



**National
Consumer
Reporting
ASSOCIATION**

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Introducing “Trended” Credit Data




Legislative & Regulatory Conference Sunday April 10, 2016

Presented By: Terry Clemans – Executive Director National
Consumer Reporting Association

Question – How many people have heard about Trended Credit Data?



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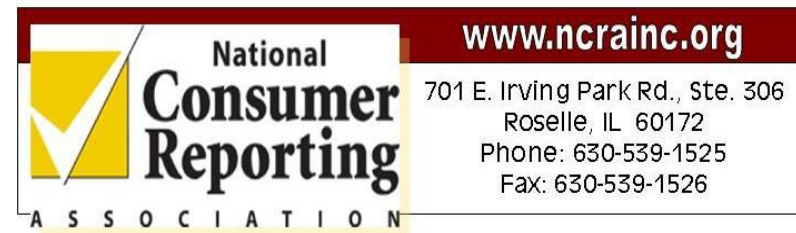
What is Trended Data (TD)?

An expanded, granular view of the consumer's monthly spending and payment history to provide better informed lending decisions.

Up to a 30 month review of the
scheduled payment / actual payment / balance

This is the vital Credit Utilization Rate (CUR)

Shows the trend of the consumer's credit consumption

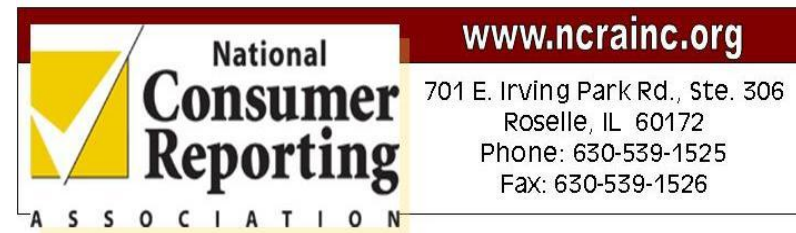


Trended Data Comes to the Mortgage Industry June 25th via Fannie Mae's DU v.10.0 upgrade

***Biggest change to the mortgage
credit report in nearly a 1/4 century!***

TD expands the credit information used for evaluating a consumer's loan application by expanding the traditional current month only picture of an applicant's credit balances and payments (CUR) to provide a dynamic picture of the applicant's CUR history of managing debt.

TD allows a consumer's credit behaviors and patterns to **improve** risk evaluation and **reward** responsible credit use.



Trended Data Types:

Trended ACROFILE®



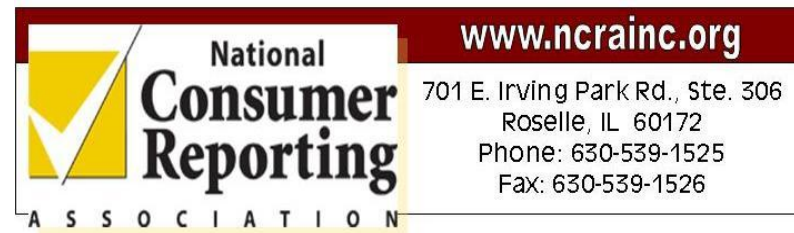
CreditVision®



Trend ViewSM



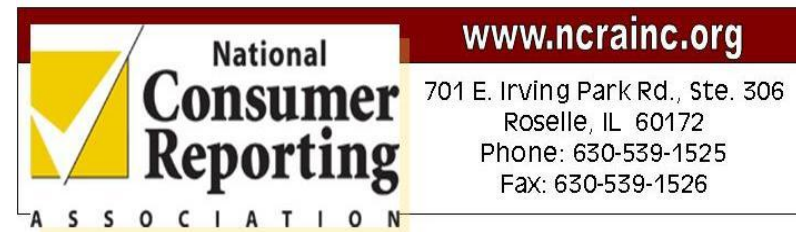
(Experian will not be live in the June Fannie Mae 10.0 update)



Trended Data is NOT currently included in any of the FICO or VantageScore formulas

Current score models only look at the ***Credit Utilization Rate*** for the month reported.

