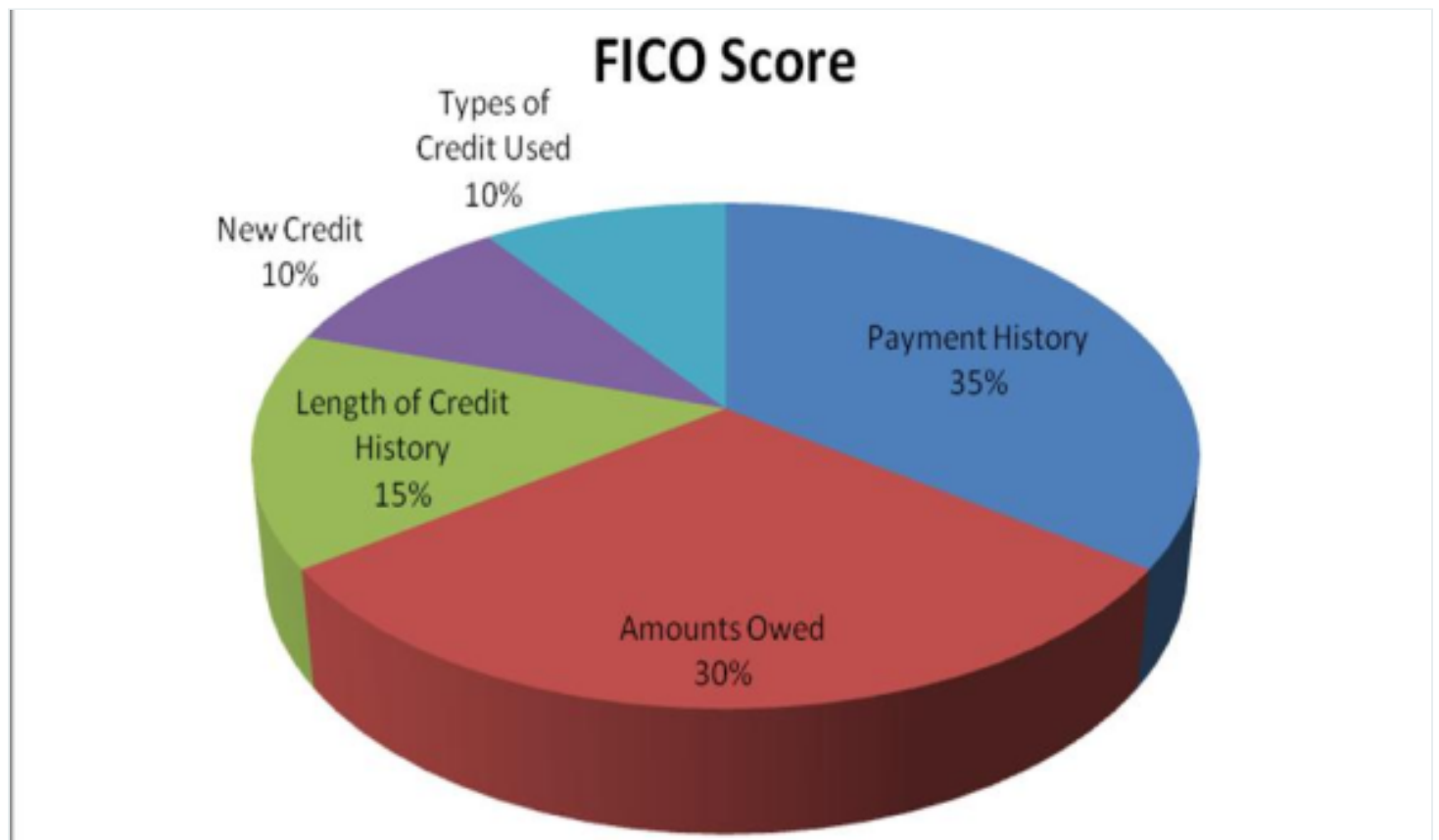


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(FICO), called the UltraFICO Score, is being rolled out this spring. The change is expected to open up credit avenues to tens of millions of Americans who would have ...

Feb. 25, 2019



FICO 2.0 is arriving. A new method in credit scoring from the Fair Isaac Corporation (FICO), called the UltraFICO Score, is being rolled out this spring. The change is expected to open up credit avenues to tens of millions of Americans who would have been turned down or restricted in the past.

Previously, the main factor in credit scoring for FICO, which is relied on heavily by lenders nationwide, was your payment history. If you paid your bills on time and in full month-in and month-out, you were in good shape. But now FICO is shifting to a

methodology that emphasizes how consumers manage the money in their checking,

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Those who don't have an extensive credit history, including many Millennials and Gen Xers, are likely to get a boost from the new scoring method. But others won't fare as well as they would have before the change.

Notably, the Wall Street Journal states that a lender can offer to have the score recalculated to reflect banking activity. As a result, you can choose which accounts you want to be factored into the recalculation. On the flip side, there's a possibility that your score could go down—not up—by having a recalculation done.

FICO indicates that you will probably benefit from the new scoring model if you—

- Have at least \$400 deposited in a checking, savings or money market account;
- Have not made overdrafts within the last three months;
- Show a lengthy history of having open accounts; or
- Demonstrate frequent transaction history,

As many as seven million applicants who have a limited borrowing history—traditionally resulting in a low credit score—may benefit from the roll-out of the new program, says the Wall Street Journal. What's more, FICO forecasts that around 26 million subprime borrowers will be rewarded with a higher credit score. And about 6.5% of this group, roughly four million borrowers, could see their credit scores jump by at least 20 points.

In other words, a few dings on your credit report won't necessarily jeopardize your borrowing ability. Thanks to the change to UltraFICO, you may qualify for lower rates on home and car loans and other credit applications. This could a life-changing development for individuals still struggling to achieve the American Dream.

Of course, more credit isn't always a good thing, especially if you have allowed debt to pile up in the past. Now, more than ever, it's important to assess your personal spending habits. Only borrow what you can afford to pay back!

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