**Section 800.50 Empirically Derived Credit Systems**

a) The exemption in Section 4-104(B)(2) of the Act [775 ILCS 5/4-104(B)(2)] does not authorize the consideration of any prohibited characteristic, other than age under an empirically derived credit system, and allows for the consideration of age only if the system is "demonstrably and statistically sound". A system shall be deemed "demonstrably and statistically sound" if each of the following standards is satisfied:

1) Data Base. The data used in developing the system, if not consisting of the complete population of all credit applicants, must be drawn from the file of credit applicants using accepted statistical sampling principles.

2) Purpose. The system must be developed with the purpose of predicting positively the actual creditworthiness of applicants.

3) Validation. The system must be validated, according to accepted statistical principles, as distinguishing between creditworthy and non-creditworthy applicants at a statistically significant rate.

4) Revalidation. The system must be periodically revalidated as to its predictive ability using appropriate statistical principles, and be adjusted as necessary to maintain its predictive ability.

b) A creditor may adopt a credit system used by another creditor, or use data from another creditor in developing its own system, as long as the system otherwise meets the requirements of this Section. If the creditor is unable to validate the system based on its own credit experience in accordance with subsection (a)(3) of this Section, it must validate the system as soon after implementation as sufficient credit experience becomes available. If the system fails this validity test, its use must immediately be suspended.

(Source: Amended at 22 Ill. Reg. 6659, effective March 27, 1998)