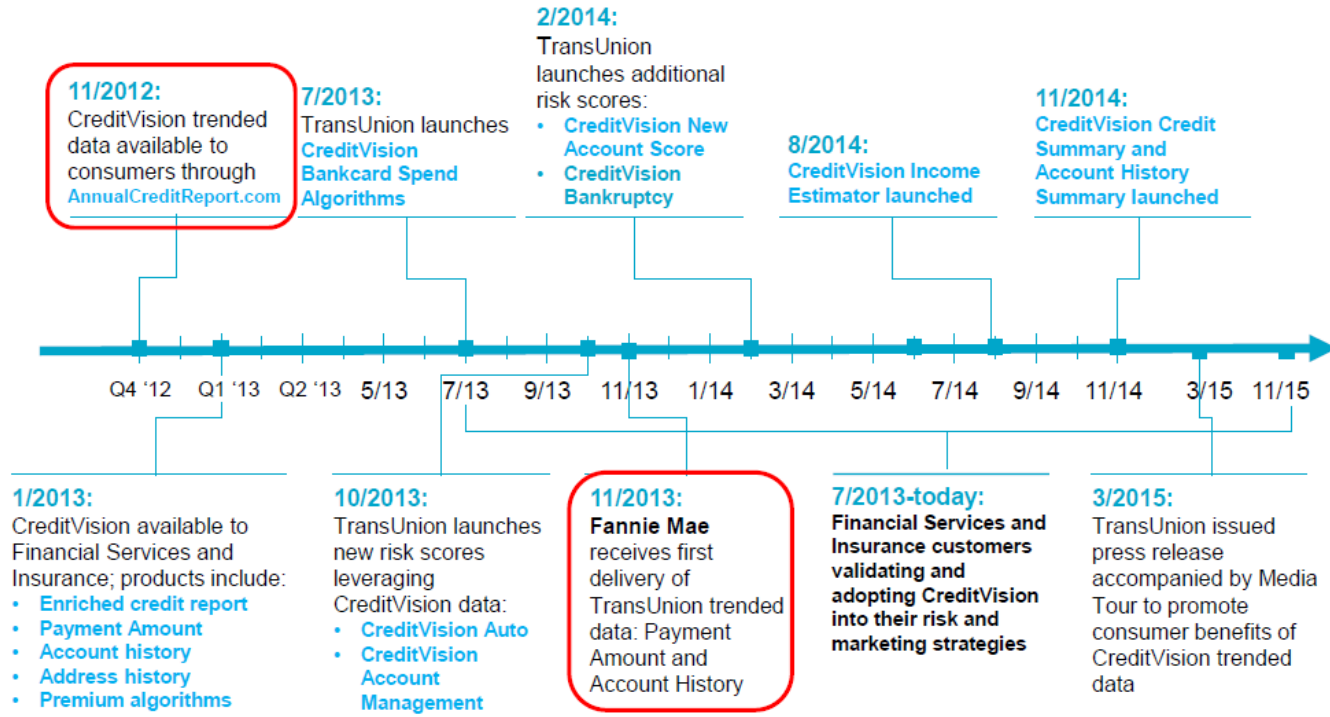
Remember CUR accounts for about 1/3rd of the score






CreditVision trended data was launched in Nov. 2012; TransUnion continues to drive marketplace awareness and customer adoption

Note: **highlighted** text indicates product launch





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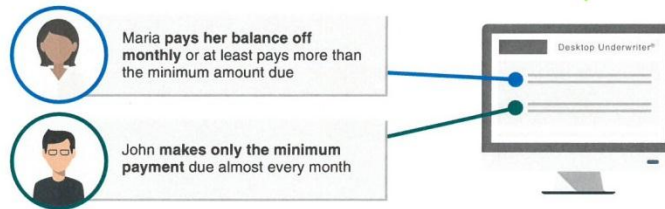
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TRENDED CREDIT DATA *and* DESKTOP UNDERWRITER® (DU®)

Fannie Mae's Desktop Underwriter (DU®) is the industry leading automated underwriting system. For more than 20 years, DU has provided lenders a comprehensive risk assessment that determines whether a loan meets Fannie Mae eligibility requirements. DU's evaluation is fair and objective, applying the same criteria to every mortgage loan application it considers.

Effective with Version 10.0, DU will use trended credit data in its credit risk assessment.

WHAT IS TRENDED CREDIT DATA? Trended credit data is expanded information on a borrower's credit history at a trade line (credit line) level on several monthly factors, including: amount owed, minimum payment, and payment made.



