

# BEACON 5.0 Auto Industry Option

## Maximizing Predictive Power for Auto Lenders

It is a well-known fact that consumers often pay loan obligations differently. The BEACON® 5.0 Auto Industry Option takes this into consideration. Developed in association with Fair Isaac Corporation, this option adjusts the BEACON 5.0 credit risk assessment score, adding or subtracting points according to predictive information specific to the auto loan industry. What do you get? All the proven benefits of BEACON 5.0 (predicting the likelihood of delinquency, repossession or bankruptcy within the next 24 months) plus credit risk assessment designed especially for auto lending — helping you make credit decisions with confidence, while helping to further limit risk.

## How the Auto Industry Option Was Developed

BEACON 5.0 was used as the foundation to develop the BEACON 5.0 Auto Industry Option. Hundreds of credit file characteristics were compared with auto loan performance records to identify those that best predict “good” or “bad” auto loan performance. “Good” performance was defined as all auto loans remaining current or only minor delinquency during a 24-month performance period. “Bad” performance was defined as serious delinquency or repossession on any auto loan, or bankruptcy during this time.

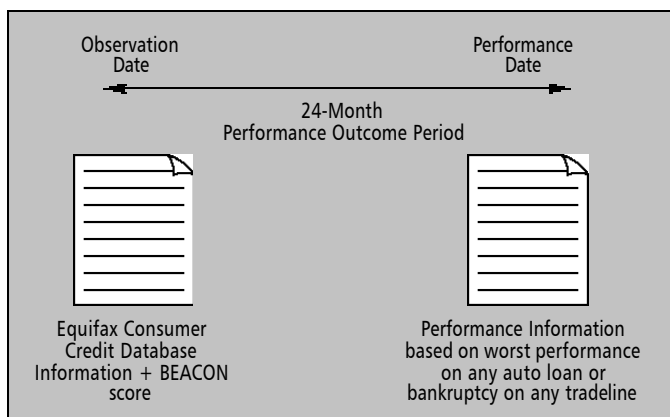
The Auto Industry Option is aligned to reflect similar odds of “good” to “bad” performance as BEACON 5.0. This means that the Auto Industry Option provides the same odds of “good” to “bad” auto loan performance at a given score range as a BEACON 5.0 score range. For example, the same credit report could score 710 using the Auto Industry Option and 680 using BEACON 5.0. An Auto Industry Option score of 710 would indicate the same degree of risk as a 710 BEACON 5.0 score. Scores range from 250 to 900 — the higher the score, the lower the potential for serious delinquency.

## How It Works

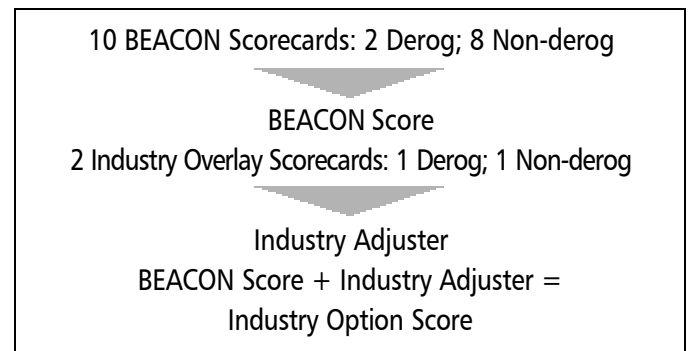
The Auto Industry Option combines multiple scorecard technology with the most predictive credit payment characteristics for auto loan performance.

The consumer’s credit report is reviewed, and depending upon the contents, is sent to the most appropriate BEACON 5.0 scorecard. After the BEACON 5.0 score is calculated, the report is reviewed again to be sent to one of two more auto option scorecards. If there is delinquency or other derogatory information, it goes to a delinquency scorecard for scoring. If not, it goes to a non-delinquency scorecard.

