

Agencies Adopt New Credit Scoring System

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By *EILEEN ALT POWELL*
AP Business Writer

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The three major consumer credit reporting agencies announced Tuesday that they have created a new credit scoring system aimed at simplifying the loan process for both lenders and borrowers.

The announcement by Equifax, Experian and TransUnion said the new "VantageScore" was "a direct result of market demand for a more consistent and objective approach to credit scoring."

The agencies in the past each used their own proprietary formulas to create their own scores, meaning that a lender dealing with a consumer's application for a credit card or a mortgage might have to reconcile three widely different scores.

With the new system, a single methodology will be used to create the scores.

"Under the new scoring system, credit score variance between credit reporting companies will be attributed to data differences within each of the three consumer credit files and not to the structure of the scoring model or data interpretation," the agencies said in a joint statement.

It added that VantageScore "will provide consumers and businesses with a highly predictive, consistent score that is easy to understand and apply."

Kerry Williams, group president of Experian's credit services division, told The Associated Press that his agency was making the new scores available immediately to financial institutions and expected wide adoption, but said he did not expect the scores to be rolled out for consumers until later this year.

Credit scores are important because they measure how much debt a consumer is carrying and how well the consumer keeps up with bills.

The higher the score, the more creditworthy the consumer is considered and the lower the interest rate the consumer is likely to be charged.

The three credit agencies termed the move to a unified score as "unprecedented."

The scores will range from 501 to 990. The top end is slightly higher than scores currently in use.

Colleen Tunney, spokeswoman for TransUnion, told a conference call with reporters and credit industry representatives that the new score was created by looking at millions of consumer files at the same time to ensure consistent readings across the three bureaus' data.

She and spokesmen for Equifax and Experian said it was not immediately clear how quickly the new score would be adopted by lending institutions.

"Step one is we're talking to our credit grantors as we speak," said David Rubinger, spokesman for Equifax. He said each agency was marketing the new score to its own customers.

He added: "For any score to have merit in the marketplace, all parties need to be at the table."

Many lenders, especially those in the mortgage business, use FICO scores, which are named for the Minneapolis-based Fair, Isaac Corp. which developed them. Others use proprietary scores from the individual credit bureaus or use the bureau data to generate their own scores.

Spokesmen for Fair, Isaac could not immediately be reached for comment.

Rubinger said the new score was expected to reduce the variance in a consumer's scores by about 30 percent compared with what it was under the old system. He gave no other details.

He said the score would reflect a consumer's frequency of borrowing, delinquency in paying bills and other "file content," but had no specific weights for the components.

In a separate statement, Experian said the new scores will be grouped on "the familiar academic scale." Experian gave these groupings:

A _ 901-990

B _ 801-900

C _ 701-800

D _ 601-700

F _ 501-600

Experian said it was hoped that "as consumers increase their awareness of the importance of credit scores and credit reporting, the consistency of VantageScore will provide the type of information they need to evaluate their credit standing and make sound financial decisions."

VantageScore is being independently marketed and sold separately through each of the three national credit reporting companies via licensing agreements with VantageScore Solutions LLC, the joint announcement said. The spokesmen said that VantageScore was jointly owned by the three credit bureaus. They said it did not yet have a headquarters, although an informational Web site had been set up at <http://www.vantagescore.com> .

The credit reporting agencies are operated by Equifax Inc. of Atlanta, Experian Information Solutions Inc. of Costa Mesa, Calif., and TransUnion LLC of Chicago.