



VantageScore

Government Lending and Housing Conference

Presented by:

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Credit is the oil in our economy

If America's \$14 trillion economy is a high-powered engine, credit is the motor oil that helps it run smoothly.

*Daniel Gross,
Newsweek, Mar 3*

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Two Important Questions

- Is there still a market?
- Can millions of Americans deemed 'Nonprime' achieve their dreams?



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Is there still a market?

YES!

- Think differently about how to reach the market using new and innovative tools



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Is there still a market?

YES!

- 'Nonprime' doesn't always mean 'non-creditworthy'



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Can 'Nonprime' Americans Achieve their Dreams?

- 'Nonprime' doesn't always mean 'non-creditworthy'
- Many fall into 'Nonprime' for reasons other than poor credit management behavior



Three groups

1. People just entering the credit markets
 - New Entrants
2. Infrequent Users of Credit
 - Choose to use credit sparingly – sometimes going years
3. Thin File
 - Fewer than 3 active trades



The market has needed a credit score model that reaches underbanked consumers using traditional credit data

- Many creditworthy consumers might achieve their dreams of homeownership or business ownership if lenders use a credit score that relies on “traditional” credit data applied in new analytical ways.



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VantageScore is a new credit score

- VantageScore is a new generic credit scoring model introduced to meet the market demands for a highly predictive consumer score.
- Developed as a joint venture among the three major credit reporting companies (CRCs) – Equifax, Experian and TransUnion.
- VantageScore offers more consistency across all three CRCs and has the ability to score a broad population
- Utilizes the data in a traditional consumer credit file

VantageScore is about Opportunity

- VantageScore is a highly accurate, more predictive and consistent scoring model across the three CRCs that is able to score more people.

VantageScore vs. Traditional Model

Overall 8.1% increase in total universe

- 11.4% increase in 'sub-prime' universe

Population of consumers with a mortgage trade-line and valid risk scores			
Experian Risk Score score intervals	VantageScore scored population	Experian Risk Score scored population	Lift in percent scored
< 840	37,200,879	35,650,730	4.3%
< 710	20,770,817	19,222,143	8.1%
< 690	18,905,850	17,361,704	8.9%
< 660	16,443,381	14,992,740	9.7%
< 675	14,743,723	13,403,763	10.0%
< 645	13,008,548	11,738,798	10.8%
< 620*	11,968,160	10,746,894	11.4%
Total	133,041,358	123,116,772	8.1%

Source: Experian, *VantageScore Addresses Deficiencies in Traditional Scores in the Subprime Consumer Sector*, (May 16, 2007), p. 2

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Result: Superior Risk Assessment

21% consumers re-classified out of sub-prime segments

Experian Risk Score		KS=11.2	
Subprime consumers			
%Total	%Bad	Interval bad rate	Cumulative bad rate
10%	9.9%	9.8%	9.8%
22%	17.8%	6.8%	8.2%
32%	25.5%	8.0%	8.1%
41%	34.1%	9.3%	8.4%
51%	41.3%	7.5%	8.2%
60%	52.1%	12.0%	8.8%
71%	63.2%	10.0%	9.0%
80%	73.9%	12.0%	9.3%
90%	86.4%	13.0%	9.7%
100%	100.0%	14.0%	10.0%

Sub-prime

VantageScore		KS=15.7	
Subprime consumers			
%Total	%Bad	Interval bad rate	Cumulative bad rate
10%	5.0%	4.9%	4.9%
21%	11.5%	6.3%	5.6%
30%	19.1%	8.2%	6.4%
41%	28.6%	9.2%	7.1%
51%	37.8%	9.2%	7.6%
60%	47.6%	10.0%	8.0%
70%	59.1%	12.0%	8.5%
80%	71.6%	13.0%	9.0%
90%	84.8%	13.0%	9.5%
100%	100.0%	16.0%	10.0%

Sub-prime

Source: Experian, *VantageScore Addresses Deficiencies in Traditional Scores in the Subprime Consumer Sector*, (May 16, 2007), p. 4

