2024 VANTAGESCORE®

MARKET STUDY REPORT

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Charles River Associates, Financial Economics
Dr. Marsha J. Courchane, VP & Practice Leader
Dr. Adam H. Gailey, Principal
Mr. Stuart Fronk, Associate

Table of Contents

1.   Executive Summary

VantageScore Solutions, LLC ("VantageScore")® engaged Charles River Associates ("CRA") to provide a comprehensive analysis of VantageScore credit scores market adoption for 2023. This report summarizes the findings.

    A.   <u>VantageScore Credit Score Usage Increased 42.0% in 2023.</u>

Overall, VantageScore credit score usage grew 42.0% in 2023, from around 19 billion uses in 2022 to just over 27 billion uses in 2023.

    B.   <u>Usage by Financial Institutions Grew by 45.6% in 2023, to almost 13 billion in 2023.</u>

Financial Institutions ("FIs"), including banks, had a growth rate of 45.6% in 2023. Among these FIs, auto lenders grew 34.3%, while credit card issuers grew 172.2%.

    C.   <u>Usage Increased for Non-Financial Institutions by 38.8% in 2023.</u>

Major sub-categories of non-Financial Institutions ("non-FIs") also demonstrated growth, with a government entity growth rate of 62.6%, while the 'Other' non-financial institutions category grew 147.4%.

2.   Introduction

VantageScore Solutions, LLC ("VantageScore") requested that Charles River Associates ("CRA") gather objective and unique market information regarding the use of VantageScore® credit scores from the three major credit reporting companies ("CRCs") operating across the United States (Equifax, Experian, and TransUnion). These three CRCs are the owners of VantageScore, and voluntarily and independently provided their data to CRA. The data from each CRC was kept confidential from the other CRCs and from VantageScore.

The current study includes the provision of data for 2023 H1 and 2023 H2. In the previous study, data was provided for four time periods: the first and second half of 2021 and the first and second half of 2022 (2021 H1, 2021 H2, 2022 H1, and 2022 H2).

VantageScore's mission is to be the leading credit modeling company delivering the most predictive, most innovative, and most inclusive tri-bureau models and attributes in the US market. The company builds its credit models and attributes primarily based on data provided by Transunion, Experian, and Equifax. VantageScore credit scoring models generate credit scores for consumers who may have otherwise been underserved by traditional credit scoring models, including borrowers with no tradelines, a young history of credit, or dormant credit. VantageScore has found that newly scoreable populations include minority borrowers, those from low-income or low homeownership geographies, and those with limited access to physical bank branches.

Credit scores are used by the financial institutions detailed below for a range of credit decisions, including pre-screening, credit approval (underwriting), loan pricing, and line assignments. Some financial institutions develop internal credit scoring models used in conjunction with VantageScore® credit scores and/or other scores, such as those developed individually by the CRCs.

The use of credit scores has expanded beyond financial institutions to many other types of non-financial institutions, including employers, insurance companies, licensing agencies, and others.
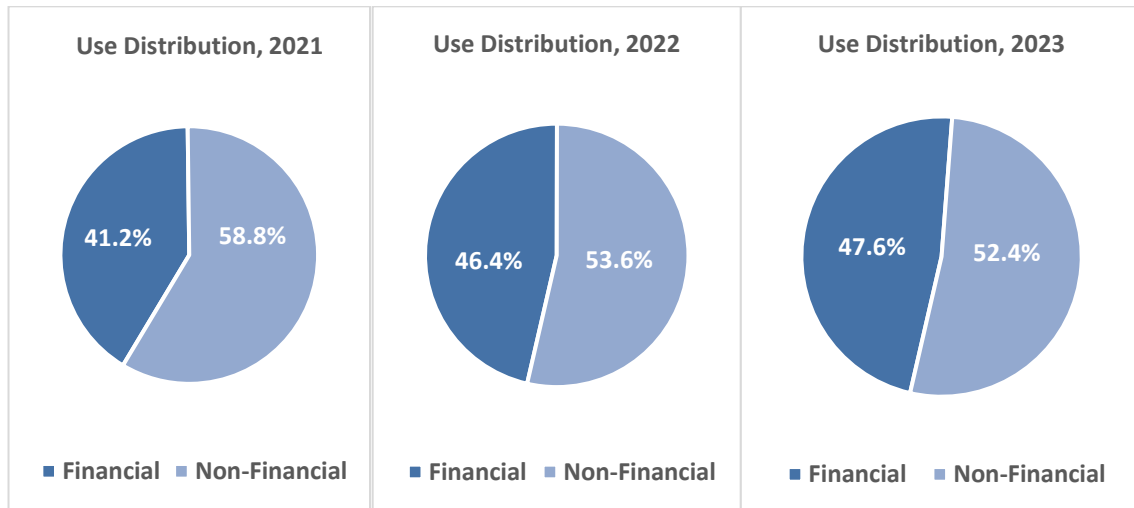
This report focuses especially on the use of VantageScore® credit scores.

