Consumer Score Migration

49%

experience score improvement of ~19 pts over 3 months

30%

experience score decrease of ~24 pts over 3 months

51%

experience score improvement of ~27 pts over 12 months

38%

experience score decrease of ~34 pts over 12 months

A credit score model incorporates the consumers' history of managing credit to determine how likely they are to manage credit going forward.

A key question for lenders using credit scores is: How a consumer's credit score may change going forward.

An obvious concern is that the consumer was approved for credit given their score exceeded the lender cut-off at the time of evaluation, but may fall below the cut-off soon after the evaluation time. Alternatively, what percentage of consumers with scores that failed the lender cut-off are likely to pass the cut-off 3 or 12 months later because their scores have improved?

Will the consumer I approve today still be credit-worthy tomorrow?

53%

experience meaningful score swings of >40 pts over 12 months

3%

failed the cut-off when they were re-scored 3 months later

100%

opportunity to lower cut-offs and increase access to credit

<40

point change in score over time, likely equals stable behavior

IMPROVING RISK LEVELS

With the understanding that a credit score is simply a proxy for risk, the fact that a consumer's credit score changes or doesn't change is only meaningful in the context of understanding the actual risk estimate associated with the credit score at any given point in time.

Score migration impacts must account for the current improving economic conditions and could reveal opportunities for relaxing credit standards and for universe expansion.

KEY INSIGHT

Improving risk levels due to the more stable economy partially offset the exposure related to a consumer with decreasing credit scores, potentially providing opportunity for lenders to relax credit score cut-offs and thus approving more loans.

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