

# CREDIT SCORE



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## Borrowers to See New FICO Scoring System

*Goal is to account for a borrower's cash transactions and banking history*

When it comes to our credit score, Americans are doing better than ever.

Since bottoming out with an average FICO Score of 686 in October 2009 – one year after the stock market crash of 2008 – scores have risen steadily since, including for the past 8 years.

Currently, the average FICO score in the U.S. has reached 704, a new record that will hopefully continue to rise.

### New Credit Score Coming in 2019

In the fall of 2018, FICO, Experian, and Fincity announced a new credit score called UltraFICO Score, which is when the consumer – you and me – agrees to contribute information from our checking, savings and money market accounts in order to provide an “enhanced view” of our financial behavior.

According to the Fair Isaac Corporation – FICO – the new UltraFICO Score includes “factors such as length of bank account history and consistency in maintaining positive balances. In addition, to traditional credit report information, consumers who are relatively new to credit with limited history or those with previous financial distress that are getting back on their feet stand to benefit the most from this new score.”

### The UltraFICO Score

As reported in the *Wall Street Journal* on October 22, 2018:

“The UltraFICO score will function as an appeal of sorts, likely boosting many applicants with less-than-ideal records. If an applicant’s traditional FICO score falls short, a lender can offer to have the score recalculated to reflect banking activity. Would-be borrowers with at least several hundred dollars in their accounts, who have had the accounts for a while and who transact frequently and don’t over-draw are likely to see their scores rise, FICO said. “

“FICO said about seven million applicants who have low credit scores as a result of thin borrowing histories would likely see their scores improve under the new system. Separately, some 26 million subprime borrowers will end up with higher credit scores, FICO said, with nearly four million seeing an increase of at least 20 points.”

The new UltraFICO Score will launch in 2019 as a pilot program.

### Central to Your Financial Plan

You know the pivotal role good credit plays when you try to buy a house or a car. But do you know that building and maintaining good credit helps create a solid financial foundation that eventually becomes a linchpin of your overall financial plan? Well, it does.

Some debt is okay. Good debt includes purchased items that increase your overall wealth and that no one expects you to pay off immediately, such as loans for tuition, a car or a home mortgage. Just make each installment payment on time to show lenders you are creditworthy.

Check your credit report at least once a year. First, verify the information as correct – especially considering today’s prevalence of identity theft. Verify that the credit cards and loans on the report belong to you and confirm the information about your balances and payment history is accurate. Also, make sure all your creditors report on all your accounts.

### **Don’t Be Afraid of Your Credit**

You probably view credit reports the way most people fear shadowy, all-knowing powers that can wreck a life. Know that most lenders rely on credit reports which compile scores based on five areas:

- Your payment history
- Your current debt
- The types of credit you used
- The length of your credit history
- Your new credit

With the UltraFICO Score, you can expect a sixth area – your cash transactions – so long as you “opt in” and agree to have this information included.

Whether you opt in or not, remember this: building credit and credit history takes work and sometimes a little courage to hear bad news – just like anything that pays off down the road to improve your financial standing and quality of life.