

# STRENGTHEN YOUR SCORE

■ **As more people face unemployment or decreased wages, foreclosure or even bankruptcy, creditors are demanding the one thing people may struggle to hold onto in this economy: good credit.**

BY NIRVI SHAH

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Four months ago, one of loan originator Gisela Sauzo's clients settled on the perfect home for herself and her two children.

The single-family house in Miramar would have been a welcome change from apartment life. Although her credit wasn't perfect — last December her credit score registered at 600 — it was high enough to secure a mortgage.

So she thought.

Four months later, Sauzo said the deal fell through because, in that time, her client's credit score dropped to a 580. Her client — expecting to move into the home — didn't renew the lease on her apartment and moved in with family. Her children are temporarily staying with her ex-husband.

Sauzo's client isn't alone. Across the country, mortgages are slipping through the fingers of potential borrowers because lending rules are getting stricter.

People with even above-average credit may have trouble getting loans.

For Sauzo's client, the reason the score dropped is a mystery.

"It's been an unpleasant ride," Sauzo said. "I'm so upset about all of this — she's a sweet lady."

• **TURN TO CREDIT, 2E**

■ **INSIDE: More about your credit report and how to keep your credit strong. 2E**

But as more people face unemployment or decreased wages, foreclosure or even bankruptcy, creditors are demanding the one thing people may struggle to hold onto in this economy: really good credit.

In the Miami-Fort Lauderdale metropolitan area, credit

scores dropped about 13 points from the middle of 2005 to the end of 2008, according to the credit bureau Experian.

It's a region of the country

with some of the highest growth in credit card balances during the same time period, Experian spokeswoman Susan Thomas said.

Credit scores and credit reports, however, still rely on a formula that gives the most weight to punctual bill-paying and the amount of an individual's debt. So some credit experts say that whatever your financial situation may be now, it's important to keep your credit intact.

"Eventually, this storm will pass," said Howard Dvorkin, founder of the non-profit Consolidated Credit Counseling Services, which is based in Fort Lauderdale. "When it does, people are going to need their credit. At least for the next five years, there's going to be very, very strict lending requirements."

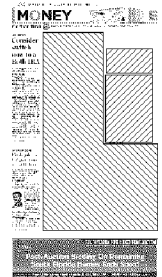
The most common type of credit score — called FICO — is based on a scale from 300 to 850.

But even people who had what was once considered a fairly solid credit score — more than 700 — will face extra fees if they are attempting to get a mortgage backed by Fannie Mae or Freddie Mac, said Kenneth Harney,

executive director of the National Real Estate Development Center. For example, Harney said, a buyer with a 699 FICO score who has a down payment of about 25 percent at closing will pay a 1.5 percent delivery fee under new guidelines that became effective Wednesday.

The lower the score, the greater the fees and the larger down payment lenders are requiring.

"It stands to reason that



during recessions, people have more problems meeting their credit responsibilities and that pushes down credit scores," Harney said. "Then you have creditors and lenders of all types making it tougher to get credit.

"It's a real squeeze there," he said.

The alternative, of course, is for hopeful homebuyers to get loans backed by the Federal Housing Administration, but those typically require paying for mortgage insurance and come with higher interest rates.

Poor credit could also hurt those trying to find jobs and loans now and in the future. For example, the last time the Society for Human Resource

Management surveyed employers in 2006, 42 percent of them said they check prospective employees' credit reports before giving them a job.

And many auto insurance companies consider credit scores when setting rates. Bills moving through the Florida Legislature aim to curb this practice.

With good credit becoming more critical than ever, the definition of what defines a good credit score is changing.

"The lenders are saying 'We're interpreting the scores differently,'" said Jeff Isaac, a San Diego attorney and money management expert with radio and television shows.

"Now a 680 is a higher risk than we used to think it was," he said.

Fundamentally, credit scores are still the same, said Angela Granger, vice president of analytics at Experian, one of the three major credit bureaus. The others are Equifax and TransUnion.

"A 700 is still better than 500," she said. "But it may be a little worse than a 700 was two years ago."



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