



Credit Scores in 2008 – how to improve your score?

The formula for calculating credit scores in 2008 is changing! FICO 08 will still have a range of 300-850 as before. The higher your score the lower your risk of default and the better your interest rates will be. The new scores will do a better job of predicting who is a good risk. The new scores will be less punishing of a single serious credit setback, such as a charge off or repossession as long as all other accounts have good histories. Fannie Mae is introducing a new “loan level pricing” which will adversely impact interest rates for scores below 680 and 80% loan to home value. This rolls in March.

How to boost your scores?

Make sure your bills are paid on time, - a single late payment can have a big impact!

Your account balances- keep these close to 30% of your account limits.

Closing accounts- closing accounts can never help a FICO score and may hurt it. The new formula is looking at how you manage debt! Inactive accounts can be closed by the lenders and ding your score. So you get more points for having open active accounts, and having many inactive accounts can hurt you.

Piggybacking to improve your scores- this must be done the right way! A customer can benefit from someone else's good credit by being added to an account as a joint account holder. The other person's good history will be added to the customer's account. But should there be a late payment both customers will have their credit dinged! Being responsible is the key here!

Types of account –there are two types of credit a revolving account (credit cards) and installment loans (car payment, mortgages). The new formula will be more sensitive to the mix of these types of accounts.