

## CREDIT TIP

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Maxing out on just one of your credit cards can drop the score by 20 to 45 points, as claimed by FICO. This would hurt your chances of being a credible borrower in the eyes of a lender, and many banks might just refuse to give you a loan. Have your borrowers consider a balance transfer, or speak to a Fico Pro about possible strategies for increasing their scores.

The US is now facing some of the lowest homeownership rates in the past 50 years, and a big part of this problem has to do with the current credit score model. (Notice I didn't use a plural when I used the word model?) We all know that the Fico monopoly struggle is real. And yet, the "fed" continues to maintain the status quo regarding credit scoring models.

FHFA which regulates Fannie Mae and Freddie Mac, seems to be moving in the right direction. They just concluded a "RFI" (request for input) event on mortgage credit scoring standards to determine whether to use an updated FICO model (FICO 9), the Vantage Score 3.0 model, or a combination of the two. This change is long overdue and will take place in the next 12-24 months. I don't see a combination of the two, but rather banks will now be given options to choose which model works best for them. I also think that the Vantage Score will become the "go-to" model over time. Obviously, there will be some guidelines in place to avoid "score shopping".

Now is the time to familiarize yourself with the [VantageScore](#), as it has certainly appeared on many lender's radar. In fact, about 6 billion VantageScores were used by lenders last year!

Now is also the time to become as culturally diverse as you possibly can. Consider learning a second language, hiring minorities, and joining groups and associations that cater to minorities. Why? Consider this forecast: The Harvard Joint Center for Housing Studies has forecast that approximately **75% of new household formations in the period 2015-2035** will be undertaken by minorities, who are often disadvantaged by current scoring models.

Now is the time to position yourself so that you can actually benefit from these changes. Industry leaders are often ahead of the curve when it comes to change. They don't wait for change; they are actively involved in shaping those changes.

## Housing Facts, Data, and Trends

Pay very close attention to this information. You can increase your business by understanding how this information is playing out in your local market. This is a great way to either strengthen or increase your Realtor partnerships. Develop some joint marketing campaigns and programs that specifically target the consumers that are affected by the current market.

- Across the nation, just 39 percent of renters make enough money to afford a house payment in their area. On average, 45 percent of the renters living in any given metro area can afford the monthly payment on a median-priced home where they live—less than half the renters in any city. While renters are hurting everywhere, the pain varies widely from metro to metro, and even from neighborhood to neighborhood.

(Door hangers, Home buyer seminars, radio, social media)

- Nationwide, most households living in metros (59 percent) can afford housing payments on a median-priced home for their area. Low-interest rates and Federal Housing Administration home-purchase mortgages have bolstered homeownership rates in recent years.

(Target areas, consumer alert: rising interest rates, FHA program education)

- “A one percentage point hike in mortgage interest rates would raise the typical monthly payments on a median-priced home by about \$130, reducing the share of households able to afford homeownership in their respective metros from 59.0 percent to 55.7 percent—a decline of 3.3 million households,” reads the Harvard report.

(Purchase power, incentive, and urgency)

- Household growth is rising, but the share of millennials living in their parents' home also rose. In 2015, 35.6 percent of 25- to 34-year-olds lived with their parents.

(College partnerships and social media)

- By 2035, millennials are projected to head 49.8 million households, compared with the 16 million households they headed in 2015.

(College partnerships and social media)

- Families with children make up 39 percent of renters, up from 32 percent in 2005. Between 2005 and 2016, the increase in these renters made up 22 percent of renter household growth.

(School systems and # of bedrooms is important)

- By 2035, the number of households over age 65 is projected to rise to 79 million, compared with 31 million in 2015.

(Can you say, “REVERSE!”)

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