3.   Scope of Assignment

CRA requested data across two types of institutions: financial institutions and non-financial institutions. Financial institutions consist of auto lenders, banks and thrifts, consumer and personal loan companies, credit card issuers, credit unions, and mortgage originators. Non-financial institutions consist of consumer websites, government entities, tenant screening,

telecommunications providers ("telcos"), utilities, and all other institutions. For all these institutions, CRA requested information for VantageScore credit score use. Changes in usage over time, by institution type, are shown here.

Chart 1 – Use Distribution, 2021, 2022, and 2023

Use Distribution, 2021	Use Distribution, 2022	Use Distribution, 2023
41.2% Financial / 58.8% Non-Financial	46.4% Financial / 53.6% Non-Financial	47.6% Financial / 52.4% Non-Financial

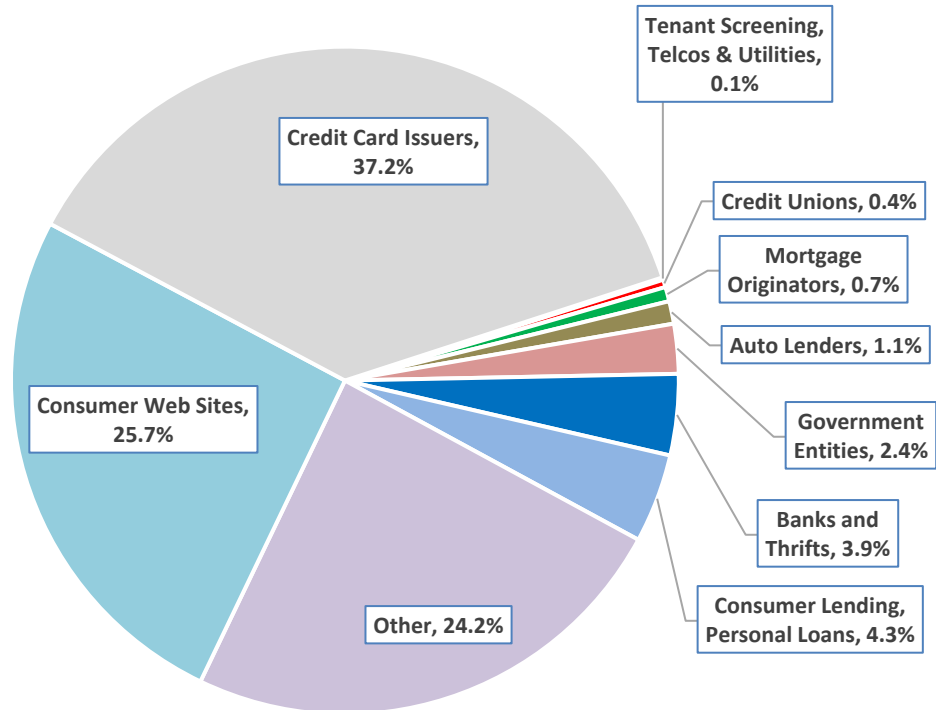## 4.   Summary of Results – Year-over-Year Changes

Key findings

- Overall, VantageScore credit score use increased 42.0% from 2022 to 2023, from 19.049 billion to 27.049 billion.

- Financial institution usage increased by 45.6% from 2022 to 2023, from 8.842 billion to 12.877 billion.

- Non-financial institution usage increased 38.8% from 2022 to 2023, from 10.207 billion to 14.171 billion.

- Financial institutions comprised 47.6% and non-financial institutions comprised 52.4% of the total VantageScore credit score usage in 2023, compared to shares of 41.2% and 58.8% in 2021 and 46.4% and 53.6% in 2022, respectively.

- VantageScore credit scores continue to be used across every institution type, with several users seeing measurable growth.[1] Among financial institution uses, we observe declines in the use of VantageScore credit scores for credit unions, consumer lending, and mortgage originations. The declines in consumer lending and mortgage originations may well reflect the market responses to substantive increases in interest rates over the past two years. Among non-financial institution uses, we observe declines for the tenant screening, telcos and utilities group.

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[1] In addition to the volume data, the CRCs reported that 28 asset managers and non-bank investors used VantageScore credit scores in 2023, a growth of 11 from the previous count of 17 in 2022.

