

Credit Score Dynamics

What's Moving the Needle and Why It Matters

Atsuko Watanabe

Senior Director, US Financial Services Research

US Market Situation



The general practice in credit underwriting is to periodically adjust the score cut-off to maintain the target loss rate.



This score cut-off approach worked well historically because consumers' credit scores remained relatively stable.



However, several notable changes in the US market over the past five years have significantly impacted consumers' credit scores and deteriorated their good-to-bad odds by credit score.



Financial services institutions have had to find innovative ways to adjust their credit underwriting strategies while driving portfolio growth.

Agenda

1. What are the recent score trends and why did they go up?
2. Are scores coming back down?
3. Given shifts in data and consumer dynamics, are scores still predictive?
4. How do we manage consumer credit risk when their scores are changing?



A credit score is...

What is a credit score?



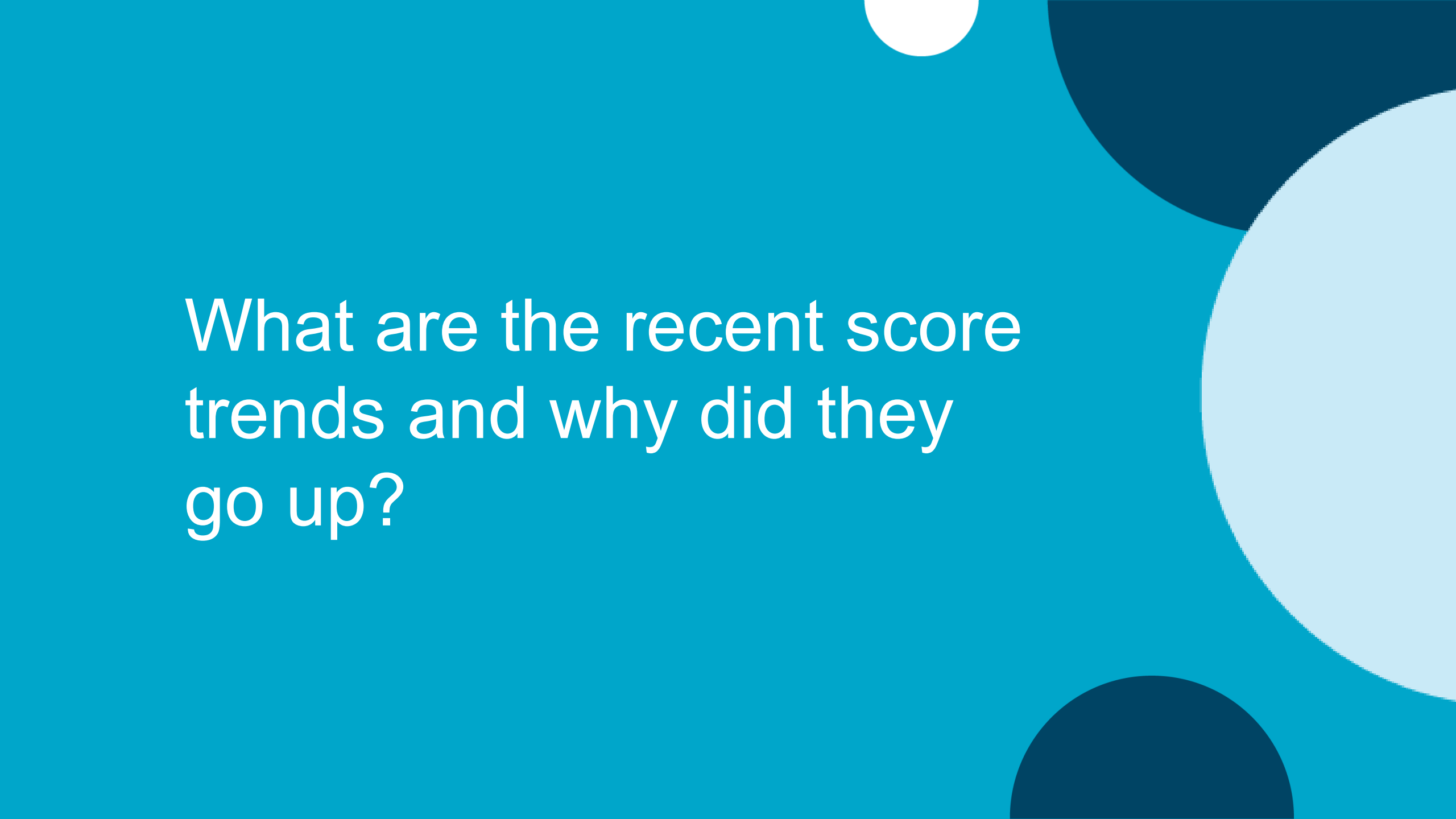
A quantification that represents a snapshot of a consumer's risk level based on their credit history at a particular point in time



A means to capture past credit information to determine the predictive characteristics of future payment performance



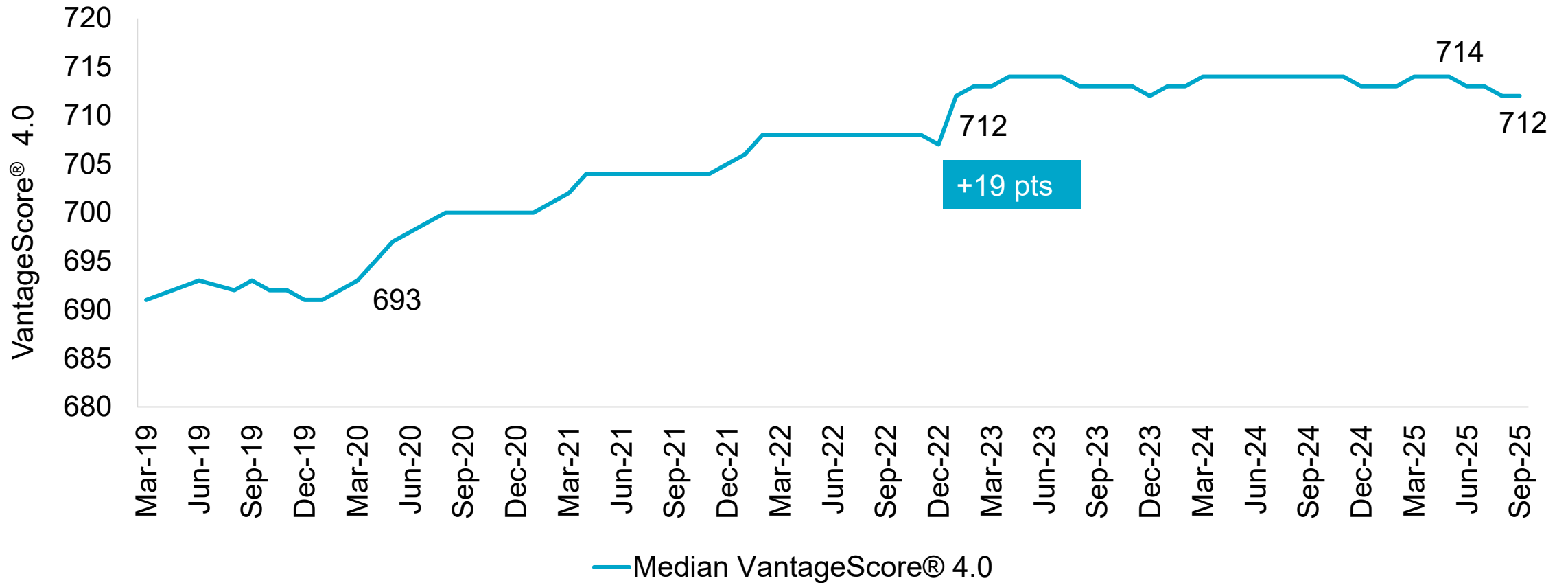
A numeric value ranging from 300-850; it rank orders a consumer's creditworthiness

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What are the recent score trends and why did they go up?

