Scoring
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EXECUTIVE BRIEF

Average US FICO® Score Ticks Up to 706

By Ethan Dornhelm

FICO® SCORE

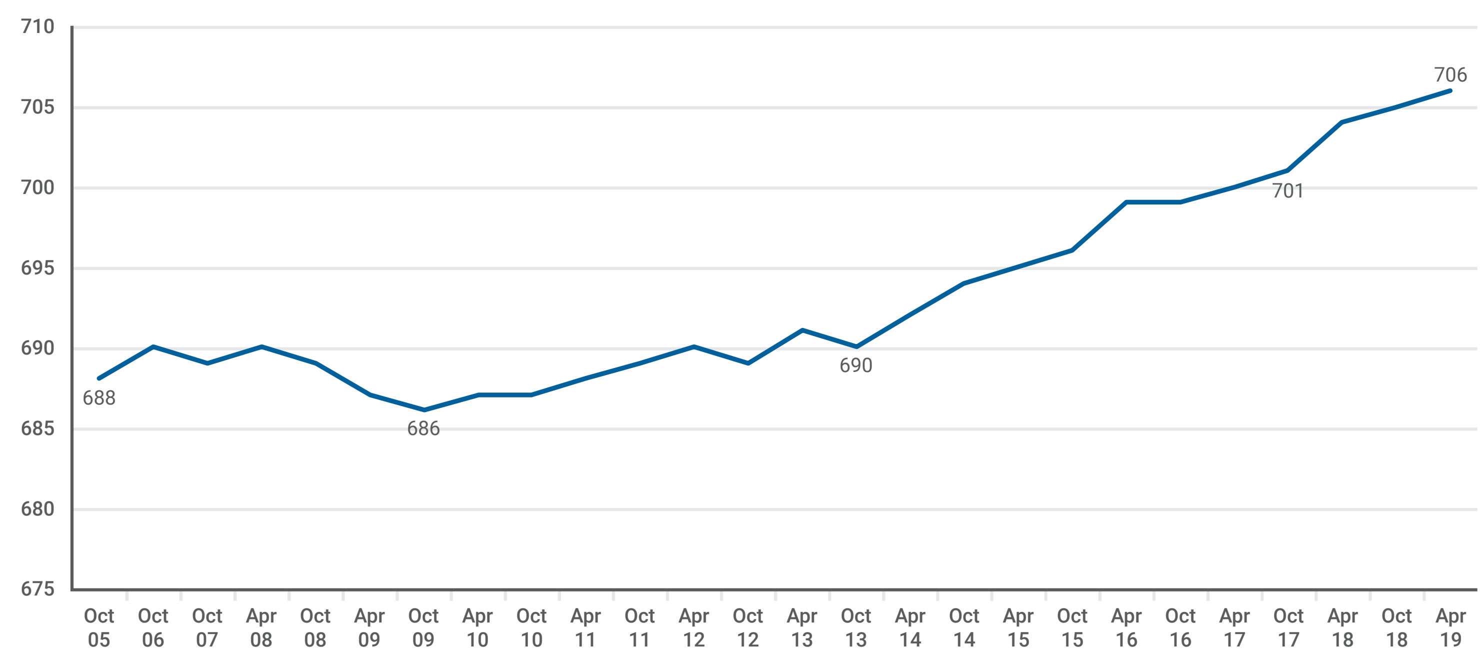
The latest data is in, and the average US FICO® Score now sits at 706. Since bottoming out at 686 in Oct 2009, there have been nine consecutive years of increases in the national average FICO Score.

The key driver of this trend is the improved consumer financial health that has resulted from the steady economic growth that the US has experienced since the Great Recession. But there are likely several other important factors pushing US consumers' scores upwards as well.

There has been increased consumer awareness around FICO® Scores and credit education. Programs such as FICO® Score Open Access provide over 300 million consumer accounts free access to the FICO Score. A recent article pointed out a study by economists at Yale, NYU, and the University of Chicago, which found that borrowers who are shown their FICO Scores are more likely to adopt better credit habits and improve their scores.

Negative credit information is being removed from credit files. As covered here, consumers who suffered financial misfortune during the Great Recession have over the past few years had the associated missed payments from that time period purged from their credit file, in accordance with the Fair Credit Reporting Act. In addition, the Fed has highlighted that consumer credit scores in the lower score ranges may have benefitted over the past several years from efforts by the Consumer Reporting Agencies to refine collection reporting practices on consumer files.

