FICO Report

New FICO Model Helps Beginners Build Credit

Recently, the Federal Housing Finance Agency (FHFA) announced the approval of two new credit scoring models: the FICO 10T and the VantageScore 4.0. These will be especially helpful to consumers who are still building a credit profile, including recent high school and college graduates.

Research for these new scoring products resulted in the creation of algorithms to specifically assist consumers with sparse credit histories and "thinner" credit files. The new scoring models reward consumers for histories of on-time rental and utility payments, together with responsible management of cell phone/telecom accounts and vehicle financing. This enables this group to qualify for additional types of credit, such as unsecured revolving credit, to build a stronger FICO score.

In addition, the FICO 10T and VantageScore 4.0 will be more accurate than today's Classic FICO score, as the new payment histories and monitoring methods have gone through extensive testing. This will improve accuracy while expanding the algorithms that credit issuers rely on for determining applicants' ability to repay.

The new models are good news for lenders, too. They're expected to improve safety and soundness in the housing market by providing better risk-calculation methods for first-time buyers.

Presented by:

Kathy Rylander

Loan Originator

NMLS # 346370

3701 Arco Corporate Drive Suite 200

Charlotte, NC 28273

Office # 214.762.1280

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