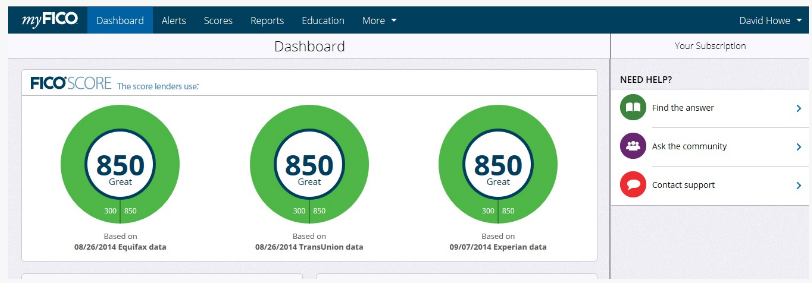
EIN PRESSWIRE

FICO Highest Achiever Corrects Los Angeles Times Credit 'Misconception' as Reported by NerdWallet

Harris Poll and NerdWallet survey mistaken about the impact of carrying a small balance on a credit card but otherwise delivers accurate information, Howe says



Howe obtains perfect FICO scores at Equifax, Experian, and TransUnion

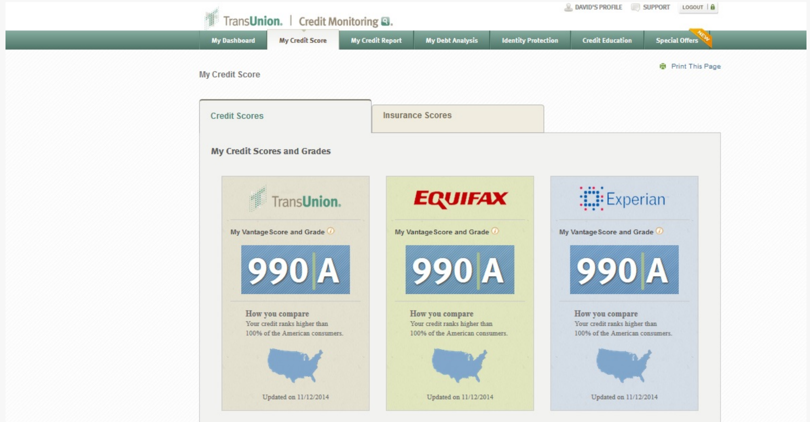
LOS ANGELES, CA, USA, June 3, 2017 /EINPresswire.com/ -- SubscriberWise, the largest issuing CRA for the communications industry and the nation's leading advocate for children victimized by identity fraud, announced today clarification and correction of national news stories recently published by the Los Angeles Times, NBC News, and Bloomberg. The correction involves a credit 'misconception' reported by the news organizations which has the potential to misinform consumers without further and substantial clarification.

> "Scoring is all about predictive analytics derived from math and science. It's nothing to do with conspiracy except when those who don't understand the technology attempt to explain it."
>
> *FICO worldwide highest achiever and SubscriberWise founder David Howe*

According to Los Angeles Times story "Many Americans are unaware of the costs of bad credit, survey shows" (http://www.latimes.com/business/la-fi-bad-credit-20170526-htmlstory.html), the statement "About 40% think carrying a small balance on credit cards helps a person's scores" was reported as a common misunderstanding. In fact, carrying a small revolving balance - without necessarily paying interest - does help consumer credit scores. Moreover, it's impossible to obtain the maximum 850 FICO score without having at least one revolving (credit card) account with a favorable utilization (small balance), among other 'Fair Isaac Leaves', reported on a consumer report at the moment a score is generated.

Regrettably, similar information was presented in an NBC News story, with the following specific misinformation: "More than two in five (41 percent) mistakenly believed that carrying a small balance on a credit card month to month could help improve a person's credit scores" (http://www.nbcnews.com/business/consumer/many-americans-are-still-totally-confused-about-credit-scores-n764121).

"Unfortunately, the claim that there is no advantage to carrying a balance over to the next month is oversimplified as reported," said David Howe, SubscriberWise founder and FICO Certified Pro. "Worse, among the most common scoring scenarios, including the industry-dominant FICO Score 8 model, it's an entirely inaccurate statement.



Howe obtains perfect Vantage Scores at Equifax, Experian, and TransUnion

Global Credit Czar and Child Protector David Howe

SubscriberWise®
Risk Management Solutions for the Communications Industry

“The statement as presented is one that must be carefully clarified so that readers understand more precisely how the dominant scoring models, namely different FICO models used by the vast majority of banks and credit organizations to make underwriting decisions, calculate points based on recent activity from different types of accounts.