Figure 1. National Average FICO® Score Has Steadily Risen Over Past Decade



Average FICO® Score									
October 2005	688	October 2009	686	April 2012	690	October 2014	694	April 2017	700
October 2006	690	April 2010	687	October 2012	689	April 2015	695	October 2017	701
October 2007	689	October 2010	687	April 2013	691	October 2015	696	April 2018	704
April 2008	690	April 2011	688	October 2013	690	April 2016	699	October 2018	705
October 2008	689	October 2011	689	April 2014	692	October 2016	699	April 2019	706
April 2009	687								

FICO® SCORE

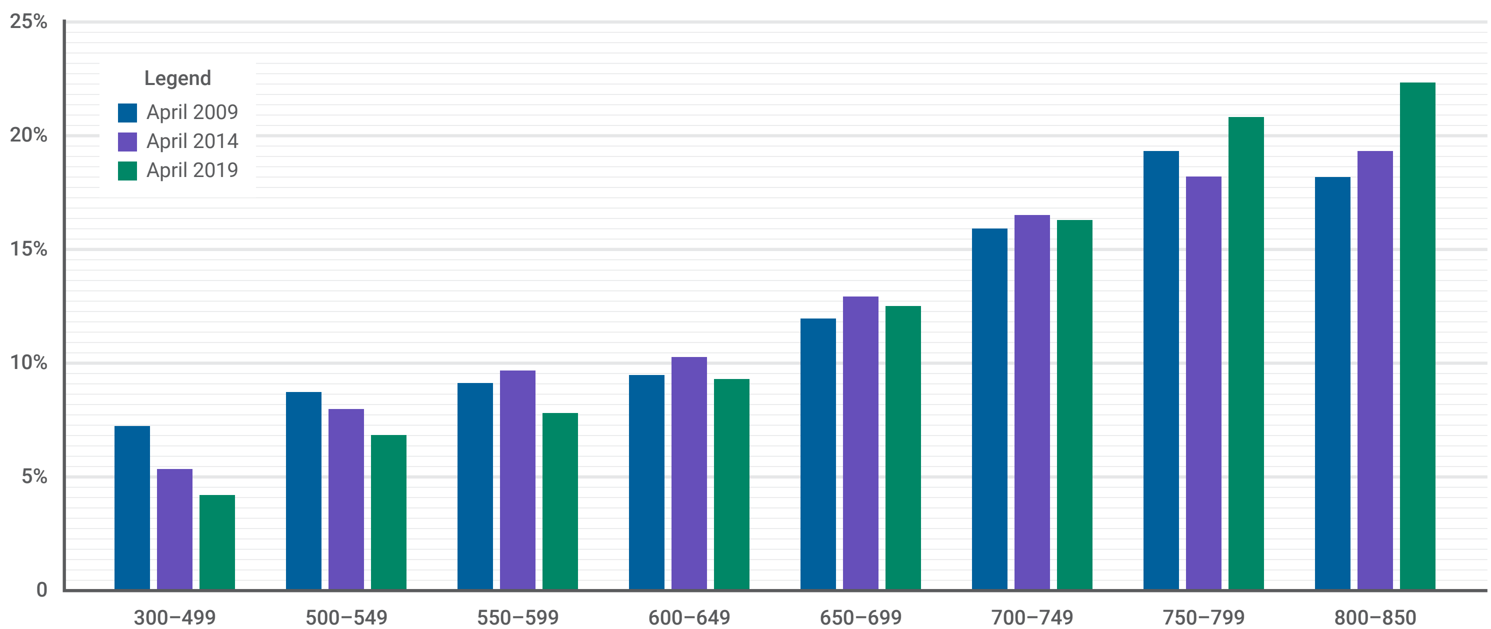
As a result of these developments, consumer credit profiles and financial health have shown significant improvement since bottoming out in 2009.

The improvement in FICO® Scores is readily apparent when examining score distribution data over the past 10 years.

As shown in figure 2, the percentage of US consumers scoring in the lowest score ranges (e.g., <550) has dropped by almost one-third, from 16% in April 2009 to 11.1% in April 2019. Meanwhile, the number of consumers scoring in the super-prime range of 800+ has increased from 18.2% to 22.3% over the same period.

