

Here's How the New UltraFICO Credit Score Will Work

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Image: Minesh Patel on Reshot

The biggest shift in three decades is coming to how FICO credit scores are calculated next year.

Rather than relying primarily on a consumer's credit payment history, the Fair Issac Corp. (issuer of FICO scores) will instead factor in "how consumers manage the cash in their checking, savings and money-market accounts," reports the [Wall Street Journal](#).

The so-called [UltraFICO score](#) is meant to boost a consumer's odds of approval for credit cards and personal loans. Instead of looking strictly at on-time payments, FICO will also look at a person's current checking balance, length of checking history, transaction frequency and overdraw history, per the *Journal*:

If an applicant's traditional FICO score falls short, a lender can offer to have the score recalculated to reflect banking activity. Would-be borrowers with at least several hundred dollars in their accounts, who have had the accounts for a while and who transact frequently and don't overdraw are likely to see their scores rise, FICO said.

The change is intended to help those who do not have an extensive credit history. "Consumers with an average balance of at least \$400 who haven't overdrawn in the prior three months would likely get a boost," WSJ reports. A FICO representative

added that some scores may see a decrease. [FICO claims](#) the Ultra score will “attract the underbanked – the self-employed, millennials, immigrant entrepreneur, migrant savers and remitters” and give people who “may have suffered financial distress but are recovering” a second chance.



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But as Ted Rossman, CreditCards.com's industry analyst, says, “the possible unintended consequence of including bank account balances would be an increased focus on income and assets,” says Rossman. “Historically, your FICO score has been affected by how well you manage your money, not how much money you have.”

And while the changes are coming from FICO next year, it will likely take a while to trickle down to consumers. “FICO's last big update, FICO 9, came out in 2016 but the most common system being used by lenders is still FICO 8,” says Rossman. “That means things like medical debt, paid collections and tax liens are still hurting many consumers more than expected.”

But for those without a credit history or who have a few dings against them, the new system could give them a boost.