WHITEPAPER

Unlocking the Future of Credit Scoring: Introducing VantageScore® 5.0

EXECUTIVE SUMMARY

VantageScore® 5.0 delivers the most predictive and relevant creditworthiness assessment, leveraging an advanced model design, traditional and trended credit file data to more accurately enhance risk differentiation.

VantageScore® 5.0 is optimized for key lending functions, including loan originations and unsecured lending, providing greater accuracy for consumers with limited credit histories.

VantageScore® 5.0 is built for stability, optimizing reliable performance through an innovative model architecture that minimizes score migration and maintains consistency in a volatile marketplace.

EMBRACING THE "NEW NORMAL" IN CREDIT SCORING

The lending environment is rapidly evolving, shaped by economic shifts, regulatory changes, and novel consumer credit behaviors. Regulators, industry leaders, and lenders alike are calling for models that reflect today's "new normal". VantageScore® 5.0 is built for today's challenges and tomorrow's opportunities.

VantageScore® 5.0 incorporates cutting-edge analytics within a 3-digit credit scoring model to enhance predictive performance for mainstream consumers and those with limited credit files, and delivers greater stability across all market segments.

A SMARTER, MORE RELIABLE CREDIT SCORE FOR LENDERS

Key Features and Benefits:

✓ **Industry-Leading Predictive Power:**
Outperforms legacy models in risk differentiation and underwriting precision.

✓ **Optimized for Loan Originations:**
Enhances decision-making at the highest-risk stage of the credit lifecycle.

✓ **Expanded Lending Opportunities:**
More accurately scores 33 million more consumers, including new to credit and inactive/dormant credit users.

✓ **Superior Score Stability & Consistency:**
Reduces volatility, ensuring 96% of scores remain within a 40-point range across all three bureaus.

✓ **Designed to Adapt to Evolving Market Conditions:**
Reflects post-pandemic economic trends and evolving consumer behaviors.

PERFORMANCE AT A GLANCE

The VantageScore® 5.0 model demonstrates superior predictive performance in originations and unsecured products. With VantageScore® 5.0, incremental defaults are captured in the bottom 20% of scores compared to VantageScore® 3.0. Figure 1 demonstrates this predictive lift by product and at the overall level for account management and originations.

Figure 1: VantageScore® 5.0; Reducing Loss Rates and "Winning" in Originations
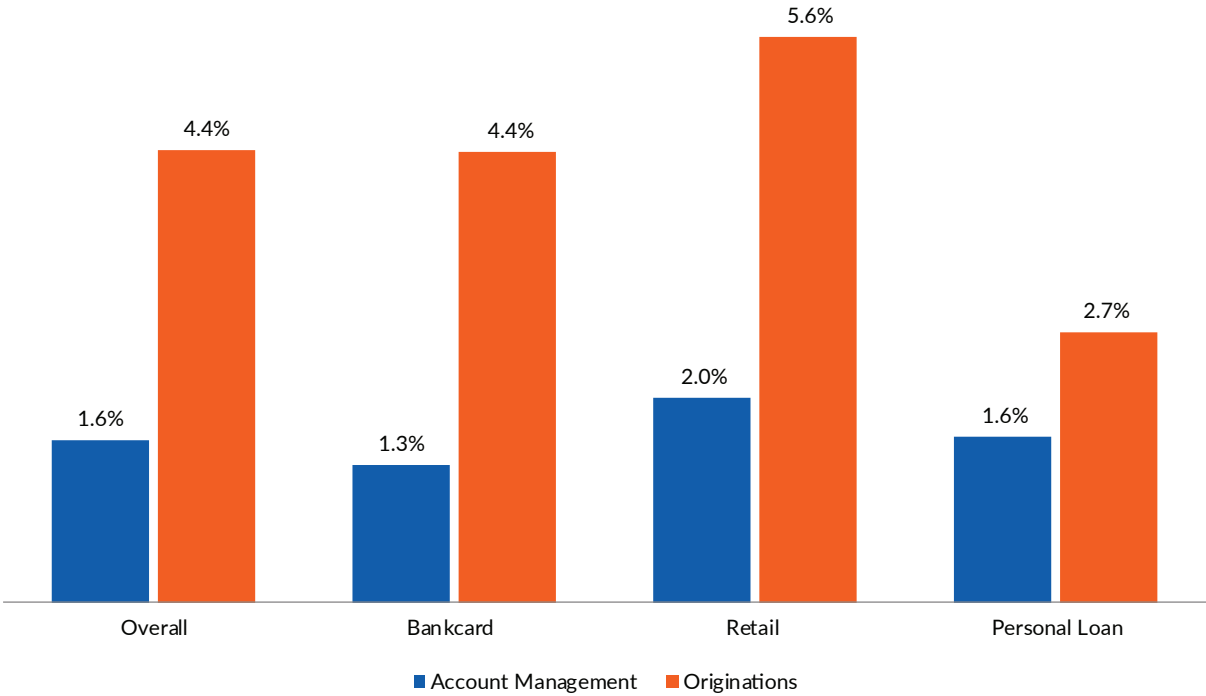
Incremental 90 Days Past Due accounts captured in bottom 20%
VantageScore® 5.0 compared with VantageScore® 3.0