An analysis comparing key drivers of the FICO® Score (not to mention important consumer financial metrics) for the FICO Scorable population reveals just how substantial the improvement over the past decade has been.

Figure 2. FICO® Score 8 Distribution



FICO® Score Distribution Over Time
Percent of Population

	April 2005	April 2006	April 2007	April 2008	April 2009	April 2010	April 2011	April 2012	April 2013	April 2014	April 2015	April 2016	April 2017	April 2018	April 2019
300–499	6.8	6.2	6.3	7.2	7.3	6.9	6.3	5.7	5.6	5.4	4.9	4.6	4.7	4.2	4.3
500–549	8.1	8.0	7.9	8.2	8.7	9.0	8.7	8.5	8.4	8.1	7.6	7.1	6.8	6.8	6.8
550–599	8.7	8.9	8.9	8.7	9.1	9.6	9.9	10.0	9.9	9.6	9.4	9.0	8.5	8.1	7.8
600–649	10.0	10.2	10.1	9.6	9.5	9.5	9.8	10.1	10.1	10.2	10.3	10.3	10.0	9.6	9.3
650–699	13.1	12.8	12.5	12.0	12.0	11.9	12.1	12.2	12.2	12.8	13.0	13.3	13.2	13.0	12.5
700–749	16.5	16.5	16.1	16.0	15.9	15.7	15.5	16.0	16.3	16.4	16.6	16.9	17.1	16.2	16.2
750–799	20.4	20.0	19.9	19.6	19.3	19.5	19.6	19.0	18.9	18.2	18.2	18.5	19	20.2	20.7
800–850	16.2	17.4	18.2	18.7	18.2	17.9	18.1	18.5	18.5	19.3	19.9	20.4	20.7	21.8	22.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

FICO® SCORE

Figure 3. FICO® Scorable Population Shows Significant Improvement in Key Credit Metrics Over Past Decade

Credit Dimension	Credit Metric	as of: April 2009	as of: April 2019	Relative % Difference
Payment History	% of population 30+ Days Past Due in Last Year	25.2	19.7	**-22%**
Payment History	% of population 90+ Days Past Due on Auto Finance Loans in Last 2 Years	6.5	5.6	**-14%**
Payment History	% of population 90+ Days Past Due on Bankcards in Last 2 Years	12.9	8.6	**-33%**
Payment History	% of population 90+ Days Past Due on Real Estate Loans in Last 2 Years	7.2	2.8	**-62%**
Amounts Owed	Average Credit Card Utilization	46.4	33.5	**-28%**
Amounts Owed	Average Credit Card Balances	$6,947	$6,595	**-5%**
Length of Credit History	Average age of oldest trade	204	222	**9%**
New Credit	% of population with 1+ inquiries in the past year	47.8	41.0	**-14%**

Account-level delinquencies down double-digit percentages, substantially lower credit card utilization, lengthier credit histories, and less credit-seeking activity — it is no surprise that we've seen such a major improvement in the national average FICO® Score over the past decade!

Score Improvement, Not Score Inflation

Significant improvement in the overall population's credit profile has been the key driver of the 20-point increase in national average FICO® Score over the past decade. These improvements are reflective of improving consumer financial health, as would be expected during a period of economic expansion.

We should also not overlook the role that the growth in consumer financial education programs, as well as refined practices by the Consumer Reporting Agencies pertaining to the reporting of collections and public records, have played.

As touched on here, some observers have raised questions about whether the increase in FICO® Scores over the past decade is primarily a case of score inflation: We respond with an emphatic no. The increase in national average FICO Score is the result of clear improvement in the underlying credit profiles of US consumers, across many of the key aspects of the credit file that are considered by the FICO Score.

The average FICO® Score will continue to change, but in what direction? Recent origination vintages have started to display modest increases in defaults. Trade talks with China, the possibility of a No-Deal Brexit, and Fed interest rate decisions loom large as concerns of a recession persist. While the average FICO Score and the relationship between the FICO Score and repayment odds continues to shift[1], prudent lenders and investors who leverage the full breadth of information available to them as they assess borrower credit risk are well positioned to navigate the road ahead.

1 "Risk in Bankcard Originations on the Rise," https://www.fico.com/blogs/risk-compliance/u-s-credit-scoring-trends-to-watch-in-2019/

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