

Published based on [New Credit Score Changes Take Effect](#)

New Credit Score Changes Take Effect

FICO credit scores are changing, which may be a benefit or a detriment if you plan to refinance your mortgage or buy a home. Some borrowers could see credit scores change by up to 20 points. Here are 5 new credit score factors:

1. Amount of Available Credit

The ratio of account balance to the amount of credit available appears to have more influence on the credit score formula. The less available credit a mortgage borrower has on credit cards, the lower the score would be. More available credit would mean a better score. This change could have a broad impact on credit scores used by mortgage lenders to qualifying borrowers, if credit card issuers implement more cuts on their maximum limits. It doesn't matter if an account has a balance or not, credit scores may drop if the available credit limit is lowered.

2. Number of Open Accounts

It used to be that having too many open credit card accounts was viewed as a negative factor. It appears, however, that has changed, as long as the accounts have not been delinquent. More open and active accounts could now have a positive effect on credit scores under the new scoring system. A potential negative aspect of this change is that more credit card issuers may close seldom used consumer accounts. From a mortgage lenders perspective, underwriters will also have to change how they view borrower credit files.

3. Isolated Credit Issues

The new credit score model will apparently be more forgiving to mortgage borrowers who only have one major negative problem on their credit report. The scoring model calculates the severity and frequency of negative credit items. Depending on the item reported, isolated problems will have less impact on credit scores, as opposed to continuous and recurring late payments and delinquencies. The potential upside of this change is that good borrowers will not be lumped into a category of repeat offenders.

4. Small Collection Accounts

Collection accounts with an original amount of less than \$100 are disregarded. Another positive benefit for borrowers with minor debts owed from parking tickets, unpaid library fines, small medical bills, or other disagreements. Infractions like these should no longer affect credit scores.

5. Authorized User Credit

The previous FICO credit score model allowed for authorized users on credit card accounts to build a positive credit profile without being the primary card holder. While some authorized user data is allowed, the new formula has reduced the ability to build credit based on this method.

[Mortgage rate comparison](#) on a [mortgage refinance](#), also, prices and information on [new homes in San Diego](#)