Table 1 VantageScore Market Analysis, 2023 VantageScore Credit Score Use by User Type							
	2021		**2022**		**2023**		**Vantage Use Growth Rate (2022-2023)**
User Type	**Vantage Uses**	**% of Vantage Total**	**Vantage Uses**	**% of Vantage Total**	**Vantage Uses**	**% of Vantage Total**	
Auto Lenders	195,026,506	1.3%	220,113,643	1.2%	295,548,143	1.1%	34.3%
Banks and Thrifts	879,615,936	6.0%	998,994,266	5.2%	1,062,256,752	3.9%	6.3%
Consumer Lending, Personal Loans	1,544,662,437	10.5%	3,587,899,434	18.8%	1,164,878,701	4.3%	-67.5%
Credit Card Issuers	3,132,748,885	21.4%	3,699,175,108	19.4%	10,067,481,393	37.2%	172.2%
Credit Unions	87,053,871	0.6%	105,130,621	0.6%	98,296,001	0.4%	-6.5%
Mortgage Originators	204,125,398	1.4%	230,338,819	1.2%	188,649,739	0.7%	-18.1%
Financial Subtotal	**6,043,233,033**	**41.2%**	**8,841,651,891**	**46.4%**	**12,877,110,729**	**47.6%**	**45.6%**
Consumer Web Sites	5,380,023,641	36.7%	5,932,624,886	31.1%	6,939,346,179	25.7%	17.0%
Government Entities	397,965,677	2.7%	400,505,218	2.1%	651,379,724	2.4%	62.6%
Tenant Screening, Telcos & Utilities	135,268,483	0.9%	1,226,593,971	6.4%	31,998,307	0.1%	-97.4%
Other	2,714,212,496	18.5%	2,647,502,380	13.9%	6,548,694,484	24.2%	147.4%
Non-Financial Subtotal	**8,627,470,297**	**58.8%**	**10,207,226,455**	**53.6%**	**14,171,418,694**	**52.4%**	**38.8%**
Overall Total	**14,670,703,330**	**100.0%**	**19,048,878,346**	**100.0%**	**27,048,529,423**	**100.0%**	**42.0%**

Use Distribution by User Type, 2023

- Credit Card Issuers, 37.2%
- Tenant Screening, Telcos & Utilities, 0.1%
- Credit Unions, 0.4%
- Mortgage Originators, 0.7%
- Auto Lenders, 1.1%
- Government Entities, 2.4%
- Banks and Thrifts, 3.9%
- Consumer Lending, Personal Loans, 4.3%
- Other, 24.2%
- Consumer Web Sites, 25.7%

4.1. Results: Financial Institutions

Overall, 2,075 FIs used a total of 12.877 billion VantageScore credit scores in 2023.

4.1.1. Banks and Thrifts

Banks and thrifts saw growth of 6.3% in overall VantageScore credit score use year-over-year, rising from 999 million to 1,062 million scores used from 2022 to 2023. As a share of total VantageScore credit score uses, Banks and Thrifts declined from a share of 5.2% of uses in 2022 to 3.9% of uses in 2023. The usage is more concentrated among the top 10 banks and thrifts (by assets)[2], which went from using 5.9% of the bank and thrift volume in 2022 to 38.1% in 2023.

4.1.2. Credit Card Issuers

Overall use by credit card issuers increased 172.2% year-over-year, from 3.699 billion in 2022 to 10.067 billion in 2023. The top five credit card users (by purchase volume) share of the total usage of credit card issuers was down from 0.5% in 2022 to 0.1% in 2023.

4.1.3. Consumer and Personal Loan Companies (including Fintech Lenders)

Consumer and personal lenders used VantageScore credit scores at lower rates in 2023 than 2022. Their overall use dropped from 3.588 billion in 2022 to 1.165 billion in 2023, resulting in a growth rate of -67.5%.

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[2] For institution types (*e.g.*, banks and thrifts) where we could identify the top 100 in size (see Appendix A), the measures of the top users of VantageScore credit scores are among the top 100 FIs by size of institution per Appendix A.

4.1.4. Auto Lenders

Use of VantageScore credit scores by auto lenders increased by 34.3% year-over-year, from 220 million in 2022 to 296 million in 2023. Although this user group grew overall, auto lenders still had a relatively low share of total VantageScore credit score use, at just 1.1%.

Within the auto lender user type, banks and credit unions accounted for 49.6% of usage by the top 100 auto lender users in 2023, with a -4.8% year-over-year growth rate. Specialty finance companies were the second highest category of auto lenders users, with 33.0% of the top 100 auto lender users. Captive finance companies consisted of the last 17.4% and were the only category with year-over-year growth, rising 28.2%.