Median credit scores increased by 19 points between March 2020 and Jan 2023, but they've been stable since

Median VantageScore® 4.0 from 2019-2025



Government support programs significantly impacted consumer credit scores during the crisis

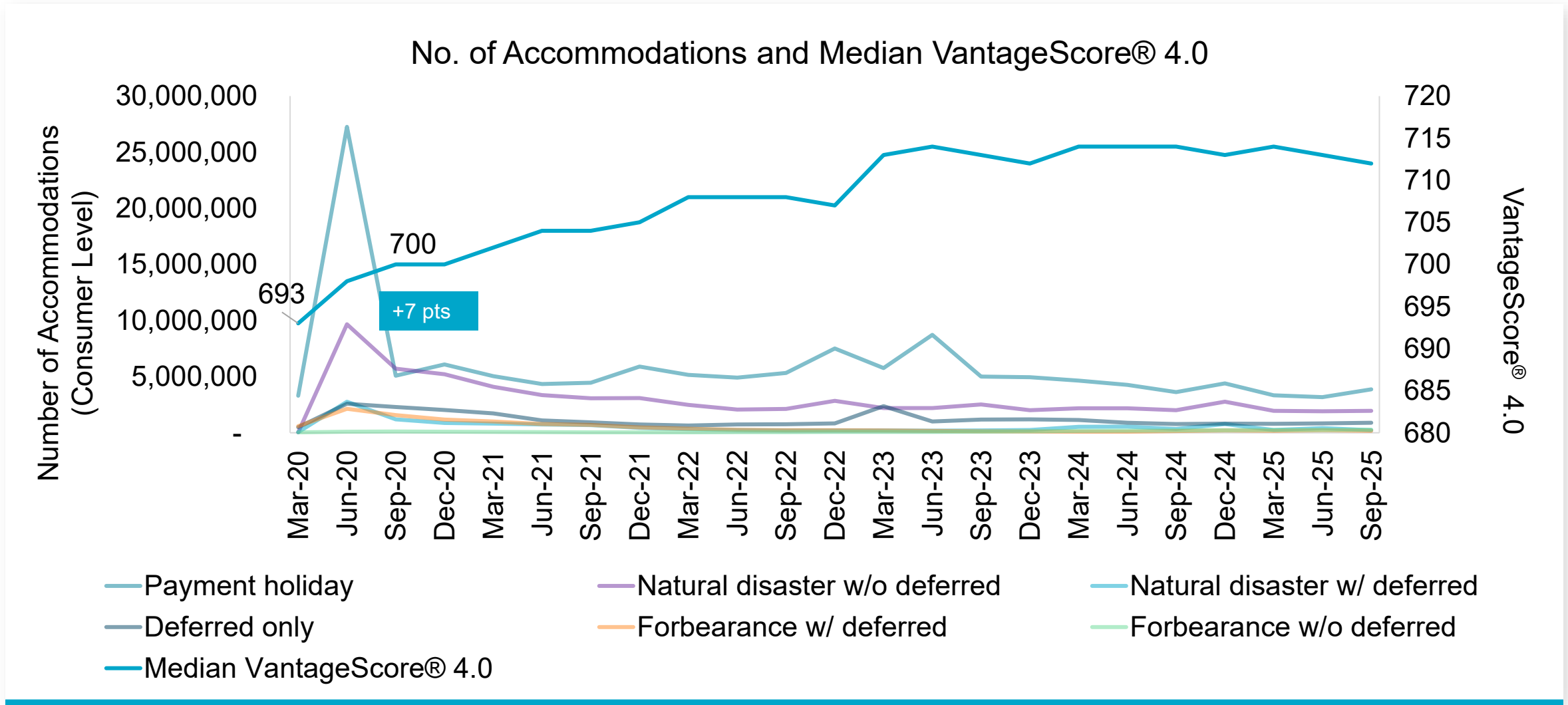
State shelter-in-place orders and CARES Act implementation

