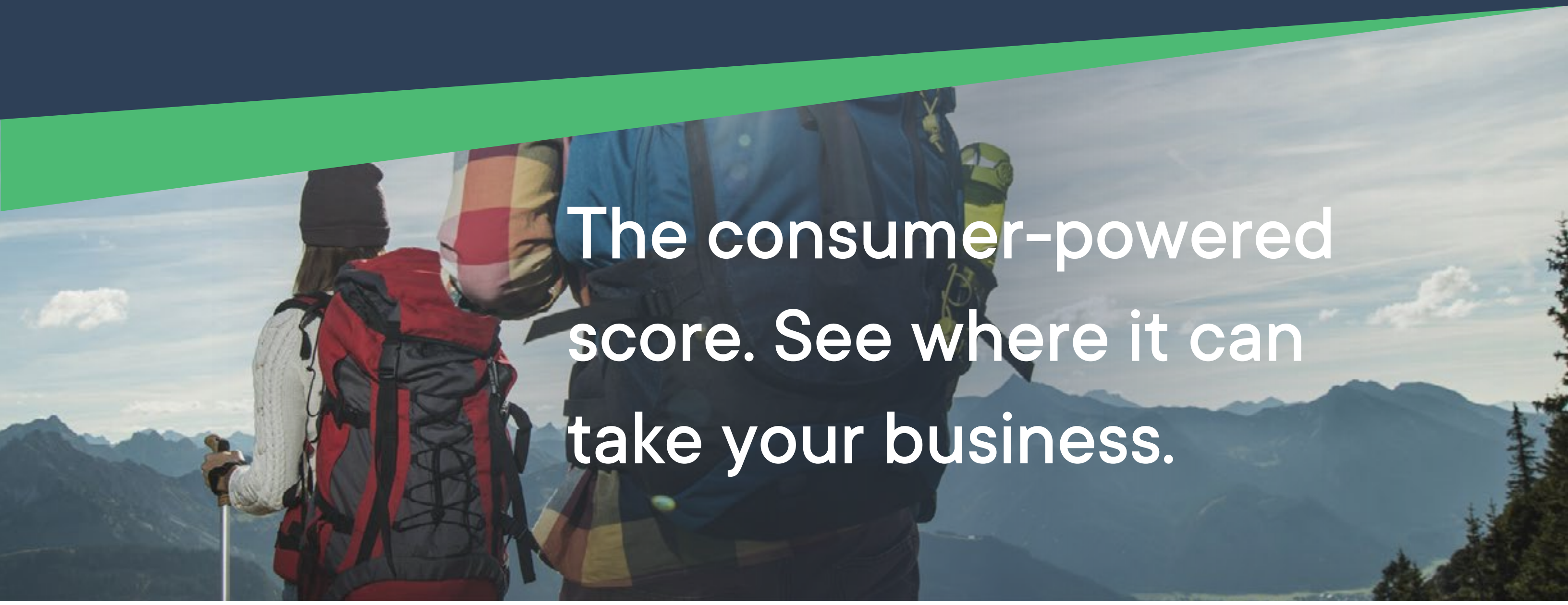
ultraFICO™



The consumer-powered score. See where it can take your business.

What is the UltraFICO™ Score?

With the UltraFICO™ Score, consumers are empowered to contribute their checking, savings and money market account data to enhance their FICO® Score, providing an unprecedented and broader view for lenders to assess creditworthiness.

The new scoring algorithm adjusts the existing FICO® Score given the additional insight offered by the consumer permissioned demand deposit account (DDA) data. In the case of traditionally unscorable consumers, it will generate an UltraFICO™ Score if its minimum scoring criteria is met.

This new approach can help lenders broaden access to credit for the underbanked, make better decisions for those consumers who are near score cutoffs, or serve new customers who may not have a standard FICO® Score.

By simply and securely linking a consumer's demand deposit accounts, the UltraFICO™ Score can enhance their FICO® Score based on indicators of financial behaviors that have shown to correlate with credit repayment, such as:

- Length of time accounts have been open
- Recency and frequency of bank transactions
- Evidence of consistent cash on hand
- History of positive account balances

How does the UltraFICO™ Score benefit consumers?

Incorporating consumer permissioned data is a unique approach to helping empower consumers by using data that reflects responsible financial activity that is not part of a traditional credit report. This can help consumers qualify for the credit they seek under more competitive terms.

This approach is particularly helpful for consumers that may have very sparse or inactive credit files and are seeking a path toward greater financial inclusion in mainstream banking. It can also benefit those tens of millions of consumers that generally fall outside of a lender's traditional credit score strategy (for example, the upper 500's to lower 600's) and fall just below a lender's score cutoff. This approach can provide visibility into positive financial behavior that may not be accessible via the traditional credit report.

