

July 25, 2006

Q&A Session for LSI Webinar #10 – “**Why VantageScore May Be Your Best Option**”

1. Q: When do the 3 Bureaus estimate rolling out VantageScore to customers? Also, when will Mortgage Companies and Dealers adopt VantageScore? Which comes first ... the chicken or the egg?

A: VantageScore was officially announced by all three credit-reporting companies (CRC's) on March 14th, 2006 and was commercially available shortly thereafter. In terms of which software vendors support the score, it's best to contact your systems administrator, software vendor or CRC representative.

TransUnion is in discussions with, has provided data to, or conducted VantageScore validations for a myriad of auto, bank, bankcard, credit union and mortgage lenders but does not have any information as to when they will adopt the score, individually or as an industry. Interest is very high and we're very hopeful they will come on board soon.

2. Q: is this the score that is sold to consumers when they buy it at TransUnion?

A: The VantageScore is not currently available to consumers through TransUnion's consumer educational website TrueCredit (www.truecredit.com), but it is under development and expected to be available before year-end.

3. Q: How can the scoring be consistent when the information reported to each bureau is different?

A: The score methodology is the same across all three companies. Any difference in a credit score will be attributed to data differences in a consumer's credit file **rather than data interpretation** – as is the case in most scoring models today.

Many of the characteristics (used to derive the VantageScore), which are proprietary in nature, were created specifically for the development of this model and differ from those in other models. Another important note is that the information is treated the same, or “leveled”, across the three credit reporting companies.

4. Q: Will the bureaus no longer offer auto and credit card enhanced credit scores?

A: TransUnion will continue to market and sell a range of scores as the marketplace demands. VantageScore provides another option and answers the market's needs for consistency across all three credit reporting companies.

5. Q: I understand the VantageScore is on the TrueCredit website but we still have the choice for regular FICO classic 04. So on Free Annual Credit Report.com will this be VantageScore?

A: VantageScore is not currently available on TrueCredit, but is expected to be late this year. We can't speak to the other "free credit report" sites.

6. Q: IF YOUR CREDIT UNION ONLY REPORTS TO EXPERIAN, WILL THIS IMPACT THEIR ADVANTAGE SCORE

A: The VantageScore was developed with a sample of 15 million credit files compiled from all 3 bureaus, and characteristics leveled across all 3 bureaus. The VantageScore will be calculated on the data contained in the credit file at the credit reporting company generating the score. If just 1 of the 3 CRC's has that particular credit union's data, then the scores will likely differ. That is why we encourage clients to report to all 3 companies so a consumer's file, across the board, is as representative of their "credit health" as possible.

7. Q: Will we have to pull our credit reports from TransUnion to get the VantageScore?

A: The 3 credit reporting companies jointly developed the VantageScore and all offer it today. If you use a third party vendor to deliver scores today, you will need to contact that vendor, your systems administrator or credit bureau provider to determine when they will support the VantageScore.

8. Q: How many adverse action reasons are associated with this score?

A: There are 170 alpha/numeric adverse action codes.

9. Q: Is Utilization and available credit the same please explain differences?

A: These are different. "Utilization" refers to % of credit limit/high credit "in use." For example, if a consumer's total credit limit/high credit for their bankcards is \$20,000 and the combined balance owed on those accounts is \$5,000, then the consumer is 25% utilized on bankcards. "Available Credit" is simply the difference between the consumer's combined bankcard Credit Limits/High Credit (the \$20,000) and combined balance owed (\$5,000), which in this example would be \$15,000.

10. Q: Under the Characteristic Contribution slide, what is the difference between the utilization and the available credit?

A: Please see the response to Question #9.

11. Q: Do you consider whether the bankruptcy is chapter 7 or 13?

A: No. While a lender may have differing loan policies on how to handle a Chapter 7 vs. 13 bankruptcies, most risk scores, including the VantageScore, do not distinguish between the two.

12. Q: will the segmentation info (scorecard designator) be displayed on the report we see?

A: Depends on the system you use today for delivering scores. It's best to check with your systems administrator, software provider or bureau representative. For TransUnion customers receiving TU40, it is returned in the SC01 segment of TU40. It is not presently available via TU Desktop, but is scheduled before year-end.

13. Q: We currently use both a credit score and a BNI (Bankruptcy) score. Will the Vantage score replace both the credit score and the bankruptcy score?

A: It is possible the VantageScore would meet your needs as it contains a bankruptcy calculation within the model and has been found to be very predictive of bankruptcy. The best approach would be to run a Retrospective Analysis on your portfolio(s) and append your current scores along with the VantageScore to see which model(s) perform best. Be sure to request a dual-score analysis as that will not only compare your current risk & BK score combination against VantageScore but also determine if the addition of a BK score to VantageScore would add even further predictive lift.

