Equifax wields machine learning to expand credit access

Article

The news: **Equifax** launched OneScore, a machine learning-powered credit scoring model for US lenders that uses alternative data like utility bills and subscription TV payments to measure creditworthiness, per a press release. The score can be combined with traditional credit histories and data from Equifax-owned alternative credit scoring systems **DataX** and **Teletrack**.

What this means: Card issuers can use OneScore to improve credit access while appropriately gauging risk—helping meet the growing demand for credit cards. Credit card applications rose last year despite a slowdown in overall credit applications, according to the Federal Reserve Bank of New York.

- Lenders can use OneScore to measure creditworthiness for people who may not have a traditional credit score—like younger consumers or immigrants—but are still financially sound. Many consumers have bills like rent or mobile phone plans in their name that indicate financial activity, which lenders can use to make credit decisions.

- Combining OneScore with a traditional credit history or other metrics provides a more accurate depiction of consumers' creditworthiness, especially for those who have thin credit files. This can increase their chances of obtaining better credit options: Combining OneScore with other risk scores led to **15% more subprime-labeled applicants** getting near-prime or prime credit offers, according to Equifax's research.
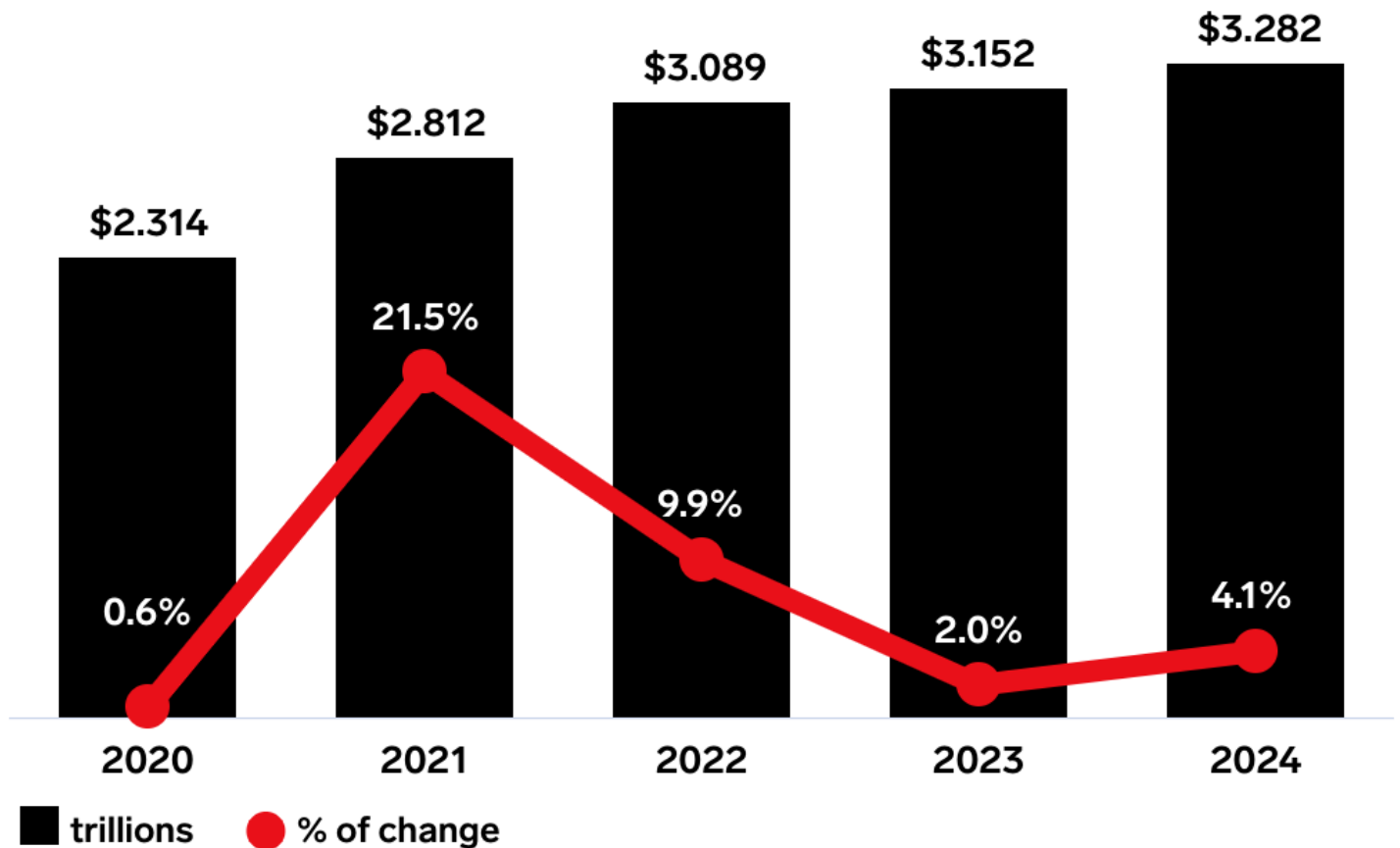
Zooming out: There's been a bigger push to improve financial inclusion in the credit system and recognize how financially diverse US consumers are. Many consumers break the one-size-fits-all mold that the traditional credit scoring system was built on decades ago.

- Major US banks are participating in the government-backed Project REACh, which aims to extend credit to consumers without credit scores and improve credit access for small businesses with minority, women, or veteran owners.

- Fintechs, banks, and credit bureaus have used consumer data from open banking to make more informed credit decisions and develop new credit solutions.

- And as generative AI gains steam, we believe issuers could use the tech to improve credit scoring models and identify potential lending risks.

Equifax's offering can help card issuers gain more visibility into consumers' financial habits to make more informed credit decisions and expand their pool of cardholders, which can help drive financial inclusion.

Total Credit Card Transaction Value
US, 2020-2024

$2.314 — 2020 — 0.6%
$2.812 — 2021 — 21.5%
$3.089 — 2022 — 9.9%
$3.152 — 2023 — 2.0%
$3.282 — 2024 — 4.1%

■ trillions   ● % of change

Note: includes point-of-sale (POS) transactions made in-store and over the internet using credit cards; includes food services and drinking places sales; includes sales tax; excludes travel and event tickets, payments (such as bill pay, taxes, or money transfers), mail orders, gambling, and other vice goods sales; includes desktop/laptop, mobile and tablet purchases
Source: eMarketer, August 2022

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