

# Credit Where Credit Isn't Due

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June 16, 2007

In the movie 'Talladega Nights', Will Ferrell plays Ricky Bobby, a wildly popular and successful NASCAR driver. One of the reasons Ricky is so successful is because his racing partner, Cal Naughton, Jr., typically led many races and allowed Ricky to draft behind him and slingshot past him to win. Cal did most of the hard work, while Ricky got the glory.

While McDonalds was forging its vast fast food franchise empire, the company would conduct exhaustive research to determine where to construct its next restaurant to maximize sales. Shortly after a new McDonalds was built, the Big Boy franchise would buy a lot next door and build its own restaurant, knowing it would be a prime location.

Riding on others' coattails and taking credit for their efforts is an American tradition. That's why it's no surprise that American ingenuity has found a way to shortcut the path to rebuilding credit by using other consumers' good track records.

Commonly called 'piggy-backing', many consumers with low credit scores are taking advantage of people with a good credit history to boost their ratings. Several companies have suddenly sprung up, mostly over the Internet, that increase credit scores by adding people with low ratings as an authorized user on credit cards of consumers with impeccable credit.

What was once used as a tool that allowed children to bootstrap on their parents' credit rating, credit card piggy-backing is now a booming industry. Online sites like [instantcreditbuilders.com](http://instantcreditbuilders.com) charge consumers a fee to be added as an authorized user to the credit card of someone with good credit. Customers are given a break on fees if they ask to be added to multiple cards.

The companies also pay a fee to people with good credit to allow their customers to be added to their cards. These 'credit lenders' typically sign a contract that assures them the company will not allow their customers to receive any personal information, account numbers or duplicate copies of their credit cards, as the company vows to destroy any such cards.

The practice is extremely successful by purportedly taking advantage of a loophole in Fair Isaac Corp.'s system for generating its widely used FICO score. It works by misleading the computer program that calculates scores that the 'credit renter' has a better repayment history because of the added accounts.

According to ICB, a consumer with a low credit score can potentially raise his credit between 30 to 45 points by being added to one card, 60 to 90 points with two cards and 150 to 205 points with five cards. Once the customer's score rises high enough, he is removed from the credit card.

Mortgage lenders, who depend on credit scores to assess a person's ability to repay a loan, aren't quite as thrilled with the program's success, however. Lenders fear they may be increasing their risks by offering lower interest rates than they otherwise would to applicants who have artificially boosted their credit scores.

In fact, the National Association of Mortgage Brokers considers the practice mortgage fraud and is sharing its viewpoint with the Federal Trade Commission. So far, the FTC has yet to deem piggy-backing illegal.

After Ricky Bobby had a nervous breakdown, quit racing and had to live in his car, I'm sure he would have loved piggy-backing to improve his financial woes.

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