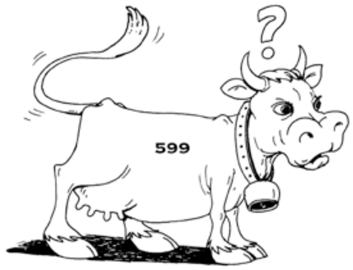
Slouching Toward 600



After the 2008 global economic meltdown, the credit scores of millions more Americans sank to new lows. TransUnion states that in 2016, 43% of Millenials have a credit score of 599 or below, marking them as poor risks for lenders. During my decades as a mortgage broker, too many of my customers spent all the money that they earned, and even though their company offered, they declined to contribute to their own retirement plans. For homebuyers who came to the market in their mid twenties to mid thirties, the availability of good paying jobs was a given and real estate values had never gone down. So, they lived beyond their means. Credit card companies and banks offered ever-increasing credit limits, and they spent that too. As FICO scores are lowered, the offers will cease, which can be brutal if you are trying to re-finance, but cutting off access to more and more revolving debt could be a good thing. Over spending never rescued an economy, and it won't rescue the housing market. At the same time as the value of homes plummeted, the ability to borrow against the remaining equity was squeezed. I know this game, it's called Blame the Borrower. None of the banks have blamed their underwriters, who were overworked and underpaid, and seldom looked beyond the stark ratios and credit grades to the individual under the numbers.

There are insider secrets to managing your own credit score, a number that is calculated from data in your credit history that you did not put there. One of the quickest and easiest to do is to increase your card limits. Ideally, the balance on your loans is always half of the maximum, or limit. High limits, low balances – that's the daily double. A FICO score has nothing to do with your income or your savings, and you have to request your own report to find out what's on it.

In the 1950's, vendors offering credit decided to start telling each other who paid and who didn't. So Experian, TransUnion and Equifax were created to gather this information from these creditors and report it to other vendors. As a mortgage broker, I would order a "merged in-file" preliminary report – taking data from all three repositories and generating three different FICO scores. Too many times, we had to wait 3 to 6 months before issuing an approval, while we worked with the credit agencies to improve their scores. One 30 day late can be three 60 day lates if the account is sold to a new servicer, and they mail invoices to an old address. There are companies out there who promise to "eliminate derogatories", but the only way to be sure is to send the letters and track the progress yourself. Your credit score no longer affects just credit decisions. Housing Providers pull credit reports on all potential new tenants. Employers pull credit reports on all potential new hires. It's a VERY important number. When your FICO score dips below 600 – be prepared to pay cash for nearly everything. Be prepared for your interest costs to increase, you may also be turned down for

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a new phone, new apartment, new mortgage, and perhaps a new job. Unless the consumer obtains their own free credit reports, they are probably unaware that their score has changed. Once a year, go to AnnualCreditReport.com - it is the ONLY authorized source for the free annual credit report that's yours by law. It is a portal supported by all three of America's credit reporting agencies (CRAs). Also, myfico.com has an education tab if you want to learn more, and I encourage everyone to learn as much as they can about this three digit branding iron.

Useful Internet Links:

http://blog.transunion.com/generational-differences-credit/

http://www.fico.com/en/blogs/risk-compliance/fico-score-distribution-remains-mixed/

https://www.annualcreditreport.com/index.action

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