Payment relief and accommodation programs

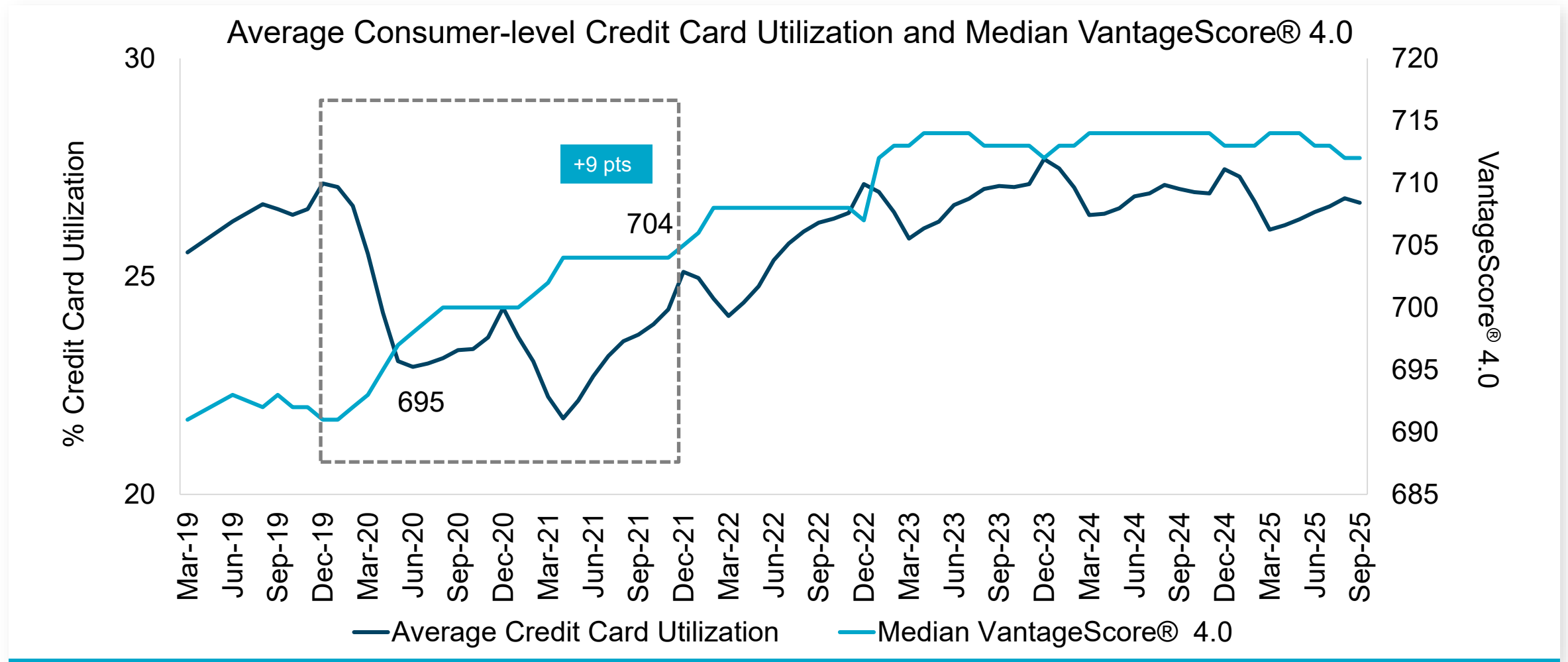
Expanded unemployment benefits

Direct stimulus payments and checks

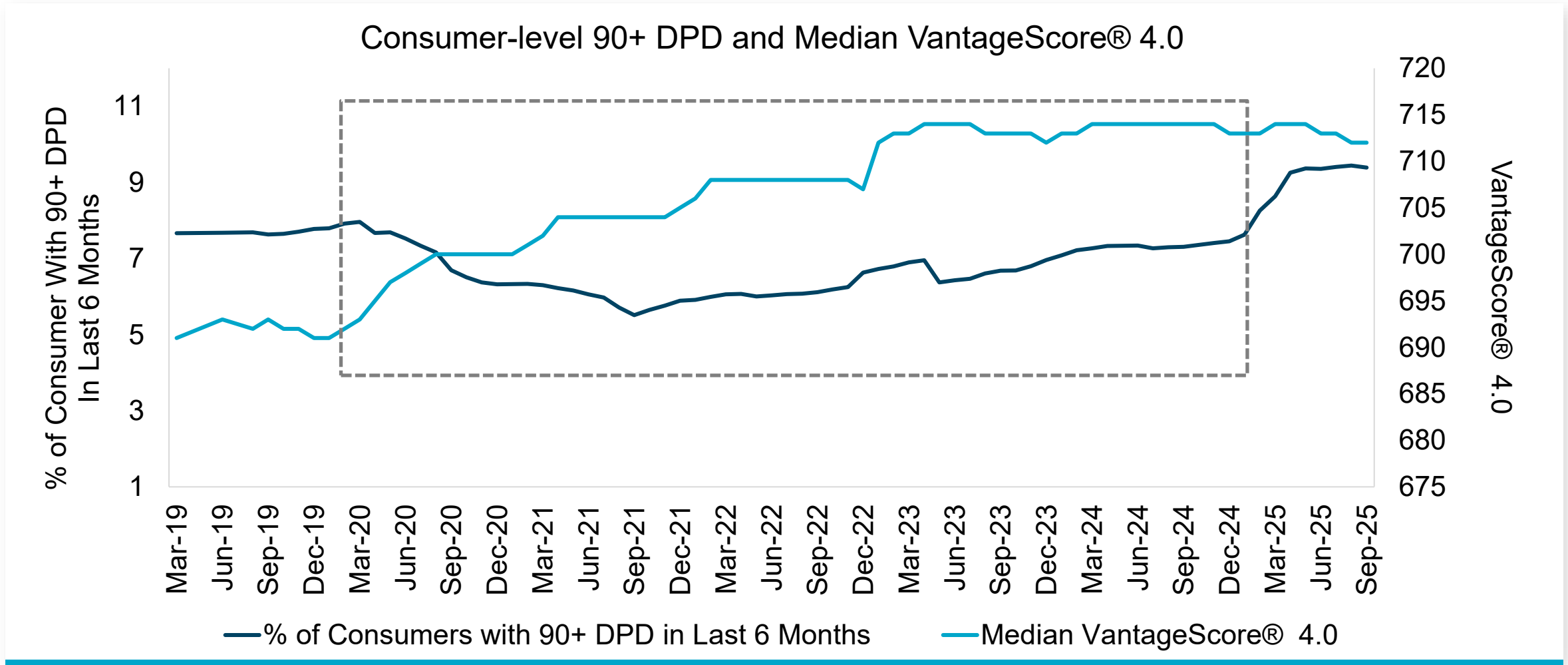
Credit scores initially climbed as accommodations surged in 2020



Credit scores rose as stimulus checks helped consumers cut debt and reduce utilization between April 2020–Nov 2021



Pandemic-era government support also helped lower delinquencies — which stayed low through Dec 2024



Medical debt removal in 2023 also influenced credit score trends



June 2022

All medical collection debt that had been paid off was no longer included in the consumer credit report

The time period before unpaid medical collection debt appears was increased from six months to one year



Jan 2023

VantageScore® removed all medical collections from score calculation



April 2023

Bureaus announced the removal of medical collections under \$500 from consumer credit reports

As of April 2023, 26 million US consumers had at least one impacted medical collection





Medical collections removal drove a 14-point median increase for impacted consumers, while overall scores rose by only 1 point

Median VantageScore® 4.0 Change From Dec 2022–March 2023 (After Medical Collection Removals)

	% Population	Median score as of March 2023	Median score change
Consumers with medical collections removed	10%	611	+14
Consumers without medical collections removed	90%	750	+3
Total	100%	713	+1



Multiple factors led to positive movements in consumers' credit scores during the pandemic

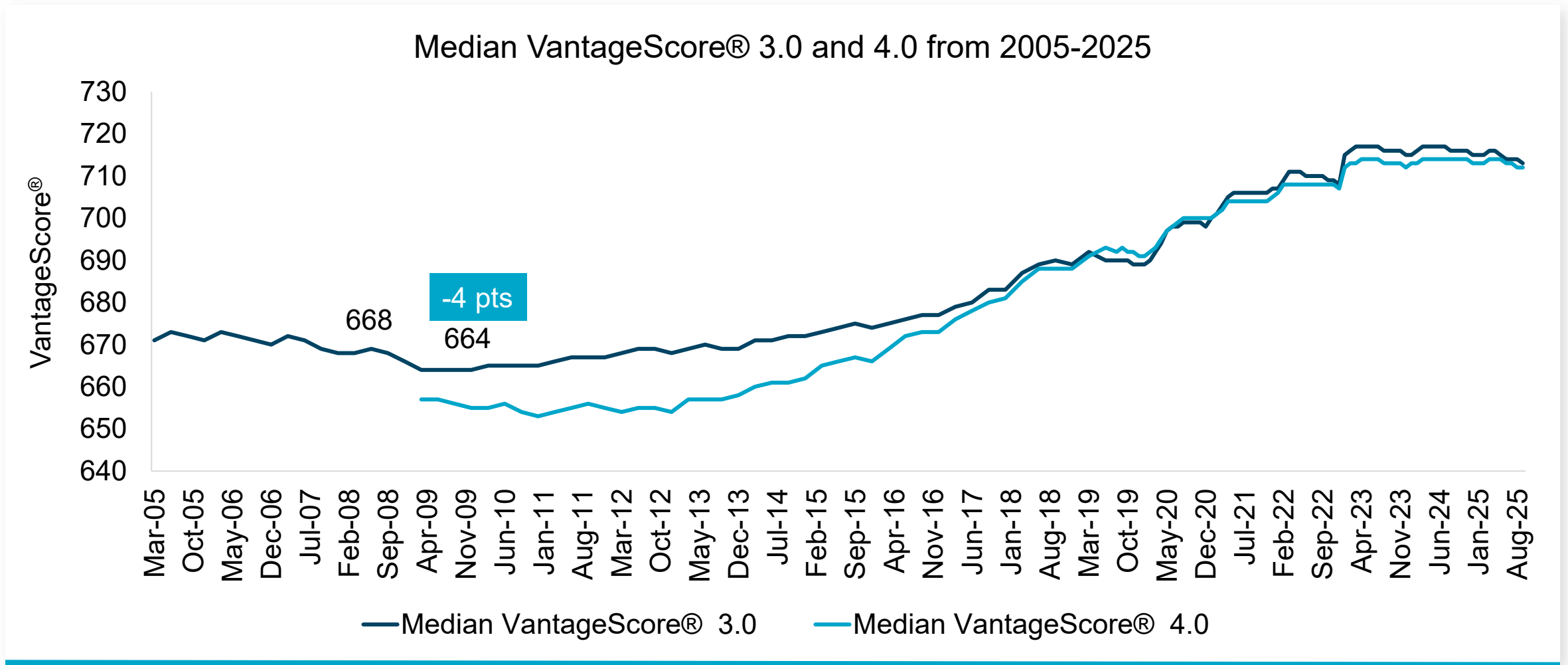
Factors	Pandemic 2020–2022	Impact on scores
Pandemic period accommodations	No delinquencies reported	
Consumer-level 90+ day past delinquencies	Low	
Consumer-level credit card utilization	Utilization % decreased	
Removal of medical collections	Beginning of removal	





