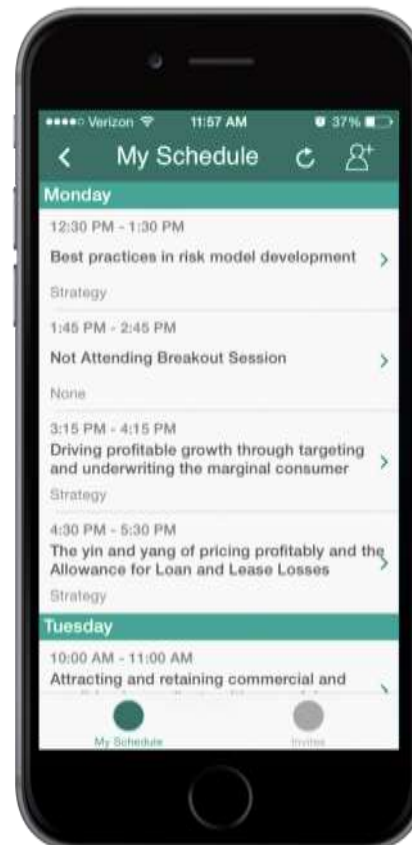
5. How would you rate the session on being current?  
 Very current  Somewhat current  Neutral  
 Somewhat not current  Not current

6. How relevant was the session content to the title and description?  
 Very relevant  Somewhat relevant  Neutral  
 Somewhat not relevant  Not relevant

7. How would you rate the level of content?  
 Too advanced  Just right  Too basic

8. Why did you attend this session? (Check all that apply)  
 Relates to my business  The presenter(s)  Interest in new product  
 Compelling session description  Increase product knowledge

9. Do you have any additional comments?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_





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