Assuming John and Maria's credit histories and loan characteristics are otherwise about the same, Maria will be considered a lower credit risk in DU's risk assessment.

WHY DOES THE USE OF TRENDED CREDIT DATA MATTER?

Trended data:



allows a smarter, more thorough analysis of the borrower's credit history



helps creditworthy borrowers obtain access to mortgage credit and sustainable homeownership

HOW WILL TRENDED CREDIT DATA IMPACT DU VERSION 10 APPROVALS?

Including trended credit data will:



improve the accuracy of DU's credit risk assessment



benefit borrowers who regularly pay off their revolving debt

The overall percentage of loans that receive an Approve/Eligible recommendation is expected to remain relatively stable.

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Fannie Mae considers a number of factors in determining eligibility for its acquisition of loans, including, but not limited to, the borrower's credit score, LTV ratio, DTI ratio, cash reserves, property type, and loan type, as detailed in its Selling Guide. Learn more about trended credit data and Desktop Underwriter Version 10.0.

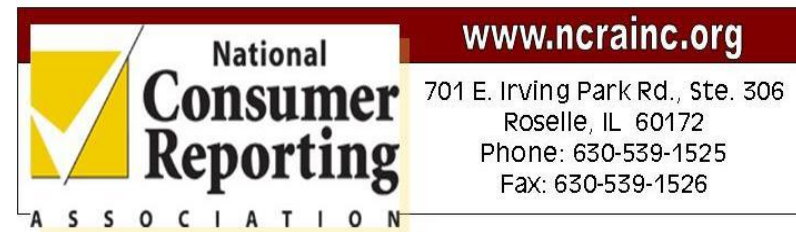
TD Documents Different Types of Consumer Spending Habits

Primary Predictive Habits

- ✓ **Transactor** — Pays credit card balances in full every month – also known as a “steady user” and shows lower risk
- ✓ **Revolver** — Carries credit card balances making minimum payments could be a “balance builder” and show higher risk

Other Predictive Habits

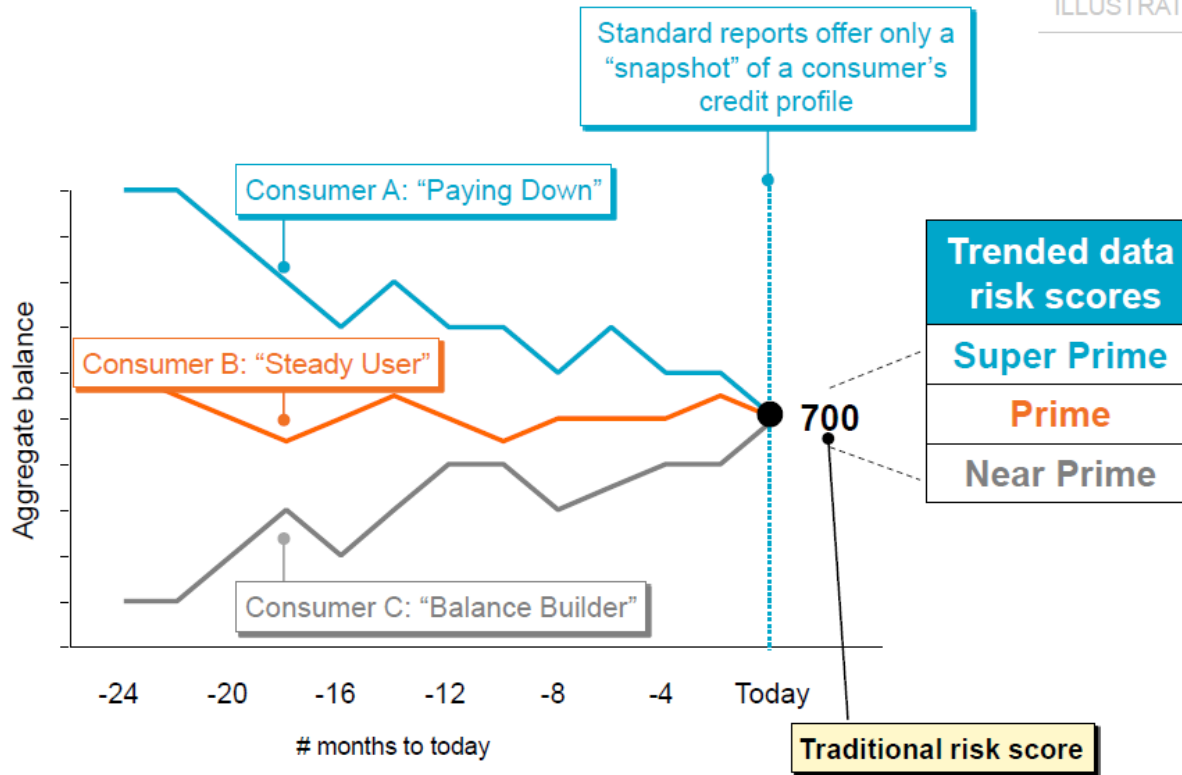
- ✓ **Rate surfer** — Transfers balances from one account to another making minimum or no payments
- ✓ **Consolidator** — Transfers multiple credit card balances to one credit card or consolidation loan
- ✓ **Nonactivator** — Never or rarely uses credit card
- ✓ **Seasonal user** — Uses credit cards at specific times of the year





