Credit Scores in Digital Banking: How to Help Customers Become Better Borrowers

21 November 2017 By: Mark Schwanhausser

Free credit scores have become a trendy digital banking bauble. But banks and credit unions can go further by augmenting and integrating digital tools that can play a daily role in coaching customers not only about how credit works in general, but also specifically what they could do to improve their ability to borrow and manage debt wisely. This is a win-win scenario, benefiting both consumers and financial institutions. Though many consumers are turning to sources such as Credit Karma, Credit Sesame, and credit providers, most Americans rely on banks and credit unions for such data — especially Millennials, who are entering a stage of life that requires a crash course on how to borrow and manage debt responsibly. Farsighted lenders who follow the arc of Javelin's Digital Banking Maturity Path toward an era of digitally powered advice stand to reap a return on investment that can 1) boost the odds that the primary FI will be the first choice when an applicant hits "Apply Now," 2) build trust and a lasting advisory relationship, 3) make customers more willing to shoulder prudent debt, and 4) improve an applicant's creditworthiness and ability to repay.

Key questions discussed in this report:

- What sources are consumers turning to most to monitor their credit scores?
- Do Millennials monitor their scores for the same reasons as Baby Boomers?
- Is there a connection between monitoring credit scores and applying for loans?
- How are FIs providing credit-scoring information and education today?
- How can FIs evolve from providing generic education to delivering personal advice?
- What digital banking upgrades and innovations are top priorities?

Companies Mentioned: Bank of America, Credit Sesame, Capital One, Intuit, Chase, Khan Academy, Credit Karma

Consumer data

This report is based primarily on information collected in a panel of 10,768 consumers in an online survey conducted from June to July 2017. The margin of sampling error is ± 0.94% at the 95% confidence level.

Digital scorecards

Javelin evaluated online and mobile banking features at the nation's 28 largest retail FIs by total deposits, excluding banks focused on investment banking. To provide a customer's perspective, accountholders with seasoned checking and credit card accounts evaluated about 225 online features and 150 mobile app features and captured screenshots for Javelin's evaluation. Online banking data was collected from June to August 2017, and mobile banking data was collected from June through September. All findings were reviewed and individually weighted by Javelin analysts. The weighting applied to the six categories was determined by an analysis of the factors that enhance consumer satisfaction at primary FIs.