

Office for Financial Success – Financial Tip of the Week

A service of the Personal Financial Planning Department
College of Human Environmental Sciences
University of Missouri-Columbia

*(The OFS Tip of the Week is available in PDF format at:
<http://financialsuccess.missouri.edu/tipoftheweek/vantagescore.pdf>)*

VantageScore ...

Perhaps you've heard - the world of credit scoring has just gotten simpler [or at least so they say] ... Earlier this week, the three major credit bureaus (Experian, Equifax, and TransUnion) announced the creation of a new credit scoring system - "VantageScore." This new system is "designed to make it easier for financial institutions to evaluate loan applications and to give consumers a better way of measuring their financial health." The new scores are supposed to be available to consumers later this year [after the rollout to lenders].

The argument for this type of new system is that consumers need a more consistent scoring model that works across all of three reporting agencies' data - VantageScore is designed to do just that. In the past, agencies used their own formulas to generate their own credit scores, meaning that a lender dealing with a consumer's application for a credit card or a mortgage might have to reconcile three widely different scores (a different score reflected by each credit reporting agency). With this new system, a single methodology will be used to create the scores for all three credit bureaus. In their announcement, the credit reporting agencies claimed that the VantageScore would "provide consumers and businesses with a highly predictive, consistent score that is easy to understand and apply." One big concern stated by consumer advocates is that the new scoring system would not eliminate one of the biggest problems of the current scoring system - handling incorrect information in consumer's credit files. "A new recipe with the same old ingredients" states one consumer advocate.

Something else to keep in mind is this new score is unlikely to become universally used. There is still nothing to keep lenders from generating their own internal credit scores, or to continue using the widely used FICO score (developed by Fair Isaac). Only time will tell how lenders will react/use this new scoring model.

VantageScore ratings will range from 501 to 990 and will be grouped in an 'academic scale' - where A and B ratings represent the best potential borrowers and D and F the weakest:

- A - (901-990)
- B - (801-900)
- C - (701-800)
- D - (601-700)
- F - (501-600)

This new score is expected (by the people that developed it) to reduce the variance in a consumer's score by about 30% compared with the old system. The score will reflect a consumer's frequency of borrowing, delinquency of paying bills, and other "file content," although they say it is too soon to provide what the specific weights of the score entail. It's likely to be based in large part upon similar components of the FICO model (<http://www.myfico.com/CreditEducation/WhatsInYourScore.aspx>).

VantageScore is being independently marketed and sold separately through each of the three national credit reporting agencies – it is, however, jointly owned by the three. To learn more, visit: <http://www.vantagescore.com>.

MIZZOU Personal Finance Course Offerings – fall/summer ...

The registration problems with the summer Financial Survival course have been resolved – sorry for the inconvenience ... I'm very excited to say that the Personal Financial Planning Department has agreed to offer the popular Financial Survival Course this coming summer and fall terms!

SUMMER:

Financial Survival (FINPLN 4318, ref# 23455); MWF 12-1; 1st 4 week session (1 cr).
Other PFP summer course offerings (<https://sis.iats.missouri.edu/soc/select.cfm>)

FALL:

Financial Survival (FINPLN 1183, ref# 44250); W 3-3:50 (1 credit).
Other PFP fall course offerings (<https://sis.iats.missouri.edu/soc/select.cfm>)

Student Loan Consolidation ... Consolidating your federal student loans during the current semester appears smart. You have the chance to lock your interest rates at **4.7%** by consolidating before June 30th. Consolidation does not trigger immediate repayment; you will still have the opportunity to consolidate in the future to take advantage of other programs (like UHEAA), as well as the opportunity to consolidate future loans. Based upon the current 91-day T-bill, your variable loan rate would rise to **6.21%** on July 1st if you don't. This rate will "officially" be calculated the last business day in May. I will continue to update this rate information weekly ...

More information is available on the student loan consolidation section of our site (<http://financialsuccess.missouri.edu/consolidationhome.htm>) to gather information about calculating your weighted loan rate (if you consolidated last year at 2.82%), consolidating while in school, estimating your monthly student loan payment, etc.

Tip Archive.

Free access to recent weekly financial tips ...
<http://financialsuccess.missouri.edu/archive.htm>

A primary objective of the MU Office for Financial Success is to provide sound, non-biased information related to your financial life. Financial products are neither sold nor promoted. Our service is free to MU students and an inexpensive educational option for non-students. Visit us (<http://financialsuccess.missouri.edu>) to learn more and/or to schedule an appointment.

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Interested in a career in Financial Counseling/Planning? (<http://pfp.missouri.edu>)
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