“First, assuming the credit terms provide the option to avoid interest charges, it’s certainly true that it’s not necessary to pay interest on revolving balances,” Howe continued. “However, it’s a fact that having at least one account with a balance – along with a favorable utilization ratio - that is also reported to the credit repositories, is necessary to maximize - or increase - the number of points, at least during the moment the calculation of a FICO score (FICO Score 8 and FICO Score 9) is involved and when the scorecard selected is among the non-derogatory scorecards.

Related: Maximizing a FICO Score: FICO Professional and SubscriberWise CEO Encourages Consumers to Maintain a Low Credit Card or Revolving Balance to Maximize their Credit Scores: http://www.prweb.com/releases/2014/10/prweb12231036.htm

“In other words, if a balance is paid-in-full after a statement is generated – regardless of whether interest is paid – and this same balance gets reported or ‘carried over’ to the credit repositories, this will result in an increase to the score. Of course this does assume that the utilization ratio is favorable and the account is paid-as-agreed, among other positive factors and non-adverse data contained on the consumer report.

“That’s another way of saying that ‘carrying a balance’ can absolutely be good for one’s score.

“And better than carrying just one balance, whenever possible consumers should strive for one installment balance and one revolving balance to further maximize points. This advice is especially germane when consumers are seeking major credit purchases like a home or car,” Howe emphasized.

Related: FICO Max Scorecard: One Installment and One Revolving Account with Low Utilization, GOAT Howe Says: http://www.prnewswire.com/news-releases/fico-max-scorecard-one-installment-and-one-revolving-account-with-low-utilization-goat-howe-says-300444267.html

“To further clarify this information about balances reported and the impact on scores, let’s stipulate that the amount indicated on the most recent statement is the amount that is typically reported to the credit bureaus (Equifax, Experian, and TransUnion). According to FICO, and common sense by the way, the amount that’s reported, also known as utilization, is a highly predictive factor in the calculation of a credit score. A credit report that includes a revolving balance with favorable utilization (credit-to-debt ratio) is a positive factor and will increase points, again assuming the account is paid-as-agreed

“On the other hand, for example, if the balance happened to be paid-in-full before the statement balance gets reported to the repository, then the very likely possibility of having a zero-balance updated as such on the consumer report – without any other revolving balances reported – will result in a loss of points.

“Ironically – and as counter-intuitive as it may seem to the untrained individual – a credit report without any liabilities (debt) can generate a lower credit score than the same report with obligations owing,” confirmed Howe. “Even substantial amounts owing when involving installment tradelines such as a mortgage.

“And for the record, I previously reported this information, with substantial evidence to prove it, to Matthew Frankel of the Motley Fool (http://www.foxbusiness.com/markets/2016/12/30/10-fascinating-things-probably-didnt-know-about-credit-scores.html).

“In fact, anyone needing proof that the statement from the NBC News story -- ‘More than two in five (41 percent) mistakenly believed that carrying a small balance on a credit card month to month could help improve a person's credit scores’ -- is categorically inaccurate as stated can refer directly to the following FICO score reason factor:

- Lack of recent bank revolving information

(Your FICO score evaluates your mix of credit products, and your credit report shows no open revolving accounts or sufficient recent information about your revolving accounts. People who demonstrate responsible use of different types of credit are generally less risky to lenders. Actions You Can Take: If you already have a revolving account, you might want to show new activity by using it and paying it back on time. If you don't have a revolving account, consider opening one. However, be aware that a new account opening, and to a lesser extent, the credit inquiry associated with applying for a new card may lower your FICO® Score in the short term. – source FICO)

“Second, it’s also necessary to make distinctions between installment and revolving accounts because the dominant FICO scoring models most certainly do. From the standpoint of rank-order technology (i.e. 300 to 850 score ranges), in order to obtain the maximum possible points, the credit report must contain at least one revolving account (i.e. credit card) and one installment loan (i.e. mortgage) with a favorable utilization ratio (< 6 percent is ideal but ‘experts’ site up to 30 percent) at the time the score is calculated.

“Of course, it doesn’t mean that the absence of one or both of these types of accounts with balances reported will result in a score that’s no longer prime or super-prime. Most likely, this is the experience that Liz Weston is referring in the Bloomberg article (https://www.bloomberg.com/news/articles/2017-05-19/here-s-how-your-credit-score-really-gets-set). But it absolutely means that a consumer cannot reach the maximum score without both, for instance with the FICO Score 8 and FICO Score 9.

“Again, directly from FICO and flowing from federal regulations, the following are common score-reason factors that translate into a loss of points:

- No recent non-mortgage balance information
- Lack of recent installment loan information
- Lack of recent bank revolving information
- No recent revolving balances

“Although hardly equal to the loss of points that other factors like ‘serious delinquency’ or ‘public records or collections’ will have on a score, each indicated nevertheless means fewer points,” stressed Howe.

