

# **FICO 08 Found to be Illegal**

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“The proposed FICO ‘08 scoring model is illegal, pursuant to the **Equal Credit Opportunity Act.**”



**Fair Isaac Corporation (FICO)** is the company which designs and implements the most universally accepted personal credit scoring model used today. It is commonly known as the FICO score. The three major credit reporting agencies, Equifax, Experian, and TransUnion, utilize a FICO model which considers “authorized user” accounts when generating a person’s credit score. This model is in compliance with the **Equal Credit Opportunity Act (ECOA)**. The legislative intent and stated purpose of the ECOA was and remains in force to protect consumers from discriminatory and unethical practices in lending.

Nevertheless, **FICO** recently proposed a new scoring model, dubbed FICO ‘08, which will completely disregard authorized user accounts, as they appear on an individual’s personal credit file. This new scoring model is projected to **adversely affect 41 million Americans** with respect to their credit scores.

Let us be clear, the proposed FICO ‘08 scoring model is illegal, pursuant to the **Equal Credit Opportunity Act**. One can review the following pertinent provision of the ECOA and find this to be true:

**(6) Credit history. To the extent that a creditor considers credit history in evaluating the creditworthiness of similarly qualified applicants for a similar type and amount of credit, in evaluating an applicant's creditworthiness a creditor shall consider:**

**(i) The credit history, when available, of accounts designated as accounts that the applicant and the applicant's spouse are permitted to use . . .**

As anyone can discern, the law clearly states that "any" account which an applicant is permitted to use **must be considered**. This certainly envelopes authorized user accounts. With that in mind, it is only reasonable to forecast a windfall of class litigation that very well may affect the bottom lines at the Fair Isaac Corporation, the credit reporting agencies, and any lending or banking institution that uses the new FICO08 scoring model. This is why only one credit reporting agency was set to implement the changed model back in September 2007. The other two were going to sit back and wait for the fallout.

The reasons given for the so-called need for this change are many, but they are in essence a call for relief from the mortgage industry. After the sub-prime mortgage industry fell through the bottom, they

needed an explanation for their shareholders. Rather than admit to the truth, which was that they were approving applicants with low FICO scores at 100% of a property's value and at nearly 60% Debt to Income Ratios, they blamed a small niche of consumers who knew how to operate astutely under the FICO model to increase their scores within the confines of the law; "credit piggybackers," as they have been recently referred to, like Denver based BoostMyScore.NET.

Should all three credit reporting agencies enact the change, it would not affect most consumers until sometime in mid 2008, if they apply the change in a retroactive nature. The fallout could be substantial as the changeover **will undoubtedly exacerbate the ever worsening financial and credit positions of the average American consumer**. An onslaught of class action lawsuits and wasted tax payer money will certainly follow as a result.

Companies like BoostMyScore.NET remain optimistic and do not foresee FICO '08 moving forward as proposed, in light of its illegality; and as such, they plan to continue to offer Platinum account trade lines to Americans in need of a quick and easy FICO score boost.

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