### AUTO INDUSTRY OPTION DEVELOPMENT



### AUTO INDUSTRY OPTION SCORE

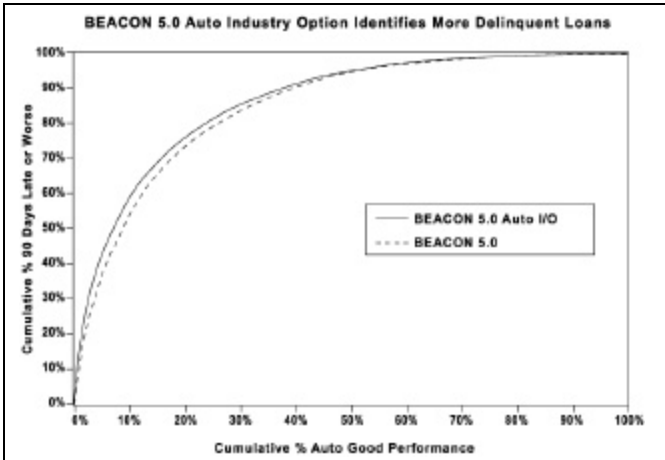


The result... maximized precision scoring and a sophisticated yet simple way for you to achieve even more predictive power for auto loan decisions.

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## Why It's More Predictive

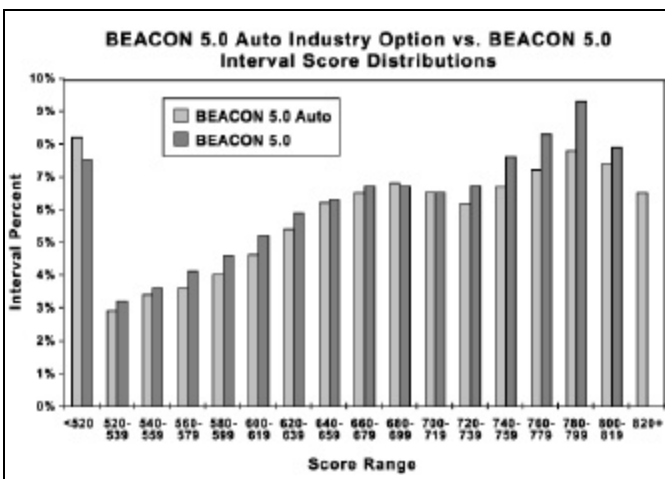
When you score auto loan performance data as compared to general credit performance data, some unique things happen. At any given percentage of accounts with good performance, the Auto Industry Option identifies a higher percentage of future delinquencies than BEACON 5.0. (See graph below.)



### Maximizing Risk Protection for Auto Loans

Based on a national sample of consumers with auto loans, the Auto Industry Option identified 75.78% of all 90+ delinquencies within the lowest 20% of scored files with good performance, compared to 73.02% with BEACON 5.0. (The 20% represents a score cut-off of approximately 620.)

There also is an upward shift in higher scores and a downward score shift of the "bads" population, providing increased predictive power. (See graph below.)



### Fine-tuning Interval Score Distributions

The Auto Industry Option spreads the distribution outward to both higher and lower score ranges.

You will need to evaluate the Auto Industry Option's performance on your own portfolio before deciding where to make any needed minor score strategy changes to minimize losses and maximize profitability.

## How You Can Use It

The Auto Industry Option gives you the heightened ability to separate future paid-as-agreed loans from potential delinquencies, repossessions and/or bankruptcies. This increased precision helps you:

- Decline more potential high-risk applicants at the same approval rate while reducing your future loss rate
- Approve more low-risk applicants while maintaining the same loss rate
- Segment accounts for more effective risk-based pricing

Also, the option works equally well for prescreening, new account approvals and account management.

## Easy to Implement

It's easy to incorporate the Auto Industry Option into your current operating environment.

- If you are only converting from the BEACON 96 Auto Industry Option to the BEACON 5.0 Auto Industry Option, no additional programming is required.
- If you are converting to the BEACON 5.0 Auto Industry Option from any other versions of BEACON, then System-to-System and PC users need to program a few additional reason codes so their systems can return these explanations for adverse action notification procedures.

## Get the Strongest Risk Protection for Auto Lending

Isn't it time to make the change to greater precision? Get the increased predictive power of the BEACON 5.0 Auto Industry Option — maximized risk assessment designed specifically for auto lending. Call 1-800-879-1025 to contact an Equifax representative today. For more information about Equifax, visit us online at [www.equifax.com](http://www.equifax.com).