Infrequent Credit Users

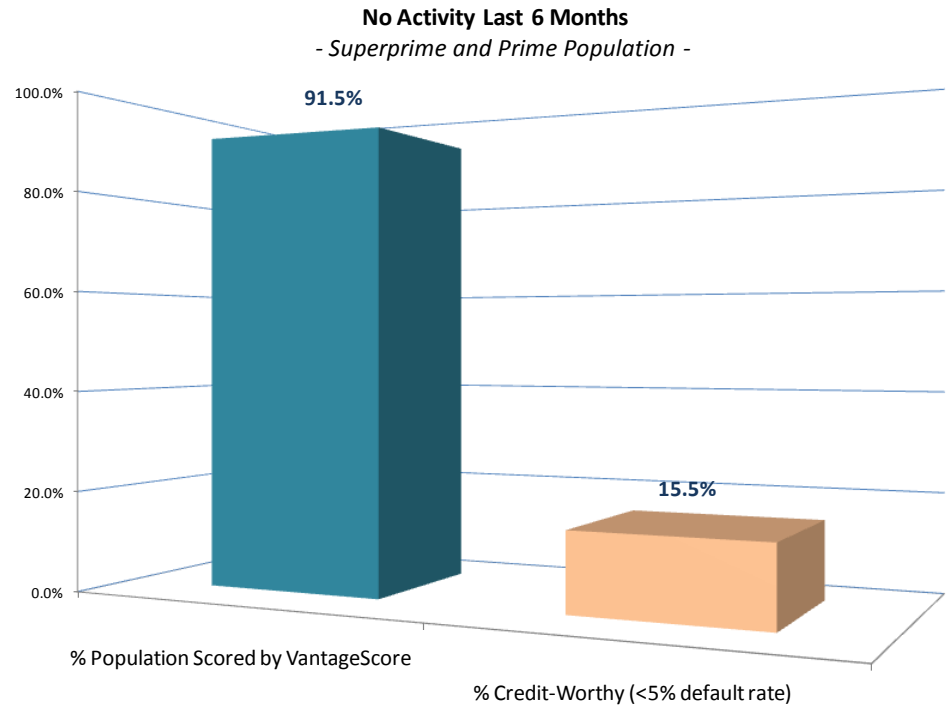
Demographic: Preference for alternative credit tools

- Greater ethnic concentration

Defined as: No trades updated in last 6 months

Observations:

- Typically unscorable
- Significant improvement in predictive accuracy
- 91.5% of this population is scorable with VantageScore
 - 15.5% are super prime or prime
 - Estimates based on volumes post standard exclusions