4.1.5. Credit Unions

Credit union use declined in 2023, with a -6.5% drop year-over-year.   The concentration of VantageScore credit score use among the top 10 credit union users (by total assets) declined year-over-year, from 31.8% to 13.3%.

4.1.6. Mortgage Originators

Usage by mortgage originators declined, with a growth rate of -18.1% year-over-year, from 230 million uses in 2022 to 189 million in 2023. Concentration in this user type was up in 2023, with the share of uses by the top five mortgage originator users rising from 14.5% to 15.7% in 2023.

4.2.   Results: Non-Financial Institutions

The usage by non-financial institutions increased 38.8% year-over-year. Overall, 1,405 non-financial institutions used a total of 14.171 billion VantageScore credit scores in 2023.

4.2.1. Tenant Screening, Telcos, and Utilities

Tenant screening, telcos, and utilities usage fell -97.4% year-over-year. This decline was nearly entirely due to declines in use by the top five institutions ranked by VantageScore credit score

usage, which dropped from 1.217 billion in 2022 to 22 million in 2023[3]. The share of usage by the top five users fell from 99.2% in 2022 to 68.7% to 2023.

4.2.2. Government Entities

VantageScore credit score use by government entities was one of the fastest growing user types in 2023, growing 62.6% year-over-year. The top five government entities comprised more than 98.6% of all VantageScore credit score uses by government entities.

4.2.3. Consumer Websites

The share of uses by consumer websites decreased from 31.1% in 2022 to 25.7% in 2023. The year-over-year growth rate was 17.0% in 2023 as the number of uses rose from 5.933 in 2022 to 6.939 billion in 2023. The concentration of the Top 5 users was 87.3% in 2023, compared with 89.6% in 2022.

4.2.4. Other

'Other' comprised the third largest share of VantageScore credit score uses in 2023, capturing 24.2% of all the scores. Usage by 'Other' non-financial institutions grew 147.4% year-over-year, jumping from 2.648 billion to 6.549 billion. Usage among the 'Other' uses was concentrated in the top 10 users, who accounted for 87.8% of the total 'Other' VantageScore credit score uses in 2023, compared to 74.3% in 2022.

5.   Methodology

The CRCs independently provided data to Charles River Associates for the time periods of January 1, 2023 to June 30, 2023 and July 1st, 2023 – December 31st, 2023: 2023 H1 and 2023

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[3] For all concentration measures for non-financial institutions, the top 5 or 10 institutions are the top 5 or 10 users of VantageScore credit scores out of all VantageScore credit score users in this user type.

H2, respectively. The data were separated by the following user types: auto lenders, banks and thrifts, credit card issuers, credit unions, mortgage originators, consumer and personal loan companies, consumer websites, government entities, tenant screening, telcos, and utilities, and others. If it is not possible to allocate a credit score use/pull to a specific product category as defined above (e.g., auto, credit card, mortgages, consumer lending/personal loans), then the general guidance is to allocate it to "banks & thrifts" (if the user is a bank or thrift). A credit score use/pull by credit unions should be counted under the "Credit Unions" category.

6. Appendix A: Sources for Top Financial Institution Rankings

Top Credit Unions – 2023 H1

https://webapps2.ncua.gov/CustomQuery/CUSelect.aspx, downloaded 07/27/2023, based on "Total Assets" for the 03/23 cycle

Top Credit Unions- 2023 H2

https://webapps2.ncua.gov/CustomQuery/CUSelect.aspx, downloaded 01/05/2024, based on "Total Assets" for the 09/23 cycle

Top Auto Lenders

Big Wheels Auto Finance Data 2023, 2022 Rank - Total Outstandings, including Captives

Top Credit Cards – 2023 H1

Nilson - Top U.S. General Purpose Cards, 2021, P131, Purchase Volume (as of Dec. 2020)

Top Credit Cards – 2023 H2

Nilson - Top U.S. General Purpose Cards, 2022, P138, Purchase Volume (as of Dec. 2021)

Top Mortgage

Inside Mortgage Finance, 2023 Statistical Annual, 2023 MMSA Electronic Data, A Mortgage Originations\b Top Mortgage Originators\1 Top Mortgage Originators.xlsx

Top Banks / Thrifts – 2023 H1

https://banks.data.fdic.gov/bankfind-suite/financialreporting, downloaded on 07/27/2023, based on total assets using the 1st quarter 2023 reporting period

Top Banks / Thrifts – 2023 H2

https://banks.data.fdic.gov/bankfind-suite/financialreporting, downloaded on 01/05/2024, based on total assets using the 3rd quarter 2023 reporting period