CreditVision time series data can reveal a directional view of consumer balances over time that provides incremental risk insights

ILLUSTRATIVE



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Nine trended data fields are now available for up to 30 months of account history for use in lending strategies

Sample online report tradeline

Account History Fields

- Balance
- High Credit
- Credit Limit
- Payment Due
- Past Due
- Generic Remark
- Rating Remark
- Compliance Remark
- Actual Payment
- New fields in the enriched credit report

TRADES										
ABC BANK (6781001)	Acct No: 9876543210123456789	Account Rating: 01	Date Opened:							
Industry: BC	Portfolio Type: R-REVOLVING	Credit Limit: \$10,000	Date Paid Out:							
	Account Type: CC- CREDIT CARD	Balance: \$1,750	Date Closed:							
	Min: \$44	High Credit: \$3,104	Effective Date: 5/2012 A							
	ECOA Designator: I	Past Due: \$0	Last Payment Date: 11/2011							
	Payment Pattern Start: 4/2012	Actual Payment: \$1,250								
	Months 1-12: 111111111111	Affiliate Remark:	Late Payments:							
	Months 13-24: 111111	Rating Remark:	Months Reviewed: 18							
	Months 25-36:	Generic Remark:	Late Payments 30: 0							
	Months 37-48:	Compliance Remark:	Late Payments 60: 0							
	Months 49-82:		Late Payments 90: 0							
	Max Delinquency Rating:	Max Delinquency:	Last Max Delinquency:							
		Amount:	Amount:							
ACCOUNT HISTORY										
Effective Month	4/2012	3/2012	2/2012	1/2012	12/2011	11/2011	10/2011	9/2011	8/2011	7/2011
Balance	\$1,250	\$950	\$1,002	\$2,910	\$1,390	\$987	\$1,122	\$1,987	\$1,201	\$1,352
High Credit	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104
Credit Limit	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Payment Due	\$31	\$24	\$25	\$73	\$35	\$25	\$28	\$47	\$30	\$34
Past Due	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$212
Generic Remark										
Rating Remark										
Compliance Remark										
Actual Payment	\$950	\$1,002	\$2,910	\$1,390	\$987	\$1,122	\$1,987	\$1,201	\$1,352	\$1,162
Effective Month	06/2011	05/2011	04/2011	03/2011	02/2011	01/2011	12/2010	11/2010	... up to 30 months of Account History for each tradeline	
Balance	\$1,161	\$933	\$1,152	\$1,171	\$838	\$3,104	\$869	\$1,232		
High Credit	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$3,104	\$1,232		
Credit Limit	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000		
Payment Due	\$29	\$23	\$19	\$30	\$21	\$78	\$22	\$31		
Past Due	\$0	\$0	\$1,171	\$0	\$0	\$0	\$0	\$0		
Generic Remark										
Rating Remark										
Compliance Remark										
Actual Payment	\$933	\$2,375	\$0	\$838	\$3,104	\$869	\$1,221			

Transactor Payment Behavior



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With trended data, 23 million more people could be super prime, per TU study

The super prime customer base could expand by more than 23 million U.S. consumers by using TransUnion's CreditVision® New Account Score.

Millions of consumers could benefit from better rates and terms on credit products—a win-win for both lenders and consumers.