New Entrants

Demographic: Young, newly divorced, immigrant

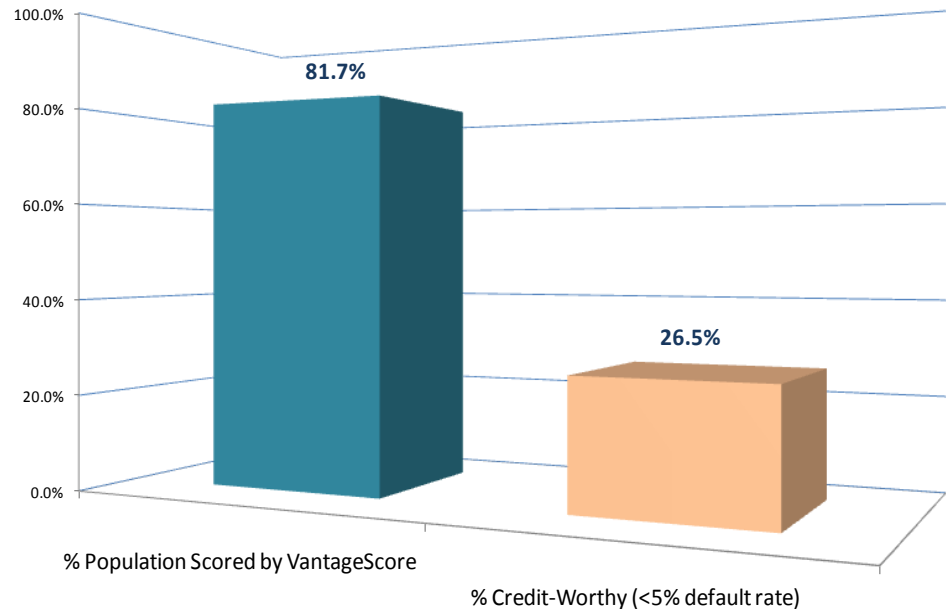
- Greater ethnic concentration

Defined as: No trade older than 6 months

Observations:

- Typically unscorable
- Significant improvement in predictive accuracy
- 81.7% of this population is scorable with VantageScore
 - 26.5% are super prime or prime
 - Estimates based on volumes post standard exclusions

Age of Oldest Trade < 6 Months
- Superprime and Prime Population -



Thin File

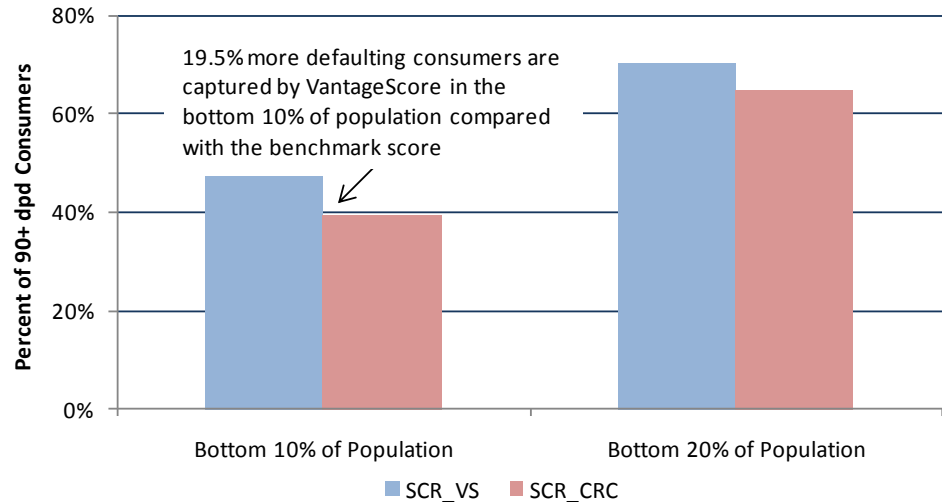
Demographic : Rarely use traditional credit, may prefer alternative tools; Greater ethnic concentration

Defined as: Less than 3 trades

Observations:

- Improvement in predictive accuracy
- Places more defaulting consumers into the lower score deciles
- 2% universe expansion opportunity.

Thin File



VantageScore is about Opportunity

For the consumer – facilitates greater access to credit

- Especially for the underserved, who deserve access to credit at fair terms, conditions and pricing
- Greater accuracy and consistency for the “full file” consumer

Achieve dreams, build wealth, contribute to our national economy

VantageScore is about Opportunity

For the lender – enables mainstream lenders to score more consumers more accurately and more effectively

- Delineate risk in a more predictive manner, thereby reducing:
 - overall portfolio risk
 - operational costs (via more insightful, automated decisioning)
 - credit losses
- Open markets, find new markets
- Choice in credit scoring

The Strategic Dilemma:

Gaining Access to the Capital Markets

The Wrap

- Gaining access to credit
- VantageScore has effectively addressed the market needs for generic credit scoring in today's world
- The design methodology and management framework ensures that VantageScore will continue to deliver superior predictive capability

Barrett Burns



Barrett Burns is president and CEO of VantageScore Solutions. Over the course of a career spanning more than three decades, he has held national and international risk and credit management plus executive leadership positions at several of the nation's most prestigious financial services companies, including U.S. Trust, Ford Motor Credit, Bank One, and Citibank.

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