

# FICO Credit Score

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FICO Credit Score system shows it's faults when banks reduce your credit limit. Say you have a 760 FICO credit score and your bank lowers your credit line from \$40,000 to \$10,000, your debt relative to your available funds will be quadrupled. This is a key factor within FICO which determines your FICO Credit Score with, see FICO Score.

As shown, your utilization rate of available credit is a large factor in the determination of your FICO score. After a new FICO credit score is calculated by FICO, your credit score will be reduced to reflect that.

FICO credit score has been reduced, along with credit limit reductions. At least 30 million Americans were affected last year as a result of this action by credit lenders. Citigroup, Bank of America, and JPMorgan together cut credit lines by \$320 billion.

- The chairman of the House Subcommittee on Financial Institutions and Consumer Credit said that, "Reductions to a consumer's line of credit based upon the lending institutions' overall appetite for risk has little or no bearing on a consumer's own risk of default,".
- Ed Mierzwinski, consumer program director at the U.S. Public Interest Research Group said that, "The collapse of the economy raises serious questions about the credit industry's reliance on credit scores,".

FICO credit Scores are based on the so-called predictive models by Fair Isaac Corp. They are used to help credit lenders, including credit card companies, make decisions about the credit worthiness of a particular individual. The FICO credit scores range from 300 - 850 and they affect the ability of average Americans to get auto loans, credit cards, or mortgages.

History of FICO credit scores, created by FICO FICO was founded by an engineer Bill Fair and mathematician Earl Isaac in 1956. Today FICO credit score is used by more than 90 percent of the largest U.S. banks. FICO credit scores are used by home loan lenders in about 75 percent of the time, lenders use the score as a predictor that a person will default in the next 24 months.

Fannie Mae and Freddie Mac, the quasi government entities, use FICO credit scores when backing the loans made by lenders. The use of credit scores by FICO by these two giants in the lending industry help keep the FICO credit scores dominant.

FICO credit score formulas are updated every 2 or 3 years. Experian, Equifax, and TransUnion the industry giants in terms of credit reporting each have their own credit score formulas.

Updated FICO credit score The formula in 08 closes loopholes which were used by many people to artificially increase credit scores and where chronic late payers were not distinguished apart from people who have isolated their late payments.

According to FICO, credit limit reductions affect only about 11 percent of consumers. Check your FICO credit score now.