



**CONTACT:**

**Wayne E. Travers Jr.**

**VantageScore Solutions, LLC**

**203-363-2170**

[waynetravers@vantagescore.com](mailto:waynetravers@vantagescore.com)

**FOR IMMEDIATE RELEASE**

## **VantageScore Solutions President/CEO Barrett Burns' Congressional Testimony on Credit Scoring**

**WASHINGTON D.C., March 24, 2010** – VantageScore Solutions LLC President and Chief Executive Officer Barrett Burns presented the following testimony today before the U.S. House of Representatives Committee on Financial Services' Subcommittee on Financial Institutions & Consumer Credit hearing entitled "Keeping Score on Credit Scores: An Overview of Credit Scores, Credit Reports and Their Impact on Consumers:"

"Good afternoon. My name is Barrett Burns; I am president and CEO of VantageScore Solutions. Thank you for the opportunity to testify at today's hearing.

VantageScore Solutions is a joint venture of the three credit bureaus, Equifax, Experian and TransUnion. We were formed in 2006 to offer choice and competition in the credit score marketplace by providing a highly predictive credit score based on the latest analytic methodologies.

Each of the bureaus devoted their top scientists and analytic leaders to the development of our algorithm. Armed with a deep understanding of consumer risk modeling and their respective bureau's database design, team members spent several months building a new consumer credit score from the ground-up.

# VANTAGESCORE.

Fifteen million anonymous consumer files served as the basis for development and testing of the new model. Innovative approaches in the model's development included advanced segmentation techniques that provide more scorecards than many traditional models, including separate segmentation scorecards for full file and thin file consumers.

Our algorithm rank orders consumers on the likelihood of becoming 90 days or more past due on a credit obligation based on many consumer behaviors and factors grouped into the following six buckets with these approximate weightings:

- Payment History – (32 percent)
- Utilization -- (23 percent)
- Current Balances – (15 percent)
- Depth of Credit – (13 percent)
- Recent Credit – (10 percent)
- Available Credit – (7 percent)

Additionally, medical debt, when identified as medical debt on the credit file, is excluded from the algorithm.

The VantageScore scale ranges from 501-990. The higher a consumer's score, the less probable the likelihood of becoming 90 days or more past due. The score range approximates the academic grading scale familiar to most consumers. So, in addition to receiving their numerical score, with VantageScore, consumers also get the letter grade that corresponds to their three-digit score. For example, a score between 900 and 990 is an "A;" between 800 and 899 a "B;" etc.

VantageScore's algorithm is unique. We use a single algorithm across the three bureaus and we use a new modeling approach that looks differently and more deeply into consumer behaviors allowing us to score many individuals who otherwise would not be able to obtain a score.



VantageScore has identified three categories of consumers who face difficulties obtaining mainstream credit because they are unable to obtain a score:

1. 'Thin File' consumers who have fewer than three accounts in their credit file. Between 35 and 50 million adults in the United States – 18 to 25 percent of the adult population – may be considered thin file; and, therefore, often underserved;
2. Infrequent credit users, who may not be eligible for a score because there has not been new activity on any credit account for six months; and,
3. New entrants who are just establishing credit relationships and have not had credit open for more than the six months required by some traditional scoring models.

VantageScore scores new entrants and reaches back deeper into an infrequent credit user's history, assisting millions more people obtain sustainable credit.

A comparison of VantageScore with a traditional CRC scoring model that used a random sample of mortgage customers saw an overall increase in scored consumers with VantageScore of 8 percent, or approximately 10 million consumers. Additionally, 2.5 million consumers from the study were more accurately identified as higher credit quality than subprime.

We would like to commend Congressman Green for authoring the provision under the Housing and Economic Recovery Act of 2008 directing the Department of Housing and Urban Development to undertake a pilot program establishing an automated process to determine the creditworthiness of borrowers with insufficient credit histories.

Credit scores offer a uniform, non-judgmental mechanism that can be quickly deployed system-wide within an institution to respond to changing credit conditions.



Although we believe that credit scores should be part of any decision process for credit approval, they should not be the sole criterion. Approving large loans without also verifying other critical information needed to assess a consumer's ability to repay the loan is simply not prudent.

Risk has increased across all areas of the credit spectrum. VantageScore performs an annual revalidation to test the continued performance of our model. Our most recent revalidation demonstrates that VantageScore continues to rank order effectively and is capturing the increased risk present in this environment. This allows lenders to understand the change in risk present in their portfolios from systemic shifts and adjust their business strategies to reflect that change. So, even though the performance of our score remains highly predictive under these stressful economic conditions, the conditions may require a shift in lender standards.

Thank you for the opportunity to contribute to this important discussion. I hope the information I have shared is beneficial to the Subcommittee, and would be pleased to answer any questions you might have."

*A link to the full transcript of VantageScore Solutions' written testimony is also available at [http://www.house.gov/apps/list/hearing/financialsvcs\\_dem/burns\\_testimony.pdf](http://www.house.gov/apps/list/hearing/financialsvcs_dem/burns_testimony.pdf)*

**About VantageScore Solutions**

Stamford, Conn.-based VantageScore Solutions, LLC ([www.vantagescore.com](http://www.vantagescore.com)) is an independently managed company that holds the intellectual property rights to VantageScore, a generic scoring model introduced in March 2006. Created by America's three major credit reporting companies (CRCs) — Equifax, Experian and TransUnion — VantageScore's highly predictive model uses an innovative, patent-pending scoring methodology to provide lenders with a more consistent interpretation of consumer credit files across all three major credit reporting companies and the ability to score more people.

###