GAIN ATTRIBUTES™: A NEW ERA OF PREDICTIVE ACCURACY

Traditional models rely on pre-determined summarizations of credit history, but VantageScore® 5.0's GAIN Attributes™ leverage account-level predictions for a more granular risk evaluation (Figure 2). GAIN Attributes™, which stands for Granular Account Intelligence for Next-Gen credit scoring models, are granular account level predictions that capture point in time credit behaviors, as well as historical trends and improve overall predictive performance of credit scoring models.

These new and innovative attributes:

- **Enhance risk segmentation**, particularly for thin-file, newly scored and credit inactive consumers.

- **Optimize risk-based pricing** and portfolio management for lenders.

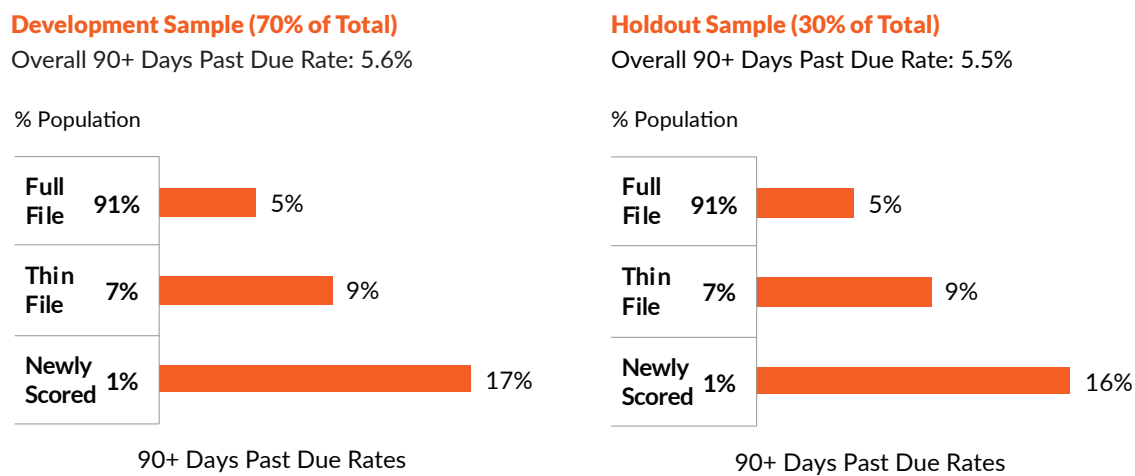**Figure 2: GAIN Attributes™ Overview**
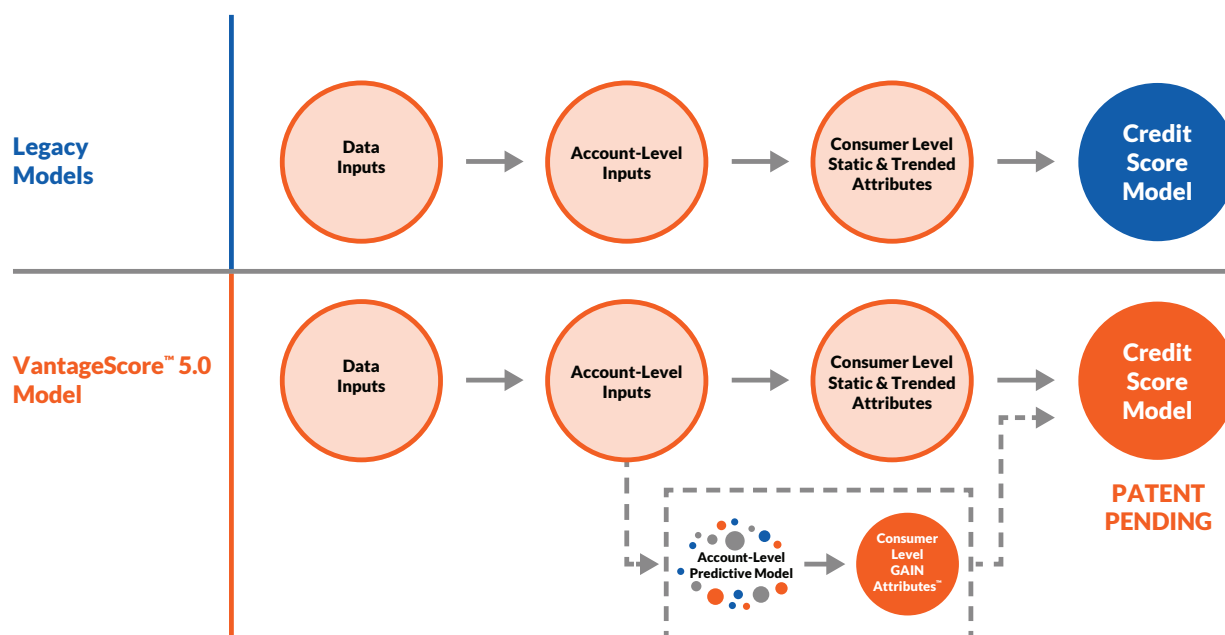
FRESH DEVELOPMENT SAMPLE: STABILITY & PERFORMANCE