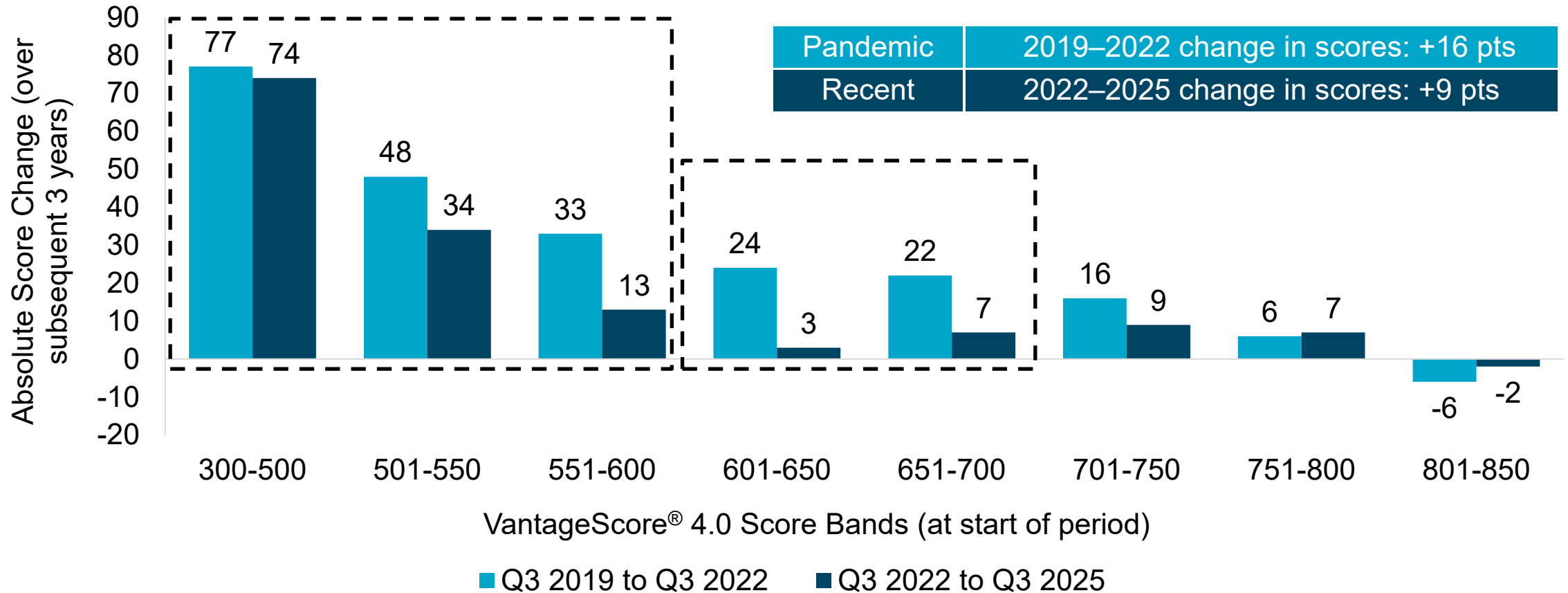
Are scores coming back
down?

Median credit scores decreased slowly even in extraordinary times like the Great Recession

