THOUGHT LEADERSHIP BRIEF

Opening the Door to Homeownership

How VantageScore 4.0 Expands the Mortgage-Ready Population — From First-Time Buyers to Borrowers Re-Entering the Market

Millions of creditworthy consumers are invisible to the credit scoring models most mortgage lenders still rely on — not because they are high risk, but because legacy models were never built to see them. New research from VantageScore puts a number on that blind spot, and it is far broader than any single generation.

A Market Leaving Millions of Creditworthy Borrowers Behind

The affordability squeeze on younger buyers is well documented: the first-time buyer share of home purchases fell to a record low of 21% in 2025 and the median age of a first-time buyer hit an all-time high of 40 (NAR). Millennials' share of recent purchases slipped from 38% in 2023 to 29% in 2024, even as they drove nearly half of mortgage inquiries in the nation's largest metros, and Gen Z made up 13% of first-time purchase applications. Sixty percent of Millennials say student debt delayed a home purchase.

But affordability only explains part of the gap — and it is not only a generational story. VantageScore's research shows a meaningful share of the credit-invisible population is older and previously credit-active: consumers who once carried mortgages, auto loans, and credit cards but have simply gone quiet in the file. Legacy models treat that silence as absence, when it is often just a life stage rather than elevated risk.

Three Populations, One Blind Spot

VantageScore's research finds VantageScore 4.0 makes an estimated 33 million additional U.S. adults scoreable who remain invisible to FICO Classic and FICO 10T. Applying a 620+ score cutoff and the standard 25–65 mortgage age window, almost 5 million of those consumers gain access to the mortgage market — an origination opportunity of up to $1 trillion, spread across three distinct segments.

Segment	Size	Who They Are	Score Profile at Start
New to Credit	~2 million	Young files; ~77% Gen Z or Millennial; 65% earn $40K+	65% Near Prime or Prime despite ~3-month average file age
Dormant File	~24 million	Prior credit history, no recent activity; 55% Boomer/Silent, 45% Gen X/Millennial/Gen Z	77% Near Prime or Prime — the largest and most creditworthy segment
No Tradeline	~7 million	No traditional tradeline; ~39% Gen Z or Millennial; scored via unpaid nonmedical collections and public records	Entirely Subprime at inception — no scores above 570

The Dormant File segment — the largest of the three at roughly 24 million consumers — broadens the opportunity well beyond first-time buyers. These are not new-to-credit consumers; they have historically held credit cards, auto loans, and mortgages, but their files have gone inactive (on average, about four years since last card activity). Despite that inactivity, 77% score Near Prime or Prime and 78% earn more than $40,000 annually — a population lenders have effectively underwritten before.

The No Tradeline segment is the most credit-invisible group — entirely concentrated in Subprime bands, skewed slightly younger (39% Gen Z or Millennial), yet still showing real economic capacity (66% earn more than $40,000). VantageScore's research frames this as a longer-horizon opportunity: a population that builds a file gradually, typically starting with a credit card or auto loan.

VantageScore attributes this visibility to modeling choices: VantageScore 4.0 is described as the first generic score to systematically integrate machine learning into risk assessment for limited-file populations, while remaining interpretable under ECOA/FCRA. It also incorporates trended data and alternative data such as rental, telecom, and utility payments — sources especially relevant for dormant-file and no-tradeline consumers.

Risk Performance Holds Up Across All Three Segments

Expanding the addressable population only matters if the added risk is measurable and consistent — and VantageScore's research indicates that it is. Statistical bias testing (chi-square analysis across 21-point score tiers) found no measurable difference in default behavior between the universe-expansion population and the legacy-scored population at comparable score levels; default rates for both decline in the same monotonic pattern as scores rise. In practical terms: a 620 is a 620, whether the borrower came from a legacy file, a dormant file, or the newly scoreable universe.

Why Some Model Comparisons Miss This Opportunity Entirely

The 2018 Credit Score Competition Act directed Fannie Mae and Freddie Mac to evaluate alternative mortgage credit scores against two goals: expanding access to credit for creditworthy borrowers, and promoting competition in mortgage credit scoring. Measuring progress on the first goal requires accounting for the consumers a newer model makes newly visible — not just comparing performance among borrowers every model can already see.

That distinction matters because some comparative studies are built entirely on loan-level performance data from already-originated mortgages, such as Fannie Mae and Freddie Mac's historical datasets. By construction, that data includes only borrowers who already carried a legacy score and met underwriting requirements at origination — it cannot include consumers a newer model additionally makes scoreable, since those consumers were never approved under the legacy system in the first place. A FICO-commissioned analysis by Milliman comparing VantageScore 4.0 to FICO 10T takes this approach, and in doing so its dataset structurally excludes the nearly 5 million newly creditworthy mortgage consumers this brief describes.

For lenders choosing which score to use, comparison metrics calculated only on the population every model can already see says little about a model's ability to responsibly expand who gets seen at all — which, per the Competition Act's own stated objective, is the more relevant question. VantageScore 4.0 is currently the only FHFA-approved mortgage credit score that scores this expanded population, making it the only model whose full market-expansion value even shows up in an evaluation designed to test for it.