For VantageScore® 5.0, consumer behavior data from the 2021-2023 timeframe was used to represent consumer perspective on financial debt management. Five million consumer credit files from each Credit Reporting Company (CRC) (Experian®, Equifax® and TransUnion®) were equally included in the development dataset, for a total of 15 million consumer credit files. VantageScore® 5.0 was validated on the holdout sample (30% of the 15 million credit files for the June 2021-June 2023 timeframe).

Key Features of Model Development:

- **Comprehensive Representation** – Includes data across all credit products and borrower types.

- **24 Months of Trended Credit Data** – Enables deeper insights into borrower risk trajectory.

- **Rigorous Model Validation** – Validates on an independent and representative "holdout" sample to safeguard accuracy.

Figure 3: Development Sample Composition

Development Sample (70% of Total)
Overall 90+ Days Past Due Rate: 5.6%

% Population

Full File 91%		5%
Thin File 7%		9%
Newly Scored 1%		17%

90+ Days Past Due Rates

Holdout Sample (30% of Total)
Overall 90+ Days Past Due Rate: 5.5%

% Population

Full File 91%		5%
Thin File 7%		9%
Newly Scored 1%		16%

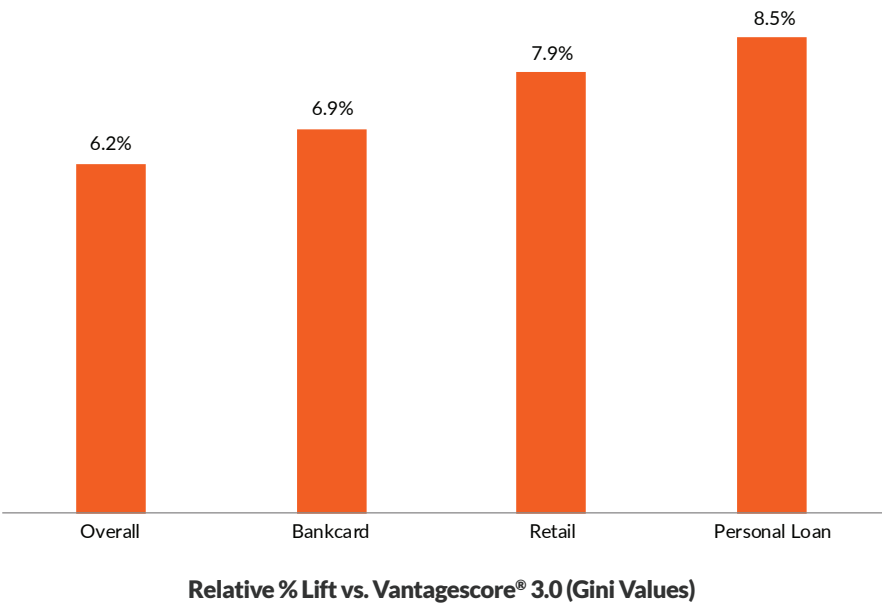90+ Days Past Due Rates

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SUPERIOR PREDICTIVE PERFORMANCE IN LOAN ORIGINATIONS

Loan originations represent the highest risk in the credit lifecycle. VantageScore® 5.0 delivers:

- **Greater differentiation** of high-risk borrowers, reducing the risk of early-stage delinquencies.