Percent of U.S. consumers scored as Super Prime



The logo for the National Consumer Reporting Association, featuring a yellow square with a white checkmark and the text 'National Consumer Reporting Association' in black.

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Consumers with super prime credit scores could see significant monthly mortgage savings.



Non-prime

8.5% Interest Rate

Monthly Payment
\$1,540

Total Interest Paid
\$353,055



Prime

5% Interest Rate

Monthly Payment
\$1,076

Total Interest Paid
\$186,372




Super Prime

4% Interest Rate

Monthly Payment
\$956

Total Interest Paid
\$143,665



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Approximately 26.5 million previously unscored U.S. consumers can be scored with CreditVision


The TU study also shows that, across the full U.S. population, approximately 26.5 million consumers who were previously deemed unscorable by traditional risk scores can be effectively scored by the CreditVision New Account Score.

Nearly 3 million of these consumers would be placed into the prime or super prime risk tiers.

Increase in U.S. consumers scored



TransUnion^{tu}

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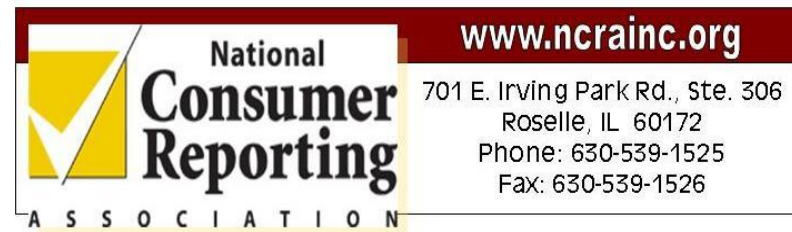
Important Note to Remember

The TU CreditVision Score **will not** be part of the Fannie Mae decision; however...

The power of the improved TD that is driving these better results **will be** used by Fannie Mae in DU 10.0

Another TU study showed that TD would have reduced actual mortgage loan defaults by 4.6%

The bottom line TD = less defaults!

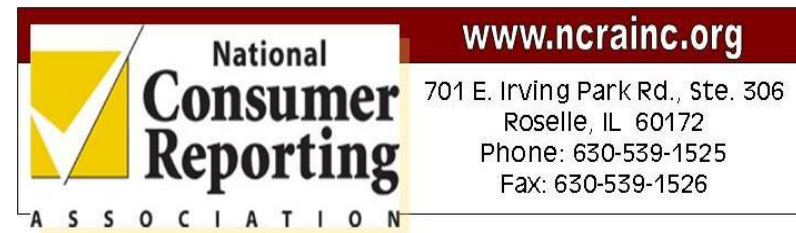


A New Day in Underwriting – Example 1 – The Special Event Spender

- ✓ FICO Score 619 (FNMA 620 min)
- ✓ Credit Trend – Transactor – pays balance in full each month
 - Consistent BIF with exception of Christmas, Vacation, or special event - “Seasonal user”
 - Typical CUR 25% - Reported CUR 80%
 - Major spending event reflected in the CUR score calculation – Score will greatly increase next month with return to 25% CUR

Does this loan get approved??

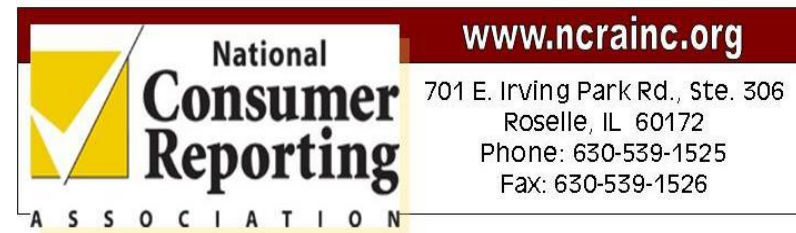
If so, at what interest rate???



