

A unified VantageScore(SM) credit score is being introduced to replace the currently confusing field of multiple credit scores offered by the three competing credit bureaus.

Currently, each credit bureau uses a proprietary credit score to rate credit worthiness of each consumer. Different creditors use credit scores from either Equifax, Experian, TransUnion or FairIsaac. Fair Isaacs produces the best known credit score, known as FICO™ credit score. Because of the differences in formulas used by competing credit agencies, the same consumer can have either good or bad credit score depending on who does the scoring.

Under the new scoring system, credit score differences between credit reporting companies, Equifax, Experian and TransUnion will be attributed to data differences within each of the three consumer credit files. Credit score will no longer vary due to the variation in the credit scoring algorithm model since the same formula will be used by all credit bureau. **This is if and only if lenders who currently use FICO will “switch” over to the new system.**

VantageScore says it will offer consumers and businesses a highly predictive and uniformly consistent credit score that is easy to understand and apply. VantageScore uses score ranges from 501 to 990. A credit score of 501 is equivalent to the lowest possible credit score that signifies significant credit risk. A consumer with a lower credit score is expected to have difficulty obtaining credit and will pay higher interest rates. A score of 990 signifies excellent creditworthiness. A consumer with an excellent credit score is expected to benefit from the lowest possible interest rates and ease of obtaining credit from creditors.

VantageScore is being independently marketed and sold separately through each of the three national credit reporting companies via licensing agreements with VantageScore Solutions, LLC. VantageScore is commercially available beginning today.

What is Vantage Score?

Vantage credit score is a new credit score product created by Equifax, Experian and Transunion, the three nationwide credit reporting bureaus. It is designed to be used by creditors to estimate creditworthiness of customers. The scores, which range from 501 to 990, will not always match exactly under the new system despite the fact that the same formula will be used by all three credit bureaus because each bureau has incomplete or incorrect data on you, and data varies.

Under their scoring, 901 to 990 would be considered an "A," 801-900 a "B," 701-800 a "C", 601-700 a "D", and 501 to 600, an "F." A is the best credit score, F is the worst credit score.

What is the difference between Vantage Credit Score and FICO credit score?

Under Fair Isaac's FICO model, your score ranges from 300 to 850 and is weighted on several factors. Payment history counts for 35 percent, amount you owe accounts for 30 percent, length of history accounts for 15 percent, and precise details of what credit accounts you have and number of new credit accounts for 10 percent each.

The VantageScore uses similar criteria, but the three credit reporting agencies would not disclose how they are weighted. In other words, the exact weight of each factor is not publicly known, which will make it very difficult to improve your Vantage credit score.

Why was VantageScore Introduced?

VantageScore was introduced by Equifax, Experian and TransUnion in what looks like a competitive move against the entrenched market leader in credit scoring, Fair Isaac that produces the FICO credit score.

Credit scoring is a very profitable business with operating profit margins of over 50%. The market for credit scores is growing at an astounding 36% growth rate, according to public filings by Fair Isaac. Fair Isaac FICO credit score has 70% of the market, as reported in American Banker (February 2004). Up until now, all three credit bureaus were offering their proprietary scores. Despite numerous efforts by Experian, TransUnion, Equifax they have not been successful in challenging Fair Isaac's market share over the past few years.

Can you buy a Vantage Score?

Vantage credit scores are not available for sale to consumers. They are available to creditors as of March 2006. Equifax, Experian and TransUnion plan to make VantageScore available to consumers later in 2006.

You shouldn't expect VantageScore to have any significant effect on consumers in the short to medium term. Few if any creditors of significance are using VantageScore. We expect that adoption of VantageScore by creditors will be slow for a number of reasons. VantageScore credit score is a new product not tested in marketplace. Vantage score has no track record comparable to FICO credit scores. Creditors are used to the credit rating used by FICO credit scores. Creditor's computer systems are designed to use FICO credit scores for analysis. Transition to Vantage credit scores is expensive and time consuming. Even with significant cost advantage, Vantage score will face significant barriers to adoption.

In summary, we do not expect Vantage score to be materially significant to consumers until at least late 2007.

Since no large creditors adopted Vantage score and few creditors are expected to adopt it in the near term, we recommend that consumers continue monitoring FICO credit scores as well as existing credit scores. We do not recommend buying Vantage credit scores when they available to consumers later in 2006. Your money will be much better spent

checking your FICO credit score and obtaining credit reports from Equifax, Experian and TransUnion to verify them for accuracy.