

FICO Updates

And Their Impact on Credit Scores

BY JOHN KADOR

Changes in how Fair Isaacs calculates credit scores will create a bigger gap between people deemed to be good and bad credit risks.



Illustration: ribkhan/Stock/Getty Images

MAJOR CHANGES IN MODEL

VIEW TRENDS

Reflect **"trended data"** behavior over past 24 months instead of the **"snapshot"** look at current activity.

CHANGE FOCUS

Focus more on unsecured debt (**credit cards**) instead of secured debt (**mortgage or student loans**).

PENALIZE NEW DEBT

Penalize borrowers who **consolidate debt with personal loans** and then go on to **rack up more debt**.

WIDEN THE GAP

Create a wider gap between those who are considered good credit risks and those who are not.

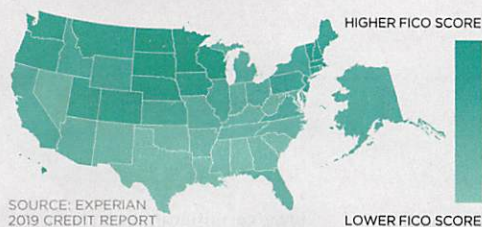
SOURCE: CONSUMER REPORTS

FICO SCORES AND WHAT THEY MEAN

RANGES	RATING	DESCRIPTION
800+	Exceptional	Well above average score clearly demonstrates to lenders an exceptionally credit-worthy borrower.
740-799	Very Good	Above average score demonstrates to lenders a very credit-worthy borrower.
670-739	Good	Score near or slightly above the average of U.S. consumers. Most lenders consider this a good score.
580-669	Fair	Below average score. Many lenders will approve loans.
<580	Poor	Well below average score demonstrates to lenders a very risky borrower.

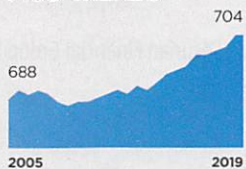
SOURCE: EXPERIAN

FICO SCORES BY STATE



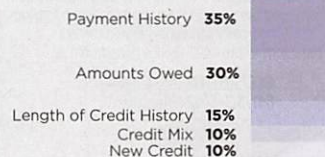
SOURCE: EXPERIAN 2019 CREDIT REPORT

NATIONAL AVERAGE FICO TRENDS



SOURCE: EXPERIAN 2019 CREDIT REPORT

FACTORS THAT GO INTO FICO SCORES



SOURCE: FAIR ISSAC

AVERAGE CREDIT USE AT A GLANCE

FICO® Score	704
Estimated annual household income	\$79,834
Credit card balance	\$6,194
Retail card balance	\$1,155
Student loan balance	\$35,620
Mortgage balance	\$203,296
Auto loan balance	\$19,231
Personal loan balance	\$16,259

SOURCE: EXPERIAN

WHAT DOES FICO CONSIDER? TRUE OR FALSE

- Only the information in your credit report **T**
- Your age **F**
- Your income **F**
- The interest rate you are paying on particular cards **F**
- Rent payments **T**

SOURCE: FICO BLOG

FICO FUN FACTS

Americans who have a FICO score of **700** or higher — a record high

SOURCE: FICO BLOG



Oldest open credit line of the average borrower

SOURCE: FICO SCORE TRENDS SERVICE

18 years

Percent of Americans who have **not** viewed their credit score in the past year

SOURCE: CAPITAL ONE



Average number of open credit cards

SOURCE: FICO BLOG



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