

New Credit Scoring Formula Rolls Out

By Jason Alderman

In the old days, if you paid cash for everything and carried no debt, you were considered a great prospect for a mortgage or car loan. Fast forward a few decades and the rules have changed considerably. Today, your ability to borrow is largely determined by your credit score, a three-digit number lenders use to calculate how likely you are to repay debt.

A new version of FICO, the most widely used credit-scoring formula, has begun rolling out. FICO is named for Fair Isaac Corporation, whose proprietary software is used by the three leading credit bureaus. Under the new version, FICO 08, weighting factors used to determine scores will change as lenders gradually adopt the new system.

FICO Public Relations Director Craig Watts explains, "As consumers' credit habits change, we adjust our scoring formula to more accurately reflect information found credit bureau records." A few FICO 08 highlights:

It continues to grade scores from a low of 300 up to 850 for stellar credit risks.

Unpaid collections, judgments and tax liens where the original debt is under \$100 (like small library fines, parking tickets or medical bills) are no longer factored in so they won't ding your credit score.

One-time credit setbacks, like a charge-off or car repossession, won't impact your credit as seriously, provided your other accounts remain in good standing. However, persistent late payments likely will be penalized more heavily.

FICO 08 still factors in a certain amount of "authorized user" activity (adding a spouse or child to an account to make credit conveniently

available). However, you can no longer pay a credit repair agency to "piggyback" on a stranger's strong credit record to improve your own score.

FICO 08 is more sensitive to how much of your available credit you use; so if your lender lowers your credit limit, you might suddenly be tapping a higher percentage of available credit and be penalized.

If you maintain credit cards you seldom use, lenders may adjust their credit limits or close them altogether, thereby lowering your overall available credit – and possibly, your credit score.

One strategy: Make occasional small charges on these cards so lenders will be less inclined to close the accounts. Just be sure to pay off balances each month, otherwise you'll defeat the whole purpose. Because not all credit bureaus (and thus, their lender clients) are adopting FICO 08 at the same time, it may not always be apparent which factors are being used to assess your creditworthiness. However the following guidelines will always help you maintain a sound credit score:

Stay well below your overall and individual credit card limits.

Never exceed credit limits or make late payments – that could damage your credit score and result in greatly increased interest rates.

Carefully review your credit reports. You can order one free report annually from each of the three major credit bureaus at www.annualcreditreport.com. Look for errors and fraud that could lower your score.

You can also estimate your score using the free FICO Score Estimator at What's My Score, a financial literacy program run by Visa (www.whatsmyscore.org/estimator). •

Snooping

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and it's just a great event."

After buying a \$30 ticket, "Snoopers" will be provided a map of the residences, which they may visit from 10:00 a.m. to 4:00 p.m. Friday through Sunday. Volunteers at one of the houses will serve coffee and homemade baked goods.

Event chairperson Debbie Walmer has planned every home tour since she started the fundraiser 36 years ago in 1973. She said many people walk or bicycle to homes on the tour. "People just really like going into other people's homes and seeing how they do it," Walmer said. "It's just a really fun way to spend the day and it's something that people really enjoy a lot."

Melissa Orr, whose 4,200-square-foot home on Ocean Drive will be displayed, said the tour gave her and her husband a reason to finish redecorating. Having moved into the house in 2007, Orr said the tour was a good incentive to stay on schedule. "When you think about having a couple thousand people walk through your house, you are feeling a little pressure," she said. "To be candid, it's certainly been a little hectic from time to time, but it's been fun and we've really embraced it."

Orr said she has met the coordinators in charge of showing her Cape Cod-styled home just yards from the strand with sweeping ocean views. Both of her children attend American Martyrs Preschool. "My two young kids have become friends with the painters and carpenters and it's allowed them to practice their Spanish skills," Orr said. "We've made it a family affair."

Walmer said she chooses the homes months in advance, carefully making her selections to get a variety of architectural and decorating styles. She then asks owners if they are interested in participating. "Manhattan and Hermosa have so many beautiful homes, I probably could get six homes in one afternoon," she said. "But it takes several months for me to solidify the selection of homes. It takes me a lot longer just to get a variety."

The homes featured this year range from a modern version of a Balinese beach house to a recently remodeled Mediterranean villa. Walmer said the villa is big enough that it has a pool and pool house. "It's one of the biggest lots in Manhattan Beach," she said. "The house itself is about seven thousand square feet."

Walmer said the home tour is a great way for visitors to get ideas for improving their own homes. She added that a home tour once featured a house where the owners painted magnetic paint on a wall in their children's room. "It's fun to get ideas for something you can do that's very easy but doesn't cost a lot of money," Walmer said.

Shorewood realtor Tiffany Wilson said participants will get to see a large variety of different styles, many with designer interiors. "Some people are just very proud of their home," she said. "Most of these are custom homes, and people put a lot of heart and soul into them. They just want to share them with everyone else."

Wilson added that she hopes the tour will renew people's interest in the South Bay real estate market. "We've had a rough time and I'm hoping people will look at these homes and get excited," she said. "Whether it's a tiny two bedroom or a large estate, it doesn't matter. It's exciting being a homeowner."

When Walmer started the tour back in 1973, she noted that the houses were smaller, running about 2,500 to 3,500 square feet, compared to about 3,500 to 4,500 square feet today. "The houses are bigger than they used to be, but they used to have pretty beautiful homes back then," she said. "An awful lot of the ones that we had, people would remodel or fix up themselves."

Walmer said she also liked the variety that was characteristic of older homes from earlier home tours. "There were a lot more to choose from as far as ones with more character, old Spanish ones, beach cottages," she said. "Most of those have been torn down."

Walmer can run the fundraiser because she has more time than parents with young children. "I enjoy doing it because I have the time, and the parents are going in so many different directions," she said. "It's easy for me to do it, but it's harder for them, and they all support it." She said without the help of hundreds of volunteers, the home tour wouldn't be possible. "I really like working with the Martyrs parents. I enjoy meeting the people whose homes I get and working with them."



Parent Association President Jeff Reesing said the school was able to raise about \$80,000 from last year's home tour. "It should be a huge success again and we encourage everyone to come," he said. "Debbie's done just a fantastic job once again."

Reesing said the fundraiser is vital for the school because it helps subsidize the tuition costs and the education for each child. "There's actually a gap between the tuition we charge each child and the money it costs to educate them," he said. "All the money goes to that and other programs at the school."

Orr, owner of the Cape Cod styled home, said she's looking forward to walking through the other houses tomorrow. "It's visiting beautiful homes, coupled with raising money for a great cause," she said. "I mean, what could be better than that?"

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