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TransUnion Consumer Credit Risk Index Hits Record Level

Risk of Active Credit Consumers Continues to Grow

CHICAGO, July 9 /PRNewswire/ -- The TransUnion Credit Risk Index, a statistic developed to measure the changes in average consumer credit risk within various geographies, increased 1.98 percent from 124.79 in the fourth quarter of 2008 to 127.26 in the first quarter of 2009. On a year-over-year basis, the Credit Risk Index increased 7.10 percent (from 118.83 in the first quarter of 2008), the largest increase for that time period in this decade. The Credit Risk Index is defined as the weighted average probability of 90-day delinquency or worse among consumers in a given region relative to the nation as a whole.

"The Credit Risk Index is a true barometer of today's economy, and the first quarter of 2009 indicates that the inherent level of credit risk within the U.S. is now 27.26 percent higher than the level reflected in TransUnion's consumer credit database at the conclusion of 1998," said Chet Wiermanski, global chief scientist at TransUnion. "Credit Risk Index data suggest that the growth in consumer credit risk has slowed during the past quarter, a positive note. However, the index remains at an all-time historical high, indicating that delinquencies and foreclosures will continue to rise in the coming months."

On a state basis, Mississippi ranks as the riskiest state in the nation with a Credit Risk Index of 166.45. It is followed closely by Texas (162.59), Nevada (158.97), South Carolina (158.76) and Louisiana (153.84). The least risky states include: North Dakota (82.02), Minnesota (88.53), Vermont (91.82), South Dakota (94.75) and Iowa (95.26).

The states that experienced the largest quarterly changes included Nevada (4.25 percent increase), Arizona (4.06 percent increase) and California (3.98 percent increase). Though Louisiana's Credit Risk Index is the fifth highest in the nation, it is the only state that experienced a drop on a quarterly basis of .03 percent. Arkansas experienced a minimal 0.01 percent gain while Vermont increased 0.52 percent.

On a year-over-year basis, Arizona (14.82 percent increase), Nevada (14.38 percent) and California (13.82 percent) had the highest percentage increases. The three states with the lowest yearly percent increases included, Alaska (1.51 percent increase), Vermont (2.17 percent increase) and Kentucky (2.85 percent increase).



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"It is apparent that many of the states experiencing the highest increases in credit risk are the same when looking at the Credit Risk Index statistic on both a quarterly and yearly basis," said Wiermanski. "This leads TransUnion to believe that consumers in these states will experience prolonged systemic difficulties in both in their ability to satisfactorily repay their existing credit obligations and in their ability to acquire new credit.

"While an individual credit score can be quite powerful and accurate in predicting the probability of delinquency for an individual, the average credit score for a specific geography or customer segment does not accurately portray the level of risk existing within that footprint or segment to the same degree as TransUnion's Credit Risk Index. This is because most credit scores are built on a non-linear scale, so averaging scores does not yield the correct measure of underlying probability of default. Credit Risk Index is a great instrument for gaining insight into the potential impact of external factors on the credit risk and rate of default within a given region, or for a given population segment, precisely because it accounts for the non-linearity of the underlying credit score," continued Wiermanski.

The Credit Risk Index uses the fourth quarter of 1998 as a baseline for comparison. Therefore it measures changes in consumer credit score distributions relative to the national distribution and delinquency rates as a whole at the end of 1998. This is considered by TransUnion as a representative year of credit performance within the usual dynamic of the historical credit cycle. A value of more than 100 represents a higher level of relative risk.

TransUnion's Credit Risk Index reflects the distribution of consumer credit risk as measured by TransUnion's TransRisk Account Management Credit Risk Model and is a key metric within TransUnion's Trend Data database. For comparison purposes, the Credit Risk Index in recent years has generally ranged between 110 and 120, experiencing a one- or two-point shift between quarters.



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TransUnion's Trend Data database

The source of the underlying data used for this analysis is TransUnion's Trend Data, a one-of-a-kind database consisting of 27 million anonymous consumer records randomly sampled every quarter from TransUnion's national consumer credit database. Each record contains more than 200 credit variables that illustrate consumer credit usage and performance. Since 1992, TransUnion has been aggregating this information at the county, Metropolitan Statistical Area (MSA), state and national levels.

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