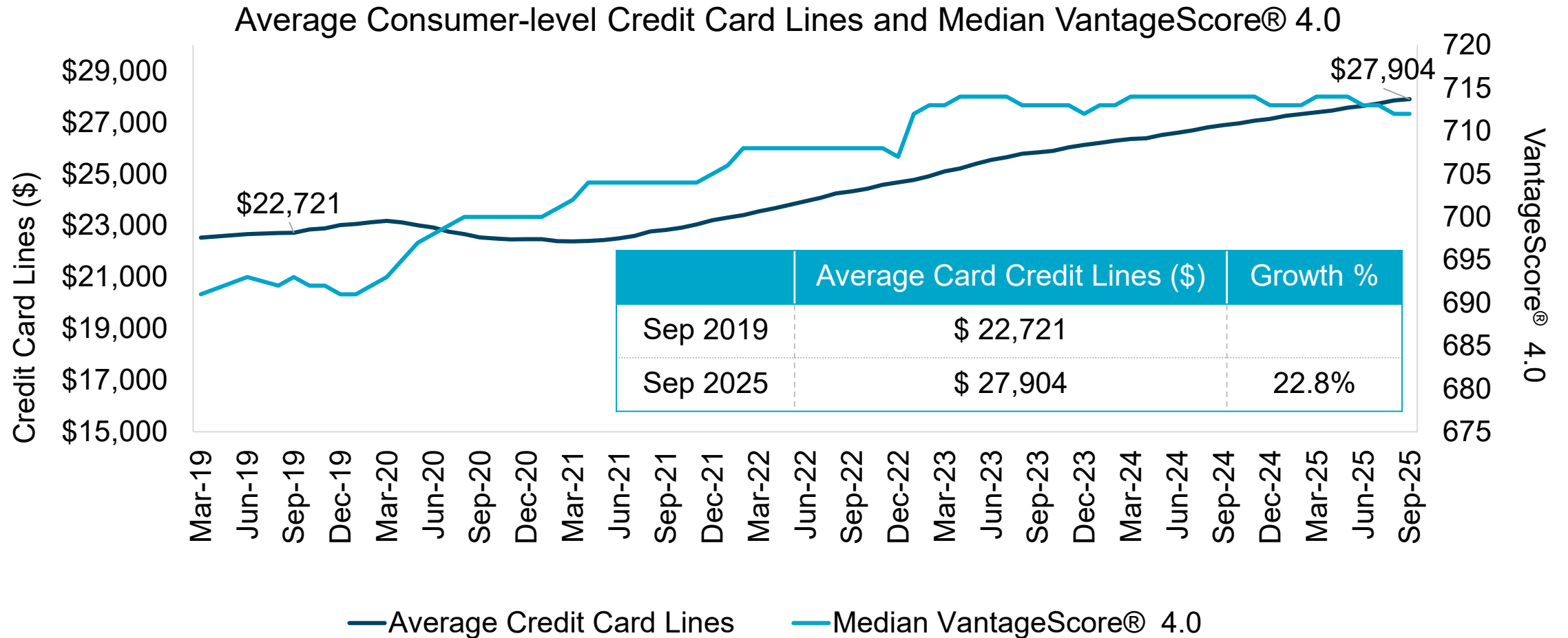


Consumers credit scores surged during the pandemic but have since leveled off

Change in Median VantageScore® 4.0 by Score Band

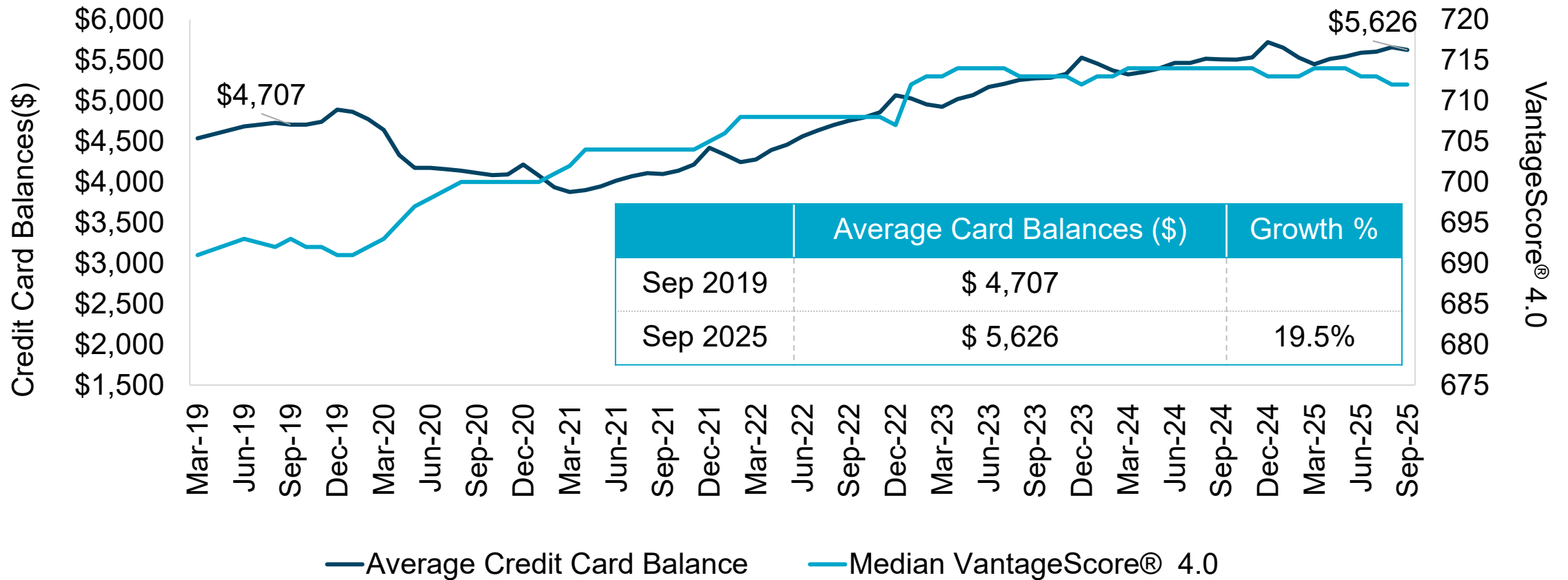


Consumer credit lines have grown 23% since pre-pandemic, helping boost scores and maintain elevated levels