“And when one or more of these factors impact a FICO score sufficiently, federal laws mandate that consumers must be provided this information when credit is denied or terms are less favorable, generally speaking. The factors also must be listed from the most impactful to the least.

“So, to report that there’s ‘no advantage’ to carrying a balance over to the next month’ is categorically not accurate in many scoring scenarios and careful clarification is clearly indicated,” Howe reiterated.

“To be more precise, this same scoring reality is particularly true for a consumer who may be on the very last payment of the only installment loan booked on a credit report, or for a consumer who is planning to pay the full balance early,” Howe stated.

“Yes, a credit report that has no installment loan with a balance, along with nothing adverse reported on the consumer report, for example only one revolving account with a balance, will result in a loss of points at the time the credit score is calculated.

“Why? Because rank-order technology, in conjunction with empirically derived statistical calculations of millions of consumer credit files, demonstrates that consumers who actively and responsibly manage revolving and installment accounts are more reliable from those who don’t.

“How much the actual impact will be in terms of points is not known and will obviously vary based on a myriad of factors,” Howe added.

“Does this mean that a credit score will not continue to be prime or super-prime based on this scenario. Of course, it doesn’t. But it is a fact that points will be deducted among many scorecard scenarios. Perhaps not every scenario, but many for sure.

“Scoring is all about predictive analytics derived from math and science. It’s nothing to do with conspiracy except when those who don’t understand the technology attempt to explain it,” Howe insisted.

“Indeed, this entire topic deserves a complex and multifaceted answer. And that’s because credit scores are calculated by sophisticated algorithms that leverage a number of unique scorecards – derogatory and non-derogatory – along with a myriad of multi-dimensional factors,” explained Howe. “It’s also the result of industry specific models that weigh factors differently.

“FICO has a number of industry models in addition to the general-purpose models. There are also older versions that continue to be used today.

“I believe this may be part of the explanation for the misinformation in the news articles.

“Yes, it’s easy to oversimplify information about credit scoring, particularly predictive factors that often involve counter-intuitive reasoning from a human’s perspective,” Howe acknowledged. “That’s what happened to these otherwise generally accurate and helpful articles, at least from my professional perspective. For example, while it’s a hard-and-fast rule that soft inquiries do not impact the calculation of a credit score, the same cannot be said about the precise impact a single ‘hard’ or ‘voluntary’ inquiry may have on the calculation of a credit score.

“Scorecards, to be sure, are the primary reason the majority of consumers – even the self-proclaimed experts – remain confused about scoring in general, but by the granular details in particular,” Howe said. “Industry-specific models are also a reason confusion and misinformation persists.

Related: Fair Isaac's 'Leaves': Predictive Characteristics from the Personal Credit Report of The World's Highest Performing FICO Achiever and the founder of SubscriberWise: https://globenewswire.com/news-release/2015/04/04/721765/10127640/en/Fair-Isaac-s-Leaves-Predictive-Characteristics-from-the-Personal-Credit-Report-of-The-World-s-Highest-Performing-FICO-Achiever-and-the-founder-of-SubscriberWise.html

“Finally, regarding the reason factors of ‘no recent…’ and ‘lack of recent…’, consumers should understand that - in the world of industry-leading FICO scoring - as soon as one minute or even one second later, this can be decoded as ‘not recent’.

“To expand this point, if a creditor reports a revolving tradeline as paid-in-full and the national repository gets the updated zero balance at 12:00 pm and then a creditor requests a score at 12:01 pm, the reason factor of ‘no recent bank revolving information’ will apply if the report also includes no other revolving accounts with balances.

“The point of this explanation is obvious from the human standpoint,” concluded Howe. “It doesn’t correspond with the general understanding that humans have for ‘recent’. It certainly doesn’t correspond with the dictionary definition: having happened, begun, or been done not long ago or not long before; belonging to a past period of time comparatively close to the present.

About SubscriberWise

SubscriberWise® launched as the first issuing consumer reporting agency exclusively for the cable industry in 2006. The company filed extensive documentation and end-user agreements to access TransUnion’s consumer database. In 2009, SubscriberWise and TransUnion announced a joint marketing agreement for the benefit of America’s cable operators. Today SubscriberWise is a risk management preferred-solutions provider for the National Cable Television Cooperative.

SubscriberWise was founded by David Howe, who is a consultant and credit manager for MCTV, where he has remained employed for two decades. At MCTV, Howe manages the bad debt and equipment losses on annual sales in excess of $60 million. His interest in credit began in 1986 as a 17-year-old student in high school.

Today, Howe is the highest FICO and Vantage Achiever in global banking and financial history.

SubscriberWise is a U.S.A. federally registered trademark of the SubscriberWise Limited Liability Co.

Media Relations

SubscriberWise
330-880-4848 x137
email us here
