

The New Credit Scoring System: VantageScore

On March 14, 2006 the nation's three consumer credit reporting bureaus - Equifax, Experian and TransUnion - jointly announced that they have collaborated on a new credit scoring system. The reported purpose was to simplify and enhance the credit process for consumers and lenders. The new system is named VantageScore(sm) and was formulated in reaction to demand for a consistent and objective approach to a credit scoring system across the major bureaus.

The goal is consistency; variance still likely

VantageScore touts that the greater consistency will be a result of an identical scoring algorithm and leveled credit characteristics across all three bureaus. They claim that deep knowledge of the data ensures the most accurate scoring algorithm attainable and that the applications are innovative.

While the goal of the new system is for greater consistency, it will probably still result in variations from credit bureau to credit bureau. According to the March 14th press release, such variance "will be attributed to data differences within each of the consumer credit files and not to the structure of the scoring model or data interpretation." Equifax expects that VantageScore will reduce the variance by about 30 percent from what it was under the previous model.

Scoring 501-990; A-F

VantageScore says that its scoring system of the range from 501 to 990 makes the scores easier to understand and apply. It will also group scores into alphabetic categories covering a 100 point range that will give lenders to a re-tooled version of the old A, B, C credit rankings. Each of the three bureaus will market and sell VantageScore under separate licensing agreements. It is commercially available today.

Critics still anticipate errors

Critics have been expressing concern that the new system does nothing to address the underlying problem of errors within the data bases upon which the scores will be based. "There is still a huge problem with the data being reported to the agencies," says Evan

Hendricks, editor and publisher of Privacy Times newsletter and author of "Credit Scores & Credit Reports: How the System Really Works, What You Can Do."