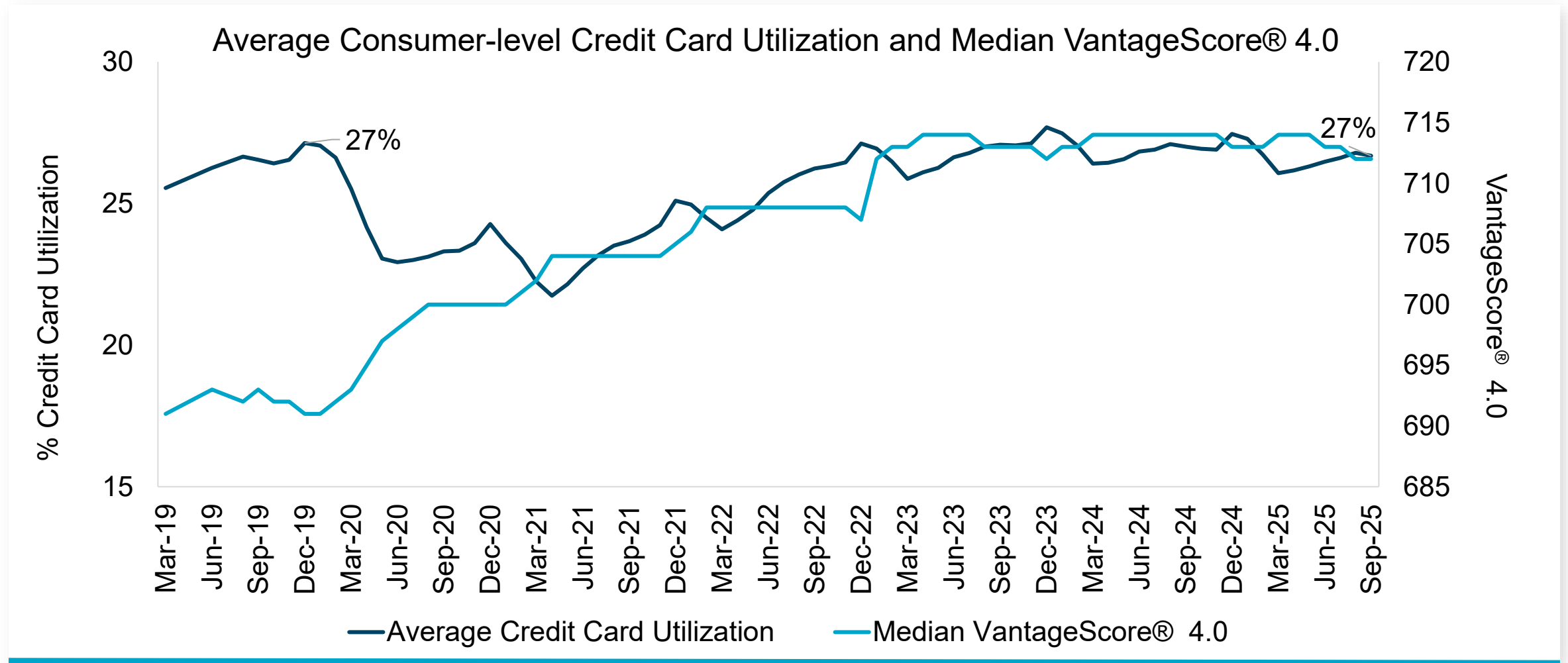


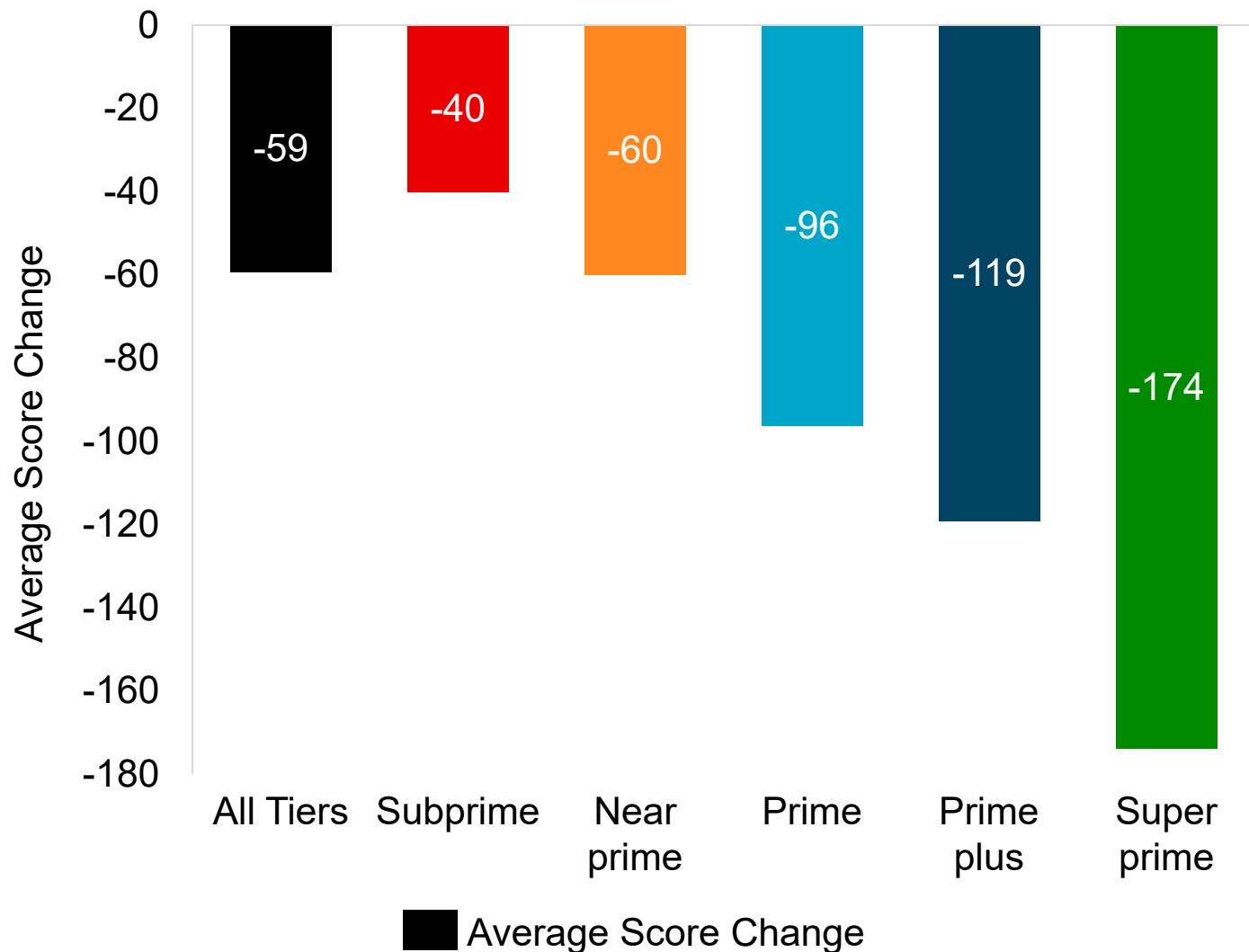
Consumer balances have also risen 20%, growing more slowly than credit lines

Average Consumer-level Credit Card Balances and Median VantageScore® 4.0



Consumer utilization has remained stable and low, preventing significant declines in credit scores





Consumers with delinquent student loans saw score declines, contributing to an overall drop in credit scores

*Based on new delinquencies between Dec 2024–Sep 2025


VantageScore® 4.0 risk ranges:
Subprime = 300–600, Near prime = 601–660, Prime = 661–720, Prime plus = 721–780, Super prime = 781+



After pandemic-driven growth, credit scores are beginning to level off and decrease

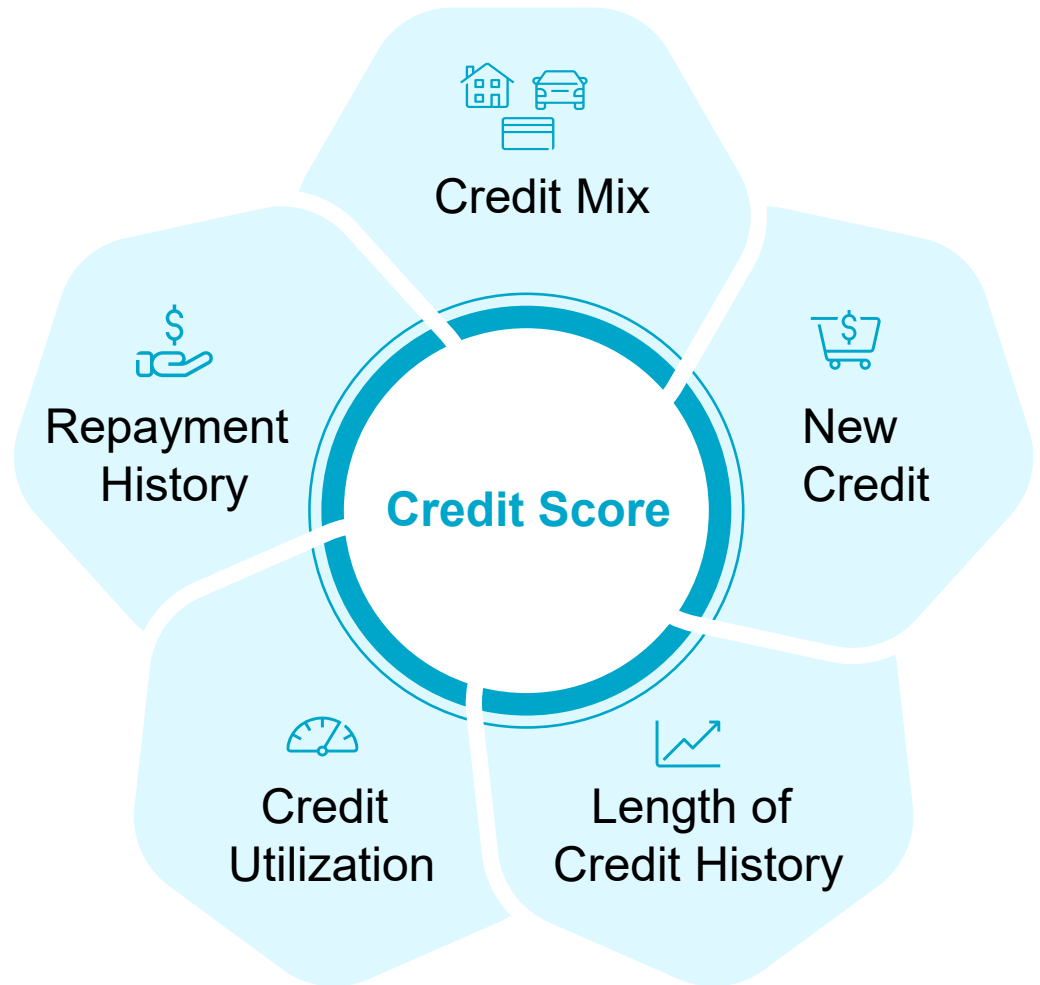
Factors	Pandemic 2020–2022	Impact on scores	Post-pandemic 2022 onward	Impact on scores
Pandemic period accommodations	No delinquencies reported	↑	Accommodations ended	—
Consumer-level 90+ day past delinquencies	Low	↑	Returning	↓
Credit card utilization	Utilization % decreased	↑	Utilization % at pre-pandemic	—
Student loan delinquencies	Not reported	↑	First reported Jan 2025	↓







