

# MORTGAGE LENDING UPDATE

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## A Perfect Credit Score?

Last week we discussed nine credit score myths and how acting on them might actually lower your credit score. Here's a follow up article from [thetreet.com](http://thetreet.com) by Jeanine Skowronski entitled "How to Get a Perfect Credit Score":

"There are certain things that we discover are just an illusion as we grow up: Santa Claus, the Easter Bunny and the Fountain of Youth are a few. However, much like Big Foot, one myth that persists well into adulthood, is the perfect credit score. Some swear they've seen it, others think it's impossible. "Never in my life have I met anyone with an 850 credit score," Bruce McClary of Clearpoint Credit Counseling Solutions, who has worked in the credit industry for years. (Me neither, although I've seen many in the low 800's.)

According to FICO, the company that designed our current credit model, these overachievers are out there. Craig Watts, senior manager for Public Relations for FICO, said that while most people score in the middle-to-low 700s on their credit scale, less than 1% of the U.S. population (about 1 million people) do, in fact, net a full (perfect) score of 850. "They tend to be more conservative and a little older," Watts explains. He adds that these individuals also tend to be rather humble, which may explain the near mythic status they have inadvertently achieved. "We don't get too many of them in our forums," he admits. "They aren't the type of people who stand up on a bus and tell everyone they scored an 850."

People who don't share their score aren't likely to share their secrets for attaining it either. Which is unfortunate, considering that the credit elite obtain the lowest annual percentage rates, get the best credit card rewards programs and qualify more readily for large loans. "It's a noble goal to try to achieve," McClary says. However, he explains that you don't need to reach perfection to be considered among the credit elite. "In reality, you don't have to have an 850," says John Ulzheimer, a former FICO employee now with Credit.com. Those with a FICO score above 760, he says, are typically privy to the same benefits as those with perfect credit.

Of course, a score that high isn't easy to achieve either. To reach the top tier you have to master not just the basics — maintaining positive payment history and a low debt to credit ratio, but you must pay attention to the details as well. In an effort to help those with lofty credit aspirations, here's a profile of what these credit superstars look like.

**They Have a Long and Impressive Payment History and a Clean Record.** The bulk of your credit score is determined by your payment history and the amount of debt you may or may not have currently on file. Unsurprisingly, those with perfect credit scores use credit regularly while paying it off on time, every time. They also have a squeaky clean record. Ulzheimer explains that the credit elite have no debt to speak of. "No liens, no bank repossessions, no settlements," he says. "Nothing."

**They Maintain a Diverse Set of Accounts.** According to McClary, credit lines fall into two major categories. Installment accounts are closed-ended and require consumers to pay a fixed amount each month until the entire balance has been depleted. These typically include mortgages or car loans. Revolving accounts, on the other hand, limit the line of credit, but have balances that fluctuate. These essentially are the accounts tied to the credit cards in your wallet. Top credit scorers have a careful balance of both accounts on record. "They'll have a mortgage, a car loan and a few credit cards on file," McClary explains.

**They Have a "Well-Aged" Credit Report.** When I pulled my own credit report a few weeks ago, I was surprised to learn that my score, though quite good, still paled in comparison to my financial mentors, good old mom and dad. The truth is, unless they should both decide to stop managing their credit so meticulously, I stand little to no chance of ever surpassing them. "One advantage to being older is that you tend to have a longer credit history," McClary says. Keep in mind, though, that it's not your age, but the age of your oldest credit account on file that influences your overall score. As such, you may want to keep open that store charge card you opened up on your 21st birthday.

**They Have a Very Limited Number of Credit Inquiries on Record.** On the other hand, those without a store charge card shouldn't simply open one frivolously. While having large number of credit card inquiries on file won't dramatically decrease your score, it can keep you from joining the credit elite, especially if several inquiries are recorded over a short period of time. This is why Ulzheimer advises that you refrain from opening up a litany of store accounts during the holiday season, no matter what type of discount the retailer is offering as an incentive to do so. "Applying for credit organically as you need it is fine," Ulzheimer says, before cautioning "never use your credit score to get a 10% discount at the mall."

*David Griffin has been financing homes in Macon, Warner Robins and all of Middle Georgia since 1983 and is a member of the Mortgage Bankers Association of Georgia, [mbag.org](http://mbag.org). For an archive of past articles visit the Consumer Information section of [mbag.org](http://mbag.org). (10/19/10)*