14. Q: will the consumer see the number indicator or just the VantageScore when they view their own report

A: Consumers will not see the scorecard indicator.

15. Q: WILL ALL CREDIT REPORTS HAVE A SCORE? WILL THE MODEL EXCLUSION SCORE BE DELETED?

A: Most consumers processed through any system will receive a score. A valid score for VantageScore will fall in the range of 501 – 990. While VantageScore will score most consumers, there are circumstances where an appropriate exclusion will be supplied in lieu of a score. An invalid score, or exclusion score, will be returned under the following circumstances:

- **001 – Deceased,**
- **002 – Lack of Trades** (defined as no non-excluded trades on file)
- **003 – Lack of Activity** (defined as no non-excluded trades reported within 24 months. And no consumer initiated inquiries within 24 months.

In addition to the above exclusion codes, each CRA may also return it's own standard system exclusion scores/reject codes.

Again, it's always best to check with your systems administrator to determine what scores ranges your current system can support.

16. Q: Scorecard #12 says it is a Bad Risk Profile, but it accompanies good credit scores.

A: No risk score can completely separate goods from bads. That would be the holy grail of the credit risk world! That's why good-to-bad summaries are created to help a lender understand the risks of offering credit to consumers and establish "cut-offs" where the risk of loss exceeds what they're willing to accept or measures risk sufficiently enough to "price" risk (i.e., risk-based pricing strategies). The more predictive the score is, the better it separates and stratifies risk.

17. Q: On inquiries several within 14 days and do not open with one of those creditors still only 1?

A: The inquiry de-duping logic for VantageScore is designed not to punish consumers for having shopped for a home or auto loan or having moved. Auto, mortgage and non-telecom utilities (ex. gas or electric) are industries that use a 14-day rolling window de-duping logic. For example, a consumer applies for 2 car loans within 2 weeks of each other while shopping for a vehicle. The score will treat those two inquiries as one to avoid further subtraction in the same score.

Please note that auto, mortgage and non-telecom utilities inquiries are de-duped separately, not as one.

18. Q: what records will be used to determine a consumer is deceased? We recently had an Experian report that did not indicate the consumer was deceased, however social security did?

A: That is an unfortunate experience, but we can't speak to how Experian reports deceased. As for TransUnion, a consumer is considered deceased if the social security number is in the Social Security Administration Death Master File, or there is an ECOA indicator of X. And updates are received weekly from the SSA.

19. Q: When you are referring to thin vs. thick file, If someone has three student loans in deferment and no other tradelines, will that put him in a thick file status, or will those trades be disregarded?

A: Interesting question. Assuming either a.) At least one of the three deferred student loans has been reported in the last 24 months, or b.) There is a customer-initiated inquiry in the last 24 months; the consumer's file will be scored. Further assuming there is no previous bankruptcy on file, the file would be scored as a thin file. Having only deferred student loans on file does not qualify for thick file status.

20. Q: When will consumers be able to see this score?

A: We expect VantageScore to be available on www.truecredit.com before year-end.

21. Q: What is TransUnion's New Account 2.0 score?

A: TransUnion New Account 2.0 is a risk model developed by TransUnion to predict the likelihood of a consumer going 90+ days past due on a new account within the next 24 months. Minimum scoring criteria is just 1 tradeline (note, it cannot be an authorized user tradeline).

22. Q: What is the pricing for a RETRO validation?

A: Please contact your local TransUnion office to discuss any pricing questions.

23. Q: How many financial institutions are currently using VantageScore?

A: It would be premature to guess, as there are numerous lenders in a variety of industries, large and "not-so-large", testing the VantageScore right now. We can say that dozens of credit unions across the country that use TransUnion as their provider have "flipped the switch."

24. Q: Do the free consumer credit report with the vantage score include the additional 1 to 12 scorecard indicator?

A: No, it is only intended for clients, not consumers.

25. Q: How many financial institutions are currently using Vantage scoring?

A: See our response to question #23.

26. Q: As this score is shared by all three bureaus and no longer proprietary are the factors going to be shared with the lender so that we can manually rescore if there is proof provided of an error?

A: VantageScore was built with data from all 3 bureaus, and the expertise of associates from all 3 bureaus, but is owned by the holding company VantageScore Solutions, LLC. The characteristics and weights and attributes are proprietary to the VantageScore and will not be published.

27. Q: Does this take into consideration what type of collection accts, ex medical vs. credit cards?

A: Medical tradelines themselves are specifically excluded. Otherwise, no, there is no consideration for types of collection account/tradeline.

28. Q: Any idea when Fannie Mae/Freddie Mac will adopt VantageScore?

A: We have presented the VantageScore to Fannie Mae and Freddie Mac but could not speculate as to when or if they will be adopting VantageScore for their business needs.

