### The evolution of credit scoring (and what it means for you)

Credit scores are one of the most important numbers in a consumer's life, affecting their ability to acquire a loan or a line of credit. Before risk models, lenders assessed consumers based on factors such as word-of-mouth and home visits.

Today, those reputation-based assessments have evolved into statistical analysis, otherwise known as credit scoring

otherwise known as credit scoring.

## **FICO**<sup>®</sup> 1989

The FICO® system, which was introduced by the Fair Isaac Corporation and is still widely used in many industries to assist with a variety of credit decisions, is a number between 300 and 850 and is determined by the following factors:

- Payment history
- · Amounts owed
- · Length of credit history
- Types of credit used
- Recent credit inquiries

Finally equipped with a statistical model, credit grantors could distinguish prospects and customers who were financially trustworthy, leading to faster credit decisions and minimized risk.

# VantageScore®

Developed by the three national credit bureaus, VantageScore® filled the need for a consistent, more predictive scoring model that was easy to understand and apply. Its initial scoring system ranged between 501 to 990, based on the following factors:

- Payment history
- Credit age and mix
- Credit use
- Balances
- Recent credit applications
- Available credit

### **Extended View**<sup>sm</sup>

2013

As a proprietary credit score made up of three unique data sources, Extended View<sup>SM</sup> was the first of its kind to **drive predictive power** for the risk assessment of the underserved and unscorable consumer segment.

By leveraging traditional and alternative data<sup>1</sup> sources to provide a more comprehensive view of consumer payment behavior, credit grantors could expand their lending universe into underpenetrated markets.

### VantageScore 4.0

2017

As the fourth-generation tri-bureau credit scoring model from VantageScore Solutions®, VantageScore 4.0 set a new standard for predictive performance and modeling innovation.

The incorporation of trended credit data, which reflects changes in credit behavior, allowed for deeper insight into borrowing and payment patterns among consumers in the prime and superprime credit-score bands.

## Experian Lift<sup>™</sup> 2020

Experian Lift<sup>™</sup>, a suite of credit score products that combines exclusive traditional credit, alternative credit and trended data assets, leverages the most advanced analytics to provide a complete view of consumer credit behavior over a 24-month period.

By enhancing predictive performance and creating a more holistic picture of consumer creditworthiness, more than **40 million** credit-invisible and thin-file consumers can gain access to fair and affordable credit.

and regularity, credit grantors were empowered to more precisely assess consumers, make faster lending decisions and increase their customer portfolio.

The ability to access credit, rental and public record data permitted lenders to find and target creditworthy and previously declined consumers who fit their unique decisioning criteria.

With the pathway now paved for alternative data, the launch of VantageScore 4.0 allowed lenders to more accurately score consumers with sparse credit histories and better predict evolving consumer behaviors.

Through exclusively developed technology and machine learning methods, lenders can integrate Experian Lift into their current models for better risk management and more agile decisioning.

#### # OF DATA INPUTS

#### Interested in learning more? Call 855 339 3990 to speak with a representative.

When we refer to "Alternative Credit Data," this refers to the use of alternative data and its appropriate use in consumer credit lending decisions, as regulated by the Fair Credit Reporting Act. Hence, the term "Expanded FCRA Data" may also apply in this instance and both can be used interchangeably.

© 2020 Experian • All rights reserved

VantageScore is a registered trademark of VantageScore Solutions, LLC.