A new day in underwriting – Example 2 – The Credit Builder

- ✓ FICO Score 700
- ✓ Credit Trend – Balance Builder
 - Minimum payments and increased spending rising balance
 - 24 months ago CUR 20% - Reported CUR 70%
 - Continued pattern will make score drop in coming months

***Does this loan get approved??
If so, at what interest rate???***

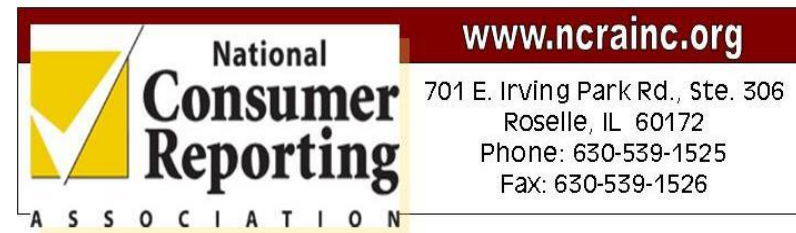


A new day in underwriting – Example 3 – The Credit Recovery

- ✓ Fico Score 619 (FNMA 620 min)
- ✓ Credit Trend – Paying down
 - Payments above the minimum decreasing balance each month
 - 24 months ago CUR 100% - Today CUR 50%
 - Multiple old late payments and collections
 - No late payments in past 12 months
 - Continued pattern will improve score monthly

Does this loan get approved??

If so, at what interest rate???



A new day in underwriting – Example 4 – The Self-Employed Big Spender

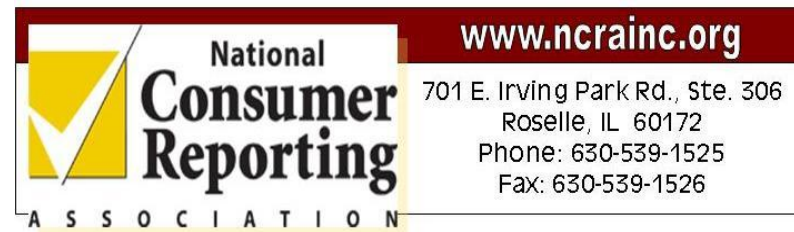
- ✓ FICO Score 750
- ✓ Credit Trend – Transactor
 - Average monthly spending much higher than claimed income on tax returns
 - 24 month average CUR 30%
 - No supporting evidence spending payed by company accounts

***Does this loan get approved??
If so, at what interest rate???***

After June 25th

Only TD credit reports will be provided to the mortgage industry

FHA/VA/Freddie Mac loans will also be provided TD reports



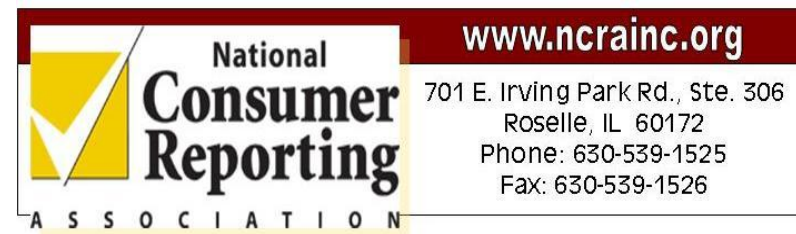
Non Traditional Credit Options via DU

DU 10.0 will be able to auto underwrite loans without credit scores – ends “out of scope” reply

There must be verification of two accounts with a minimum 12 month payment history and one must be housing related

Your credit reporting agency can verify the accounts and add them to the credit report

Additional Fannie Mae Announcement on Non Traditional Credit Data coming April 26th



For Additional Info:

Fannie Mae

https://www.fanniemae.com/content/release_notes/du-do-release-notes-06252016.pdf

TransUnion

<http://transunioninsights.com/CreditVisionStudy/>

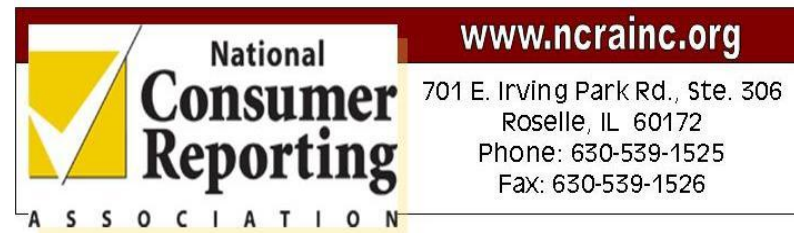
Equifax

<http://insight.equifax.com/fannie-mae-to-introduce-equifax-trended-credit-data-and-verification-services-into-underwriting-platform/>

Experian


<http://www.experian.com/consumer-information/historical-credit-data.html>

And your Mortgage Credit Reporting Provider



Questions???



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