

Updates to FICO scoring

2020 FICO 10 and 10 T scoring methods make some significant changes to how your credit score may be calculated moving forward. Some of the changes that may be adopted over time:

Trended Data

Rather than focusing largely on the most recent month, scoring will now look back over the previous 24 months, to look at how you've managed your financial situation over that time. The look-back will focus on whether you are reducing, maintaining, or increasing your credit balances over time. This makes it especially important to pay your bills on time and keep credit balances at reasonable levels.



Delinquencies

A late payment will now impact you more with a bigger drop in your score than under previous FICO scoring models. Set up auto-pay to ensure at least minimum payments are made timely. Make additional payments during the month, and pay off your debts as soon as possible to lower what you spend in interest charges that increase the price of everything you buy.



Credit Utilization

'Credit utilization' is the amount of your balances compared with your limit, and it will affect you more. Lower utilization by using your credit cards sparingly and avoid balances exceeding about 30% of your available credit - per card and overall. If you leave your rarely used credit cards open without using them, your score will benefit from lowering the percentage of your overall credit being used.



Personal Loans

You may be penalized for simply having personal loans on your report. 'Signature loans' are unsecured installment loans usually used to consolidate debt into one larger debt, with the loan money used to pay off other smaller debt balances. This debt consolidation can damage your score if you add new credit balances while still paying off the consolidated loan. Avoid scenarios where you pay down credit card debt with a personal loan.

How to get and keep a good credit score

Pay your loans on time, every time. Don't get too close to your credit limit. Maintain a long credit history but only apply for credit that you need. Fact-check your credit reports and do it at least once a year.

Source: John Ulzheimer, "What You Need to Know About the New FICO 10 Scores." Experian.com. January 29, 2020.

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