

Increasing F I C O Credit Scores

Credit Consultants Association Credit Scores Notes

This information will help you in assessing the conditions of your clients score and help them to raise them.

There was a time when a credit score of 680 was required for the best of everything. That has now been increased to 720. This change can cost you ... a lot! Interest rates are being adjusted based upon credit score. Servicing fees are being adjusted based upon credit score. If your score is 719, you are automatically lumped in with the folks as 680 (buckling).

The highest score of 850 is frowned upon because those folks don't owe enough and typically don't pay month-to-month interest charges, etc. They too are being discriminated by the powers that be ... You lose, you lose, you lose.

Here is some information on FICO:

The **FICO** Components
35% is Payment History
30% is Amount Owed
15% is Credit History Length
10% is Types of Credit
10% is New Credit

Payment History

Ability to Pay
Collections and Tax Liens
Late Payments
Public Records
Charge Offs (7 year life)

Amount Owed

Make sure you have a 30% is Balance to Limit Ratio
Balance Transfers
Increase Limits if you can
Reset Payment Due Dates to just prior to Credit Reporting Date for the Company
*Capital One – doesn't report credit limits – also raises rates if Credit Score drops
*AMEX – doesn't report credit limits
By Law, a HELOC for more than \$75k should be reported as installment debt.

Credit History Length

Average Age of Open Accounts

Some use a 10 Year Average Age

Close Small Accounts

Inherit someone else's Credit History – ask them to add you on as an Authorized User (just don't ask for a credit card on their account) – their credit history is reported along with yours on your credit report – will raise your score.

Types of Credit

Revolving Credit – Cards, HELOC under \$75k

Installment Credit – Student Loans, Auto Loans

Real Estate Mortgage and HELOC's over \$75k

Balance Types - 3-8 Revolving Accounts & Balances by Installment & Real Estate

New Credit

New Accounts cost you 10-20 points during the first 60-90 days

Inquiries = hard inquiries are new account inquiries there is impact

Soft inquiries are existing accounts – no impact

Promotional Credit Card inquiries have no impact

Watch out for Companies like Lending Tree and Di-tech as well as some mortgage companies. They shop your applications to other lenders causing several companies to pull hard inquiries. Each hard inquiry will drop your credit score.

Information

If you have a Creditor Dispute, you must send the same Good Faith Letter to the creditor and every reporting agency.

Credit Card Debt Negotiation may kill your credit score. Contact the Hardship Department at the Credit Card company to see what you can do.

You should prioritize your debt payments. Pay off higher interest rates first; however, you should also pay off small balances quickly and completely. Also, ask your credit card companies individually to increase your credit limits (don't use it unless you must).

For Building Credit, the comment regarding becoming an Authorized User on someone else's account helps a lot. You can also open a guaranteed credit card by depositing perhaps \$500 with the bank and getting a credit card with a \$500 limit for a year or so. Also, Overdraft Protection on your Checking Account is reported as a credit card whether you use it or not. Used car sales people tell you that you can create credit by making payments to them ... most don't ever report anything unless you don't pay.

Inaccurate Information includes:

Wrong Name and Social Security Number and Birthdate

Late Payments

Bankruptcy

Collections/Charge Off

Medical

Student Loans

Jr / Sr Account Discrepancies

Credit Card Limits (many banks have reduced them without reason)

Problems:

Foreclosures and Deed in Lieu are reported as Foreclosures – 200 points – but you can qualify for a new mortgage soon after 2 years subject to credit score.

Walk-Aways are reported as a Foreclosure with Prejudice – 200+ points – you are not qualified for a new mortgage for 'at least' seven years ... maybe more years.

You should:

AnnualCreditReport.com - You can pull 1 free credit report every 4 months from each of the 3 major credit reporting agencies. *This can change at anytime.