How does the UltraFICO™ Score benefit lenders?

A consumer permissioned data approach allows lenders to gain deeper insights into the credit risk of a prospective customer through a more comprehensive understanding of the consumer's financial profile. As uncertainty around future consumer credit risk is reduced, a lender can better match the right credit offer to the consumer and as a result become more competitive in the marketplace.

The UltraFICO™ Score brings greater visibility into sound financial behavior that can broaden credit access to millions more consumers. It can be leveraged to attract credit builders or thin file/young applicants, the self-employed, gig-economy workers or other new to credit populations—and build lasting loyalty with new customer segments.

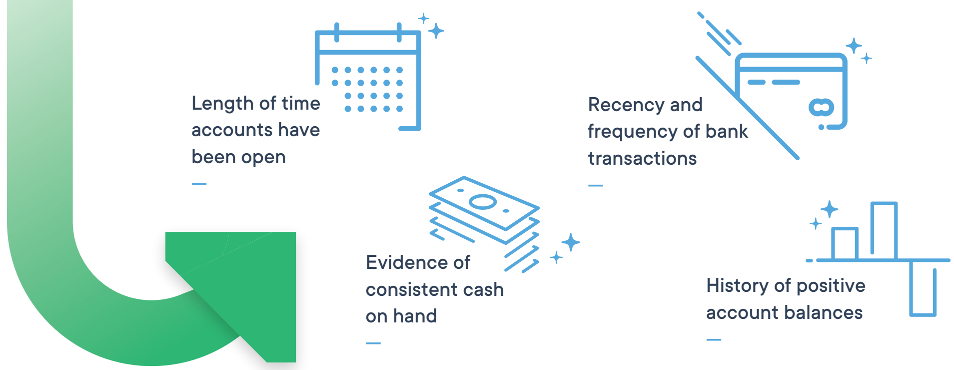
The technology behind data aggregation that supports this type of scoring creates new efficiencies for the lender. The data sources that feed into this score are compiled fast, safely and efficiently. Lenders can obtain this type of score through existing infrastructure via Experian without substantial systems investment. Because this is a FICO® Score, lenders will be able to use it with confidence knowing it is created with the same level of rigor and integrity as other FICO® Scores.

The UltraFICO™ Score is also designed to reflect the same odds-to-score relationship and framework as a traditional FICO® Score so the UltraFICO™ Score can be easily incorporated into lending strategies and origination/account management systems.

What information in checking and savings account history drives the score?

FICO models are empirically built and based on tens of millions of consumer observations. Overall, FICO research shows that many of the predictive characteristics in the model reflect the ability of a consumer to manage their financial affairs. The predictors are intuitive and defendable in predicting credit risk. For example:

- **Length of time accounts have been open:** Consumers that demonstrate relatively longer relationships with their checking and savings account providers are less likely to go delinquent or default on a credit obligation.
- **Recency and frequency of bank transactions:** Consumers that have more frequent transactions vs. those that rarely use their checking or savings accounts are lower credit risks.
- **Evidence of consistent cash on hand:** Looking at the ratio of money coming into DDA accounts vs. going out, research shows that more coming in than going out (indicative of savings) is correlated with lower credit risk.
- **History of positive account balances:** Consumers that don't let their accounts slip into negative territory tend to be lower credit risks.



What information is NOT included in calculating the score?

The UltraFICO™ Score does not consider specific details of what or to whom payments are made.

In addition, FICO® Scores do NOT consider:

- Race, color, religion, national origin, age, sex and marital status.
- Salary, occupation, title, employer, date employed or employment history.
- Where the consumer lives.
- Any interest rate being charged on a particular credit card or other account.
- Any items reported as child/family support obligations.

Can a consumer select which accounts to link?

Yes, they can link up to twenty active personal checking or savings accounts for which they are the owner. If an account is closed, it cannot be accessed for use in the UltraFICO™ Score. The UltraFICO™ Score considers the recency and frequency of account use.

How does the UltraFICO™ Score work?

One use case is that a lender would invite a consumer who is in the process of applying for credit to participate in the UltraFICO™ scoring process. This would most likely occur if the consumer was unscorable with the traditional FICO® Score due to sparse or stale credit bureau data or if the consumer had a FICO® Score that fell below the score threshold for a desired product or credit terms.

