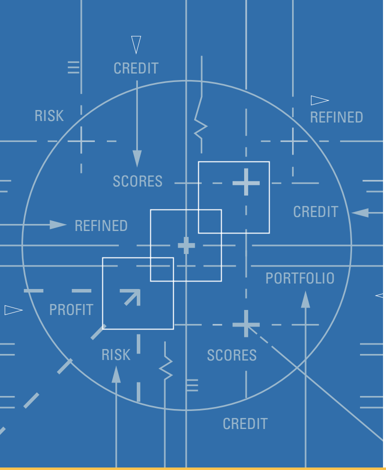
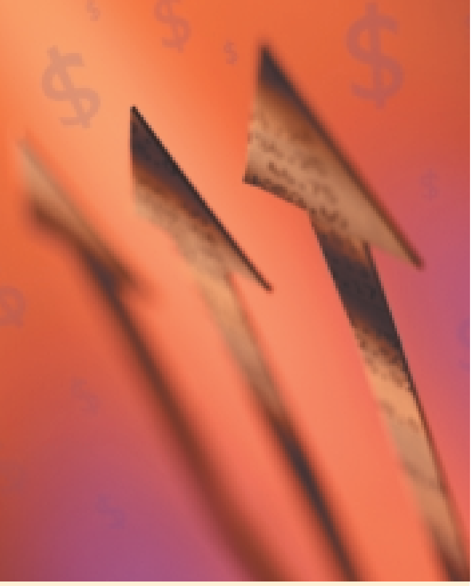


NextGen Credit Bureau Risk Scores

FAIR, ISAAC'S NEXTGEN RISK SCORES use new innovations in predictive technology to provide you with the most powerful credit bureau risk assessment tool in the world.



BOOST PROFITABILITY—POTENTIALLY UP TO TENS OF DOLLARS PER NEW CREDIT OBLIGATION SCORED

Fair, Isaac research indicates that in a variety of industries, credit grantors can lower bad rates between 10% and 25% or increase approval rates up to 5% or more by using the NextGen credit bureau risk scores instead of the classic FICO scores. This can translate to increased profits of up to $10 per new account scored, and even more in some industries.

Take advantage of a breakthrough in risk assessment

What happens when you use a more advanced credit bureau risk score? Fair, Isaac's next generation credit bureau risk scores can help you:

- Book substantially better credit quality while maintaining approval rates
- Increase approval rates while still lowering bad rates
- Create more accurately targeted marketing programs
- More confidently design customer management strategies
- Price more appropriately for the risk each customer represents
- Adjust product features according to customer risk

NextGen risk scores are available as an alternative to Fair, Isaac classic credit bureau risk scores (also known as FICO® scores). NextGen risk scores are ideal for credit grantors who want to use the most sophisticated risk management tools available.

Announcing the new "best in class" for risk assessment

With sharper evaluation across the spectrum, lenders can expect to book better credit quality and more accurately target marketing and customer management programs.

When you set out to improve upon the world's leading credit bureau risk scores, you have to aim high. At Fair, Isaac, that was our challenge: to take the predictive power of our FICO risk scores—the industry "gold standard" used for literally billions of credit decisions—to a whole new level.

Using the latest advances in predictive technology and our deep analyst insight, and capitalizing on extensive consumer credit reporting agency (CRA) data, we developed an entirely new design blueprint for our next generation credit bureau risk scores. The result is sharper evaluation across the entire risk spectrum.

We believe our NextGen scores are the most powerful credit bureau risk scores available. Try them on your own portfolio to see how much increased profit they can bring to your bottom line.

Improvements you can measure

NextGen risk scores offer more refined risk assessment for multiple portfolio types and population segments, compared with other credit bureau risk scores. We tested and compared these scores to our classic FICO risk scores on millions of credit records, and found improvements for:

- **Overall performance across all industries.** The NextGen risk scores showed a 10–18% improvement over the classic risk scores in the number of future "bad" accountsscoring below a given score cutoff.
- **Subprime market.** Among a subprime population—credit files with prior serious delinquencies or charge-offs—a lender using the NextGen risk scores in lieu of the classic risk scores could increase the number of approved loans by 6–10% while still lowering losses.
- **Heavy credit users.** Among the lowest-scoring 10% of consumers with revolving bankcard balances of $3,000 or more, the NextGen risk scores identified 23% more future bad payers than the classic scores.
- **Multiple portfolio types.** By switching from classic FICO scores to the NextGen risk scores, a decrease in bad rates of up to 20% is possible for lenders in various industries, such as bankcard, auto, mortgage, retail, personal finance and others.