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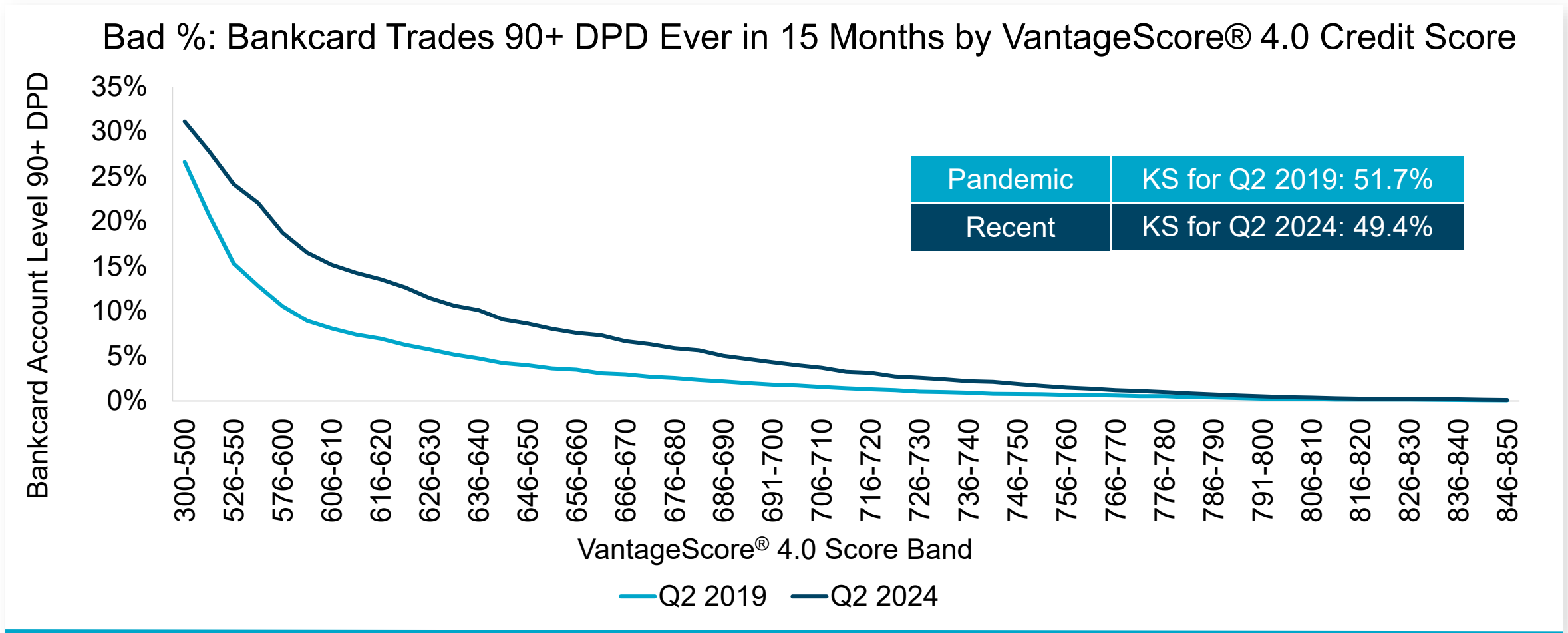
Given shifts in data and
consumer dynamics, are
scores still predictive?

Credit scores assess consumers' creditworthiness and provide a consistent ranking of risk



-  Rank ordering
-  KS/Gini coefficient
-  AUC
-  Lift/gain charts

Credit scores have consistently rank-ordered risk, but the Q2 2024 cohort exhibited elevated risk



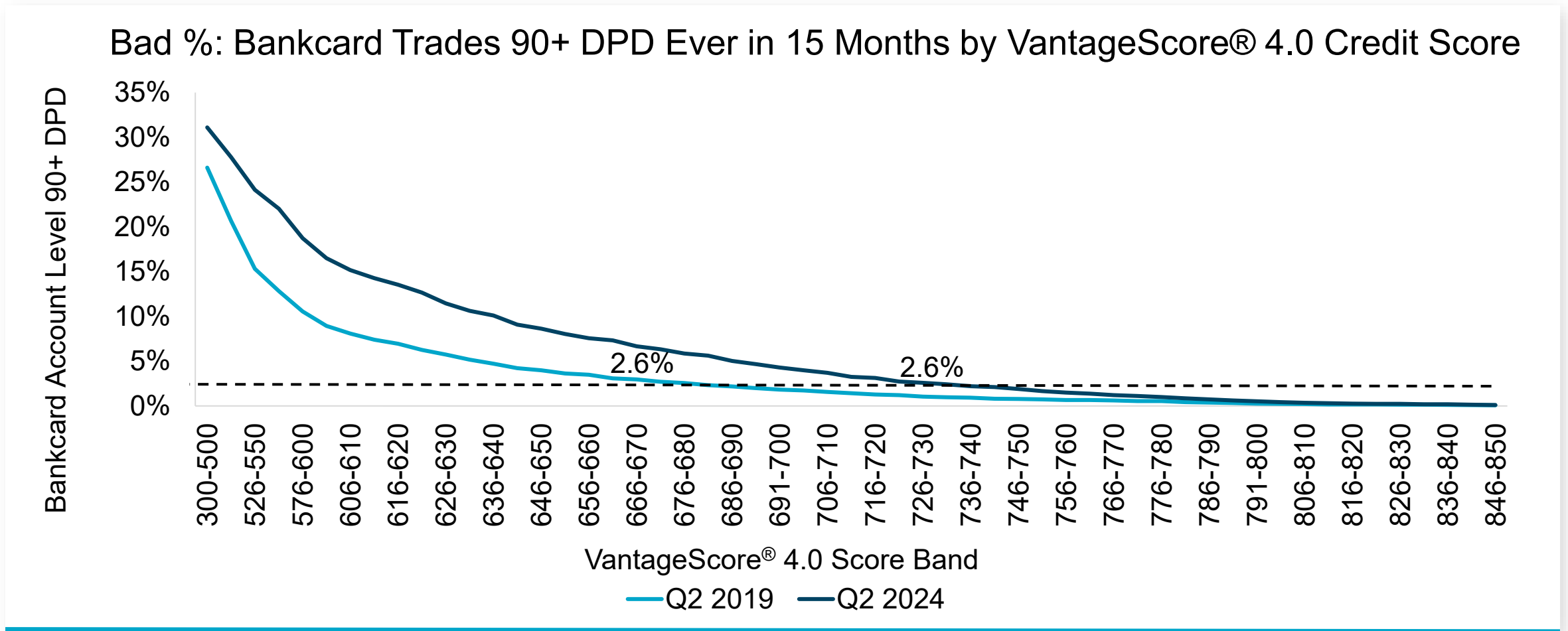
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How do we manage
consumer credit risk when
their scores are changing?