1. Once the consumer accepts, a score inquiry is made to Experian.
2. In a digital origination environment, the consumer is directed to a secure site to answer questions about their existing DDA banking relationships. Outside a digital origination environment, the consumer may receive a text or email from the lender that directs them to the secure site.
3. Once the consumer selects their accounts and permissions access, Finicity compiles their DDA transactions and sends to Experian. Experian hosts the scoring algorithm developed by FICO. The new score consumes the DDA data obtained through Finicity in addition to the traditional credit data housed at Experian.
4. The UltraFICO™ Score algorithm creates an adjusted FICO® Score given the additional insight offered by the DDA data (or in the case of a traditionally unscorable consumer, it will generate an UltraFICO™ Score if minimum scoring criteria are met).
5. This score is then transmitted by Experian to the lender along with reason codes reflecting the data used for score calculation, just like other FICO® Scores. Additionally, DDA-related predictive characteristics are available.
6. The resulting score follows the same general blue-print design as the traditional FICO® Score and is designed to be scaled the same. In other words, a score of 680 generated by the UltraFICO™ Score is designed to represent the same relative risk as a traditional FICO® Score of 680.

What impact will the UltraFICO™ Score have on vulnerable segments of the population?

We believe the UltraFICO™ Score will have a strong positive impact on low-moderate income groups and other vulnerable segments of the population. FICO has been focused on broadening financial inclusion through the FICO Financial Inclusion Initiative. This seeks to broaden financial inclusion through a combination of innovative products, platforms and partnerships aimed to help over 3 billion consumers globally gain access to credit.

The UltraFICO™ Score sheds light on previously invisible checking and savings account transactions and provides an opportunity for underbanked consumers to get credit based on their financial management. Underbanked consumers that do not have access to traditional credit products have an opportunity to obtain a FICO® Score through this consumer contributed data approach. FICO estimates an UltraFICO™ Score can be generated for approximately 15 million consumers that were previously unscorable.

Does the UltraFICO™ Score make it easier for risky borrowers to access credit they can't repay?

The enhanced predictive power of the UltraFICO™ Score differentiates borrowers that are likely to repay their credit obligations. This is particularly true in traditionally risky applicant pools such as consumers that are new to credit or have previously experienced financial distress. Lower credit risks are identified while higher risk borrowers are not likely to receive higher scores.

Bank account data is not new to the lending process. It is trusted data, frequently relied upon by lenders in assessing or approving a credit application, but it has never been a part of a national credit scoring process. Including this data provides a more comprehensive picture of a consumer's financial situation, improving the predictive power of a credit score, especially for consumers with thin or no traditional credit files.

How does this relate to FICO® Score 9 and other FICO® Scores?

The UltraFICO™ Score does not replace FICO® Score 9 or other traditional FICO® Scores. The UltraFICO™ Score is designed to adjust a traditional FICO® Score using the consumer permissioned data in instances where the traditional FICO® Score is available. For the initial phase the score is adjusted using DDA data only. As such the UltraFICO™ Score uses the traditional FICO® Score as an input.

While the score uses FICO® Score 9 as the base score, it shares the common odds-to-score relationship as FICO® Score 8 and previous scores. In other words, it does not matter what version of FICO® Score a lender is using to adopt UltraFICO™ Score. The UltraFICO™ Score passes back similar reason codes relating back to the credit bureau data consumed in addition to new codes reflecting the DDA data.

How does UltraFICO™ Score relate to FICO® Score XD?

FICO® Score XD is a score FICO released in 2016 to specifically address the issue of unscorable consumers. It consumes data from LexisNexis® Risk Solutions and the National Consumer Telco and Utility Exchange® (NCTUE) database managed by Equifax®. The score is provided through Equifax.

FICO® Score XD:	UltraFICO™ Score:
• Is used for unscorable consumers only • Is applicable to bankcard, educational loans and unsecured bank products • Requires only FCRA permissible purpose • Can be used across the lifecycle including prescreen • Can be applied to the truly unbanked as it does not require DDA data • Is available through Equifax	• Is used for unscorable and scorable consumers (i.e., can be applied to all consumers, particularly thin file and blemished credit, provided they have DDA history) • Is most useful for originations, not applicable for prescreen • Is available for all industries • Is available through Experian

What is the partnership with Experian and Finicity?

Experian is one of the top three national credit bureaus and provides substantial operational capabilities with respect to data processing. Models developed by FICO can be implemented through Experian and thus readily integrated into lenders' operational workflows.

Finicity is one of the top data access and insights providers in the US and has been delivering services to consumers and financial institutions for over 15 years. Finicity has worked with Experian to create connectivity that enables Experian to incorporate the consumer permissioned data into a scoring process once permission is given by the consumer.

Is FICO doing research and development outside the US?

FICO is exploring other partnerships that leverage similar types of data outside the US. We believe that using this type of data to augment credit bureau data, especially in countries that only report negative credit information or partial positive information, could have similar benefits to what is envisioned in the US.

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