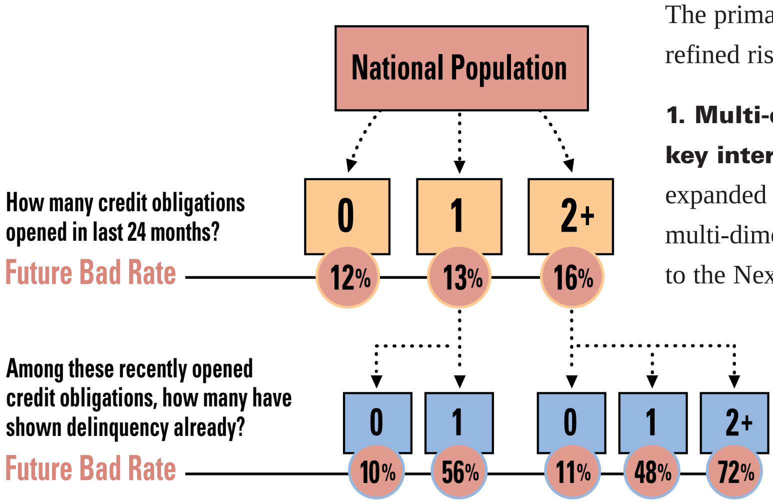
	Classic	NextGen	% Change
% Above Cutoff	68.0%	71.0%	4.4%
	% OF APPROVED		
Goods	87.5%	87.5%	0 %
Bads (90+ days or worse)	2.7%	2.4%	-11.1%
Charge-Off or Worse	2.2%	1.9%	-13.6%
Bankrupts	1.5%	1.3%	-13.3%

Improvements translate to bottom-line benefits When analyzing newly booked bankcard accounts in the development sample, Fair, Isaac research suggests that an issuer using NextGen risk scores in lieu of Fair, Isaac's classic risk scores—at a score cutoff around 680—could increase the number of accounts scoring above the score cutoff, while still decreasing the bad rate by up to 11% and the number of charge-offs and bankrupts by up to 13%. Assuming $175 revenue per "good" account over 18 months and a $3,500 loss for each charge-off or bankrupt account, the bankcard issuer could see increased profits of more than $9 per account scored.

A next generation design blueprint for more advanced scores

Our analytic staff's unparalleled expertise in analyzing CRA data has resulted in the most powerful credit bureau risk scores on the market. For the NextGen development, we challenged them to develop an entirely new design blueprint—one that would truly represent the next generation in risk assessment.

Fair, Isaac analytic experts used automated search technologies and data analysis techniques to tease out subtle previously undetected risk patterns in the CRA data. The result? A new suite of scores that gives you even more power to offer and manage credit.



Insight from interactions This example of a "mini-model" demonstrates that CRA data can be evaluated in multiple dimensions to yield more predictive value. This example shows that the worst risks have previously opened new accounts and gone delinquent on those new accounts—the best risks have previously opened new accounts and kept them current.

The primary design innovations behind NextGen's more refined risk assessment are:

1. Multi-dimensional "mini-models" that capture key interactions in the data. Fair, Isaac researchers expanded their use of interaction modeling, adding many multi-dimensional predictive variables—or mini-models—to the NextGen risk models. There are now more than 80 predictive variables behind the NextGen scores—nearly twice the number used for the classic FICO risk scores.The NextGen "mini-models" evaluate the relationship between credit events to reveal more of the risk pattern in a consumer's behavior. For example, a mini-model can examine both the presence of recently opened trade lines and the delinquency history on these new accounts to yield more predictive value.

2. Expanded segmentation of consumers across a broader risk spectrum. The NextGen risk models divide consumers into more segments. There are now 18 separate scoring models, vs. 10 for the classic risk scores. NextGen moves well beyond the segmentation scheme used in the classic risk scores, and analyzes the degree of delinquency history along with more conventional segmentation variables. In other words, the NextGen scoring system separately evaluates consumers with very clean credit histories, those with mild forms of prior delinquency and those with more severe derogatory information. This expanded segmentation enables the use of predictive variables that tease out subtle differences in risk profiles for each segment.