29. Q: What is the difference between the utilization and available credit characteristics?

A: Please see our response to Question #9.

30. Q: Will you be having more training on VantageScore--more directed to loan officers--less of the technical we had today

A: Individual VantageScore training is always available. Please contact your bureau representative to arrange training sessions for your organization.

31. Q: Does the bureau provide support in devising a new matrix based upon Vantage scoring for pricing?

A: TransUnion's Analytical Services' group is well versed in such validations and has conducted them for a number of clients. It's best that you contact your bureau representative to discuss your individual needs.

32. Q: What is the cost difference between Vantage and a current trans union report? Or to get both numbers

A: Please direct all pricing inquiries to your bureau representative. We're sure they'd be more than happy to discuss the advantages of the VantageScore with you!

33. Q: Are all three credit bureau's combining their data to come up with one score?

A: While all 3 CRC's combined data to develop the VantageScore, moving forward, the score will be calculated using only the credit file data from the bureau you request it from. If you pull a credit report through TransUnion, only TransUnion data will be used to calculate the score.

34. Q: Are you saying that when we pull a credit report we will see two different scores- the VantageScore and the score of the credit company we use.

A: No. You will only see the score you contract for with your current bureau provider. But you can contact your provider about options on testing the VantageScore alongside your current score (depends on the ability of your current delivery system to accept/display 2 scores). Please see your bureau representative to discuss such options.

35. Q: If each credit bureau is still going to have its own content which may be different than the others, how is it they will all end up with the same score or essentially the same?

A: The VantageScore will be the same when the credit data on the credit file **is exactly the same**. If the data differs from file to file, the score will likely differ.

36. Q: If a trade is not reported to all 3 bureaus, will the Vantage score be different?

A: The VantageScore will calculate on the information on the credit file. If a trade is not on a credit file, the VantageScore will just calculate what is there and likely be different.

37. Q: Are all three credit bureaus information combined into the Vantage credit score?

A: Please see our response to Question #33.

38. Q: Has Freddie Mac or Fannie Mae approved the Vantage score for mortgages?

A: Not at this time.

39. Q: Is there a point in time when the individual scores will be eliminated? For example eliminating Beacon & FICO, making only the Vantage score available?

A: Please see our response to Question #4.

40. Q: Will there be an auto-enhanced VantageScore?

A: There are no plans to develop industry specific options of VantageScore as we are in the midst of rolling out this brand new score.

41. Q: Has Freddie or Fannie made any decision whether or not to use VantageScore?

A: Not at this time.

42. Q: Will members get the VantageScore for free when they pull their free credit report?

A: While one free credit report is available annually from each of the three credit-reporting companies, credit scores are not and pricing can range depending on the site, service plans offered and the “score” desired.

43. Q: On the Score Comparison/Migration Sample page, what are the TransUnion New Account 2.0 scores for A+ - E paper?

A: They appear on the webinar presentation, slide # 24. We strongly advise a RETROspective Analysis be conducted to ensure a proper validation (as your results will differ) and smooth score migration but for ILLUSTRATIVE PURPOSES ONLY;

A+ - 894 to 950

A - 825 to 893

B - 737 to 824

C - 670 – 736

D - 606 – 669

E - under 606

44. Q: There are 12 different score cards, can we get the criteria used for each different card used?

A: While the VantageScore was built with data from all 3 bureaus, and the expertise of associates from all 3 bureaus, it is owned by the holding company VantageScore Solutions, LLC. The characteristics and weights and attributes are proprietary to Vantage Scoring Solutions, LLC and will not be available to the general public. What we can offer is a general description of each scorecard ([CLICK HERE FOR THE SCORECARD DESCRIPTIONS](#)).

45. Q: What about the ability of data processors to capture the Vantage Score? In other words, will it feed into the same field as now? What about if CU chooses to utilize both scores?

A. VantageScore is returned in the SC01 segment of TU40. We cannot speak for the other CRC's delivery systems or non-CRC vendors. We would advise contacting your system provider to discuss any programming changes necessary to support VantageScore.

TransUnion has Automated Services Representatives (ASR) across the country to assist with issues of this nature. If you are a TransUnion subscriber, please contact your local representative so they can provide ASR contact information.

46. Q: Is the Vantage score going to be reported though the yearly free credit report site to consumers?

A: Please see our response to Question #42.

47. Q: Why is there a difference in the credit score vs. the score comparison and how they match up with A, B, C, D and F?

A: The A, B, C, D & F or "academic scale" used by VantageScore is purely for consumer educational purposes and is not to be confused with risk paper grades commonly used by lenders to properly price for risk.