Different Segments, Different Paths Into the Pipeline

VantageScore's research tracks how each segment migrates back into legacy visibility — and the pace varies, with direct implications for how lenders sequence outreach.

- New to Credit matures fastest: ~80% migrate to a legacy-visible thin file within six months, nearly half reach full-file status within two years. Best suited to early, proactive acquisition.
- Dormant File reactivates more slowly (~10% within one year, 15% within two) but carries the lowest onboarding friction — lenders are re-engaging an established history, not underwriting from scratch. Best suited to targeted reactivation campaigns.
- No Tradeline migrates slowest (~4–5% within two years), making it the longest-horizon opportunity — best addressed through early-access, necessity-driven products that begin building a file.

Connecting Population to Pipeline

This access story plugs directly into the origination economics OGMA examined in its companion white paper on VantageScore 4.0 pre-screen and pre-qualification. That analysis found that a meaningful share of lenders' pipeline cost sits in late-stage fallout: industry pull-through runs at roughly 75% (MBA), and Freddie Mac's Q2 2025 Cost to Originate study puts average production cost at approximately $11,800 per funded loan. A lender running 10,000 pre-qualification applications annually with a 15% late-stage fallout rate carries roughly $2.7 million in annual pipeline waste — and VantageScore 4.0's improved precision at the 620 threshold can recover $400,000–$675,000 of that per year.

The population data here is the other half of that equation: the 5 million newly mortgage-eligible consumers across all three segments aren't just a larger applicant pool for today's pipeline — they arrive with the same scoring precision that reduces waste on the existing one. Added to acquisition and pre-qualification funnels using VantageScore 4.0, this population lets lenders grow origination volume and improve pipeline efficiency at the same time, rather than trading one for the other.

The Opportunity for Lenders

VantageScore's research points to a broader, more immediate addressable market than the generational narrative alone suggests. None of this requires lowering underwriting standards — it requires upgrading the scoring model used at the top of the funnel so creditworthy borrowers, whatever their age or history, are identified before affordability pressure, competitive pipelines, or simple invisibility push them out of the market. Because the three segments differ so much in profile and migration speed, the more useful question for a lender isn't whether to pursue this population, but which acquisition motion fits which segment.

New to Credit: build the relationship early

- Prioritize this segment for proactive, digital-first acquisition — pre-approval and pre-qualification campaigns aimed at borrowers who are Near Prime or Prime on VantageScore 4.0 but still invisible to legacy pre-screen criteria.
- Co-market with auto and personal loan origination channels, where many of these borrowers already have an active account; a strong secondary tradeline is often the signal that a mortgage relationship is next.

- Because roughly half reach full-file status within two years, treat early engagement as a multi-year relationship play, not a single-transaction acquisition cost.

Dormant File: reactivate, don't re-underwrite from scratch

- This is the largest segment and the lowest-friction one — these borrowers already have an established credit history; the task is re-engagement, not new-to-bank underwriting.
- Trigger-based, soft-pull outreach timed to life events (a paid-off auto loan, a return to the workforce, a rate environment shift) is likely to outperform blanket marketing given how targeted the population's dormancy patterns are.
- Bundle mortgage pre-qualification with refinance, HELOC, or move-up buyer messaging — many of these consumers have owned before and may be re-entering the market rather than buying for the first time.

No Tradeline: play the long game

- Treat this as a pipeline-building investment rather than an immediate mortgage acquisition channel — entry typically starts with a secured card, credit-builder loan, or auto loan.
- Rent, telecom, and utility payment reporting partnerships are especially relevant here, since VantageScore 4.0's use of alternative data is what first makes this population visible at all.
- Financial wellness or credit-building programs attached to a lender's brand can capture this population years before they are mortgage-ready — a longer sales cycle, but one with limited competition today.

Implications beyond origination

The opportunity extends past the point of sale. For secondary market participants, a larger and more precisely scored borrower population changes pool composition analysis: loans originated against the expanded universe carry documented, bias-tested risk characteristics comparable to legacy-scored loans at the same score band, which should support consistent pricing and investor confidence rather than requiring a separate risk premium. For risk and compliance functions, expanding the scoring model used at pre-screen is also a governance decision — it warrants the same champion/challenger validation, monitoring, and model risk oversight a lender would apply to any material change in underwriting criteria.

The Bottom Line

Nearly 5 million mortgage-eligible consumers and a $1 trillion origination opportunity are hiding in plain sight — spread across new-to-credit first-time buyers, dormant-file borrowers with prior credit experience, and no-tradeline consumers building a file for the first time. VantageScore 4.0 gives lenders a validated way to see all three.

How OGMA Can Help

OGMA Risk & Analytics helps mortgage lenders and secondary market participants translate scoring model research like this into deployable pre-screen strategy, segment-level portfolio stratification, and risk-adjusted pricing frameworks. If your organization is evaluating VantageScore 4.0 for pre-screen, pre-qualification, or pipeline expansion — across first-time buyers, reactivation campaigns, or longer-horizon file-building strategies — we can help you size the opportunity in your own book and build the operational path to capture it. Learn more at www.OGMAra.com.

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