- **High predictive performance** across all major lending categories, especially in unsecured lending, improving credit decision accuracy (Figure 4).

- **Increased early delinquency detection**, reducing portfolio risk and improving underwriting confidence.

Figure 4: Optimized for Unsecured Lending and Delivering Predictive Lift in Loan Originations

	Overall	Bankcard	Retail	Personal Loan
	6.2%	6.9%	7.9%	8.5%

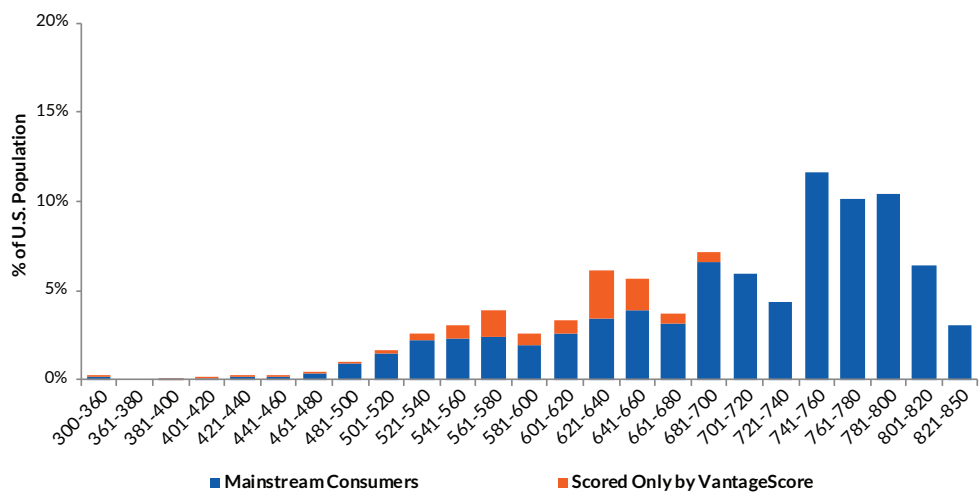**Relative % Lift vs. Vantagescore® 3.0 (Gini Values)**

EXPANDING THE LENDABLE POPULATION WHILE MINIMIZING RISK

Continuing in the VantageScore® tradition of expanding the scoring universe, VantageScore® 5.0 provides an inclusive credit scoring framework, unlocking access to 33 million additional (Figure 5):

- New-to-credit individuals who are unscoreable under non-VantageScore® models.

- Inactive/dormant file consumers whose credit behaviors are now better understood.

- No trade populations with very sparse information around credit behavior.

The innovative techniques developed by VantageScore® such as GAIN Attributes™ boost predictive performance for sparse populations compared with traditional methods (Figure 6a).

Figure 5: Expanded Scoring Universe with VantageScore® 5.0

VantageScore® 5.0: Score Distribution Mainstream vs. Scored Only by VantageScore®

Figure 6a and 6b: Win Customers for Life Early in their Credit Lives with VantageScore® 5.0
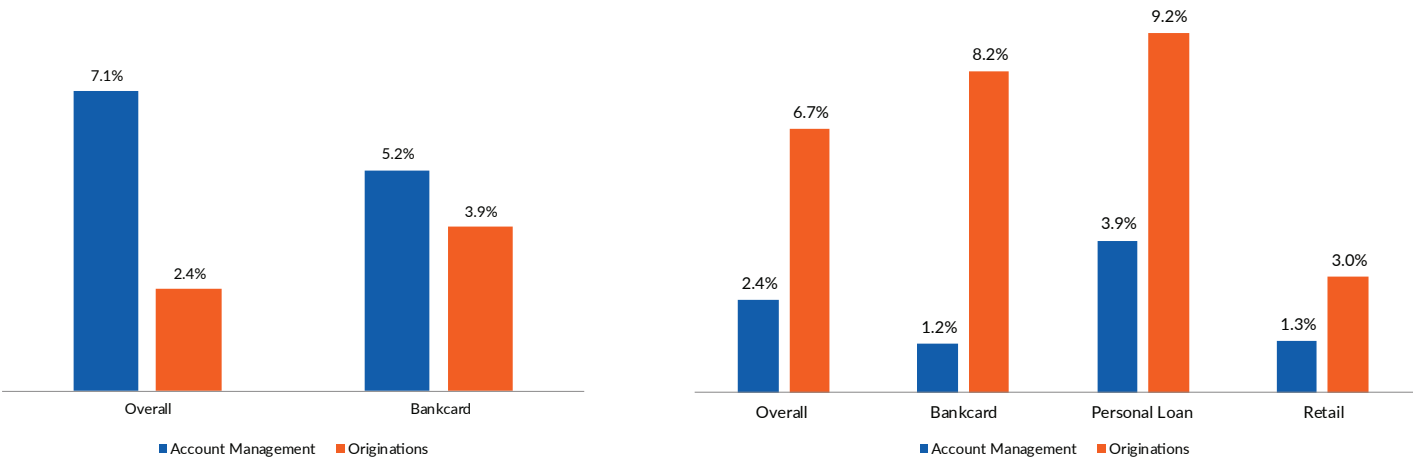
**Relative % Lift vs. Vantagescore® 3.0® Gini Values
NEW TO CREDIT, INACTIVE, NO TRADE**