A 730 scorer from the 2024 cohort behaves like a 675 scorer from the 2019 cohort over 15 months of payment performance



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An advanced segmentation model was built to identify distinct risk segments in bankcard originations

Segmentation Model



TruVision™ trended credit attributes at origination

Decision tree model

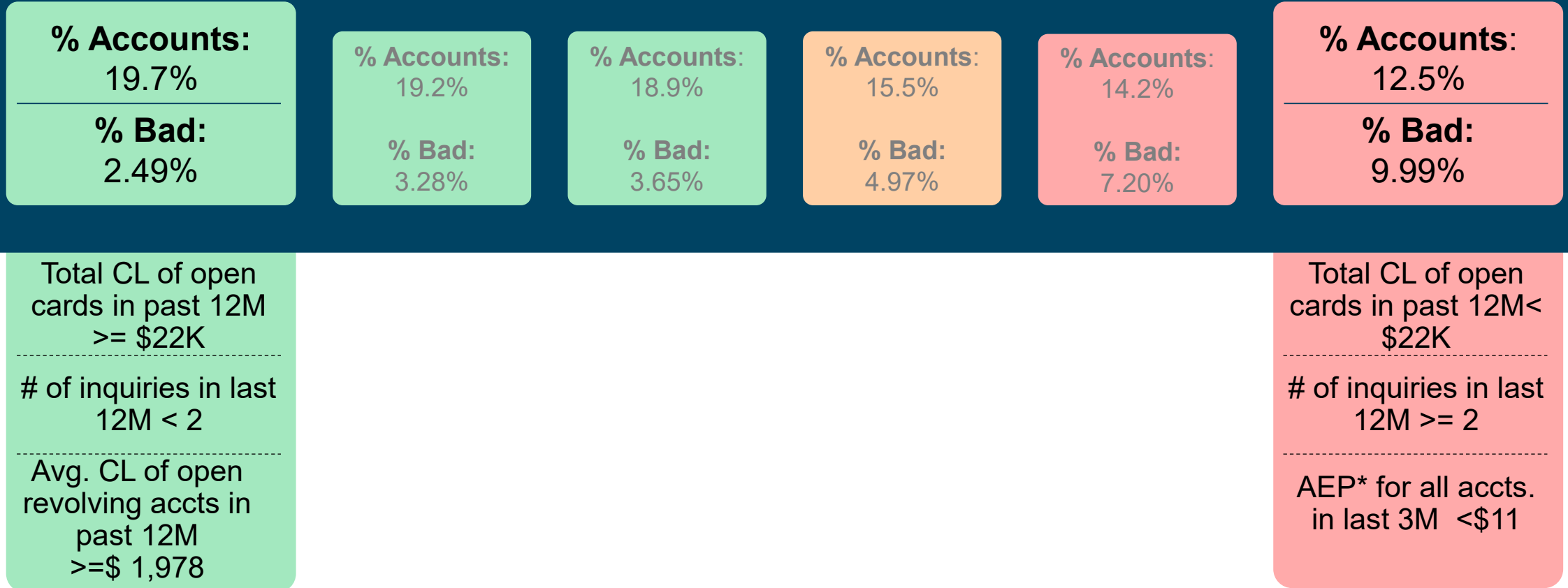
Target: 90+ DPD in first 15 months

Population: Q2 2024 **prime** bankcard originations



The segmentation model empowers identification of TruVision attributes that achieve better separation of goods and bads

Overall % 90+ DPD of Prime Card Originations : 4.85%



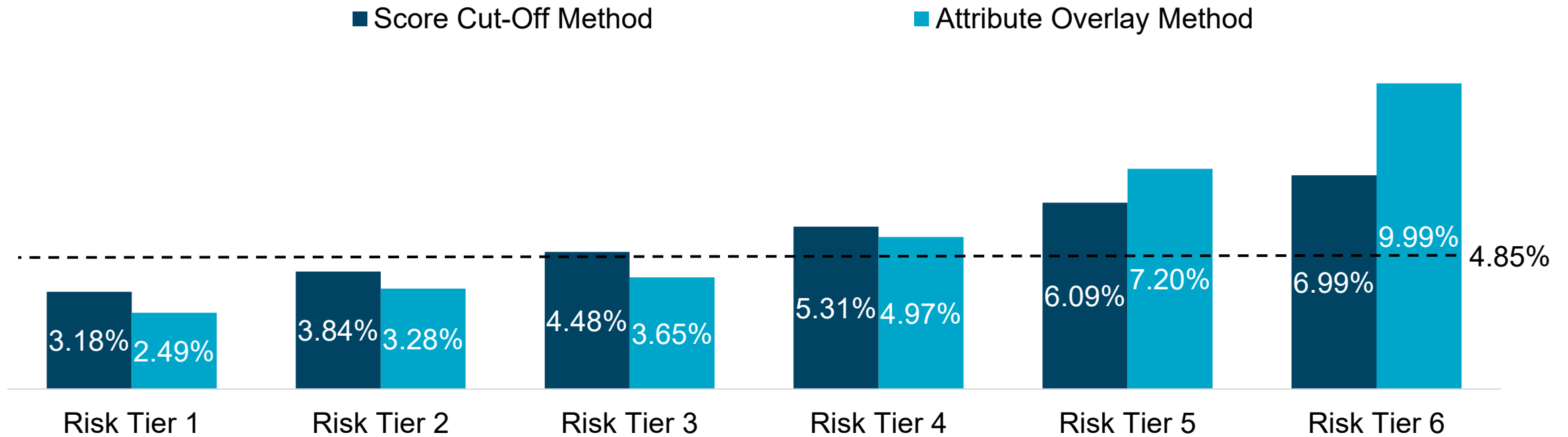
VantageScore® 4.0 risk ranges: Prime = 661–720

*AEP or aggregate excess payment is utilized to measure how much in addition or 'excess' payments a customer is making beyond their minimum dues



Attribute overlay methodology delivers greater risk differentiation for enhanced strategy execution

Prime Bankcard Bad Rate Comparison:
Pre- and Post-Attribute Overlay Method 15-Month View



VantageScore® 4.0 risk ranges: Prime = 661–720



Summary



Scores **rose** during the pandemic due to **accommodations**, subsequent decrease in delinquencies and utilization, medical debt removal, and student loan repayment pause



With resumed **student loan** reporting, **delinquencies** and **utilization increasing**, scores began **drifting downward**



Since bad rates shift over time, lenders may **re-align scores** based on changes in bad rates; apply **credit attribute overlay** as best practices to manage risk



Thank You!