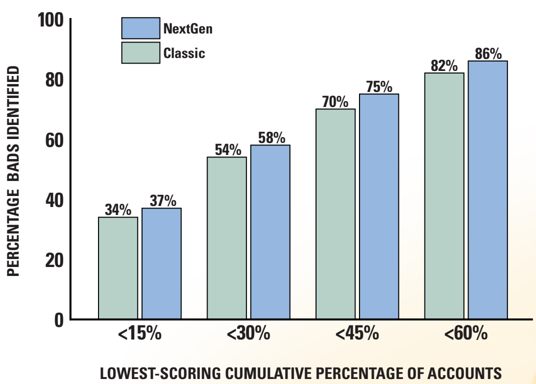
For more information:

3. Differentiation between degrees of future payment performance.
In developing any score, the performance outcome classification is crucial—in this case, the definition of "satisfactory" and "unsatisfactory" credit obligations. This determines what kind of future performance the scores will actually assess.

For our classic risk scores, consumers are classified as "good" or "bad" payers based on their worst delinquency or derogatory status on any credit obligation in the two years after the scoring date. That is, a consumer who went seriously delinquent on two out of ten accounts would be classified as a "bad," and so would a consumer who went delinquent on all ten trades.

In the NextGen risk score development, consumers were classified by the *degree* of positive or negative performance across all credit obligations. For example, a consumer who went delinquent on two out of ten trades would be classified differently than another who went delinquent on all ten trades.

This new performance outcome classification better reflects the current lending environment. Lenders today are more willing to extend credit to marginal applicants, provided they can price their offering relative to the risk. The NextGen risk scores will assist lenders in more appropriate pricing, and will enable more confident decisions across the entire risk spectrum.



Comparing NextGen to classic performance: New subprime accounts The NextGen risk scores outperform Fair, Isaac's classic risk scores at identifying future poor payers among subprime consumers who opened new credit obligations. For this analysis, "subprime" was defined as a consumer with any prior 90–day delinquent or worse account or any prior collection or bankruptcy. In each possible cutoff shown, the NextGen risk scores identify 7–9% more future poor payers than the classic scores. As a result, lenders using NextGen risk scores will be able to serve riskier markets with more confidence.

Consistent scaling for easier adoption

To make our NextGen risk scores easier to adopt, we've calibrated the models to the same odds-to-score relationship observed with the classic risk scores. This means that for a given score range, expected odds for the NextGen risk scores should be similar to those for the classic FICO scores.

As with the classic risk scores, up to four score reason codes will be delivered with every score. The reasons associated with these codes explain why the score is not higher, and may be used for adverse action notification and/or customer service.

FairIsaac®

Fair, Isaac (NYSE: FIC) is a global provider of customer analytics and decision technology. Widely recognized for our pioneering work in credit scoring, Fair, Isaac revolutionized the way lending decisions are made. Today the company helps clients in multiple industries increase the value of customer relationships. Fair, Isaac has made the *Forbes* list of the top 200 US small companies seven times in the last eight years. Headquartered in San Rafael, California, Fair, Isaac has 20 offices worldwide.

For more information,
email *info@fairisaac.com*,
visit *www.fairisaac.com* or
call 1-800-999-2955.

from the leader in decision-making solutions

NextGen Credit Bureau Risk Scores

The world's leading credit bureau scores

Fair, Isaac is the world's leading developer of credit bureau scores. Our scores are recognized as the "gold standard" by North American lenders managing credit cards, installment loans, mortgage loans, auto loans and other products. Using Fair, Isaac credit bureau scores, credit grantors improve profitability throughout the credit life cycle by targeting the right actions to the right prospects, applicants and customers.

Fair, Isaac's credit bureau scores include:

- **Risk scores**
- **Industry-specific classic risk scores for auto loans, bankcards, installment loans and personal finance loans**
- **Bankruptcy scores**
- **Revenue scores**
- **Attrition scores**

Added to our full complement of credit bureau scores, Fair, Isaac's NextGen risk scores give you more options for targeting, acquiring and managing high-value customers. NextGen risk scores will be available directly from major US credit reporting agencies in online, prescreen and account review mode. They will also be available through Fair, Isaac's PreScore® Service for comprehensive prescreening support and ScoreNet® Service for managing your existing customers.

CORPORATE HEADQUARTERS:

200 Smith Ranch Road
San Rafael, CA 94903-1996
1 800 999 2955 *from the US*
1 415 472 2211 *from anywhere*
info@fairisaac.com *email*

OFFICES WORLDWIDE:

Atlanta, Baltimore, Berkeley, Birmingham (UK), Brookings (SD), Johannesburg, Madrid, Mexico City, Milan, New York, Paris, Pforzheim, São Paulo, St. Paul, Tokyo, Toronto, Vienna, Wiesbaden, Wilmington (DE)

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