**Relative % Lift vs. Vantagescore® 3.0® Gini Values
THIN FILE CONSUMERS**

The VantageScore® 5.0 model also provides excellent predictive performance results on the thin file population (consumers that have at most two open or closed tradelines/accounts on their credit files) (Figure 6b).

SCORE STABILITY & CONSISTENCY: A MODEL LENDERS CAN RELY ON

VantageScore® 5.0 minimizes score volatility and optimizes uniform risk assessment across credit bureaus:

• 96% of consumer scores remain within a 40-point range, enhancing underwriting efficiency (Figure 7).

• Leveled characteristic inputs and algorithm across Experian®, Equifax®, and TransUnion®, reducing inconsistencies.

• Predictable scores improve borrower transparency and lender confidence.

Figure 7: Enhancing Underwriting Efficiency with Consistency and Stability

VantageScore® 5.0 Tri-Bureau Score Consistency
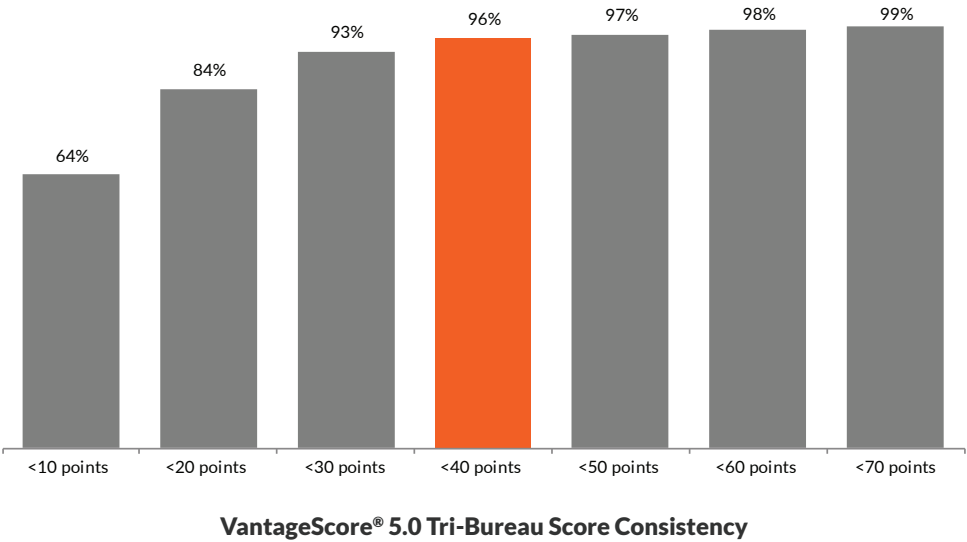
THE FUTURE OF CREDIT SCORING WITH VANTAGESCORE® 5.0

Lenders need a more predictive, stable, and inclusive credit model to navigate today's economic uncertainty. VantageScore® 5.0 delivers on these requirements, helping lenders:

• Approve more creditworthy applicants while minimizing risk.

• Optimize risk-based pricing and portfolio performance.

• Ensure consistent, reliable credit scores across all lending products.

Unlock New Lending Opportunities with VantageScore® 5.0

Lenders leveraging VantageScore® 5.0 gain a competitive edge in risk management, loan originations, and responsible lending expansion. Upgrade your credit decisioning with the most advanced VantageScore® model yet.

Visit VantageScore.com to find additional information. Lenders interested in learning more about how the VantageScore® 5.0 model can improve their credit decisioning should contact their CRC sales representative.

Learn more

Visit: vantagescore.com

VantageScore®
a higher level of confidence

Equifax: 1.888.202.4025 | www.equifax.com/vantagescore

Experian: 1.888.414.1120 | www.experian.com/vantagescoreforlenders

TransUnion: 1.866.922.2100 | www.transunion.com/product/vantagescore