48. Q: how will Home Equity Lines of Credit be shown, as revolving or as real estate?

A: How data is reported is up to the discretion of the contributors.

49. Q: On the score comparison slide, is the bad rate the % of total bad creditors or % of that grade that will go bad,

A: It is for the individual paper grade.

50. Q: For credit card companies that do not report a credit limit (for example Capital One), the older model seemed to assume a zero dollar limit, thus causing the member to always appear over capacity on their card. Does the new model work the same way?

A: Consumers will not see the scorecard indicator.

51. Q: On the adverse action code slide it mentions an alpha/numeric system - what are the numeric code meanings

A: For example, the Adverse Action Code of AG means: 'Newest delinquency/derogatory status on auto accounts is too recent'. That code being returned tells you an auto account had negative impact to the score. Contact your local bureau representative to get a complete list of the Adverse Action Codes.

52. Q: How is Vantage going to treat the Chapter 7 and Chapter 13 in scoring?

A: Please see our response to Question #11.

53. Q: How will Home Equity Lines of Credit be viewed? I have recently confirmed with TransUnion and Equifax that Home Equity Lines of Credit are viewed as Mortgage Loans in regards to the scoring model even though they are reported as revolving.

A: How data is reported to TransUnion is up to the discretion of the contributor.

54. Q: Can you please clarify the difference between Utilization and Available Credit? Does Available Credit reflect a \$ amount as opposed to a percentage? It seems that both categories are measuring the same data. Thank you.

A: Please see our response to #9.

55. Q: What is the highest VantageScore a person can have with a former Bankruptcy?

A: As we discussed, scorecards #1 (Previous Bankruptcy – High Risk) and # 2 (Previous Bankruptcy – Low Risk) relate to prior bankruptcies. The highest score one can achieve on #1 is 660 and on #2 it is 800. Such a difference can indicate whether an applicant is on the road to financial recovery, or ruin, thus provide meaningful risk stratification for loan decisioning and pricing.

56. Q: How often will the model be validated and will results be available to users?

A: Vantage Scoring Solutions, LLC will continually monitor the predictive strength of the model and the redevelopment will be coordinated between the CRC's by VSS.

57. Q: Is scorecard part of the VantageScore or an additional item? I am receiving VantageScore via Experian but not getting the scorecard.

A: Your system may not be programmed to accept the scorecard indicator. Contact your system administrator to see if the proper channels are available to allow the scorecard indicator.

58. Q: How would scorecard be used in risk-based lending? How could it be used in conjunction with the standard score to set the rate, or would it just be used for a yes/no decision?

A: One example is the issue of members with very thin files receiving relatively high risk scores using currently available generic risk scores. If the VantageScore were used, it would be beneficial knowing whether an individual was scored using scorecard #3 (Thin File – High Risk) or #4 (thin File – Low Risk) to help enhance a lender's loan policy on such applicants. The highest score one can receive on scorecard #3, is just 660 while for #4, it's an 880. The risk stratification this information offers may be enough for a lender to revise their loan policy on such loans to price them effectively.

VantageScore Segment Description

#	DESCRIPTION	DEFINITION
1	Previous Bankruptcy – High Risk	Consumers who have a pre-existing bankruptcy on file at the time of scoring <i>AND</i> are assessed to be at high risk of going bad based on risk segmentation score
2	Previous Bankruptcy – Low Risk	Consumers who have a pre-existing bankruptcy on file at the time of scoring <i>AND</i> are assessed to be at low risk of going bad based on risk segmentation score
3	Thin File – High Risk	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have only 1 or 2 (non-excluded) accounts on file <i>AND</i> are assessed to be at high risk of going bad based on risk segmentation score
4	Thin File – Low Risk	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have only 1 or 2 (non-excluded) accounts on file <i>AND</i> are assessed to be at low risk of going bad based on risk segmentation score
5	Thick File – Highest Risk – BKP Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at highest risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bankrupt
6	Thick File – Highest Risk – Bad Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at highest risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bad without going bankrupt
7	Thick File – Higher Risk – BKP Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at higher risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bankrupt
8	Thick File – Higher Risk – Bad Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at higher risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bad without going bankrupt
9	Thick File – Lower Risk – BKP Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at lower risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bankrupt
10	Thick File – Lower Risk – Bad Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at lower risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bad without going bankrupt
11	Thick File – Lowest Risk – BKP Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at lowest risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bankrupt
12	Thick File – Lowest Risk – Bad Profile	Consumers who do not have a pre-existing bankruptcy on file at the time of scoring, who have 3 or more (non-excluded) accounts on file <i>AND</i> are assessed to be at lowest risk of going bad based on risk segmentation score <i>AND</i> have the profile of a consumer likely to go bad without going bankrupt