A recent article in Forbes caught my eye. "Warren Buffett's FICO Score", touted the headline. I couldn't resist. Mr. Buffett is an American Business icon and one of the men I admire most. I admire him, not only for his brilliant investment mind but also for his high moral standards, and his professional ethics, but also for his wonderful wit and modest demeanor. All are traits all too uncommon among men and women in America's corporate elite.

It seems when the world's richest man checked his credit history, he discovered his FICO score was around 718 in one report, slightly below the United States median. Further study revealed that the modest score may be due to credit fraud or a reporting error. The report presumably cites 23 payments missed on a $294 HSBC loan in Nevada, an account Mr. Buffett says he has never had.

This brings me to the real point of my thoughts as I pondered the irony of Mr. Buffett's credit score. First, with a net worth of somewhere north of $50 Billion dollars he would have to find a way to burn $2.5 Billion a year in free cash flow if he just had his money invested in low yielding CDs somewhere. For those of you calculating, that's a burn rate of over $6,847,000 a day or $285,000 per hour. Now let me suggest, even though I don't know Mr. Buffett personally, I'm betting if he was the one who owed $294 to HSBC, he could figure out how to come up with the money!!

Second, without knowing more than a borrowers credit score alone, you can't make a very good judgment of the repayment ability of a potential borrower. Believe me, my credit score is somewhere far north of 718 but if you have a choice as to which one of us you were to make a billion dollar loan, I'll humbly acknowledge, although I'd be much more grateful than Mr. Buffett, he'd be a much better risk. The reason? Let me give you 50 Billion of them!

The credit score reflects a credit history; not ones 'credit ability'. To make timely payments on ones obligations requires the willingness (and determination) to so. But it also requires the financial ability to do so. All too many people in today's borrow it, buy it, beg it, spend it society are indebted well beyond their ability to meet their obligations even if they were willing to do so. To properly assess a borrower's likely performance as obligor requires a correct assessment of character and financial commitment which are often well reflected in the credit history. That credit history chronicles how the borrower has performed with other obligations and to some extent his debt in relation to the credit available to him. But success also requires an accurate evaluation of the borrower's ability to fund his obligation which is a function of income, cash flow, financial resources, and financial sophistication. Unfortunately, a credit score tells you nothing of those things.

Every time I review an application from someone requesting our company to rent or finance a home I seek to learn not only their credit history and their financial ability to pay but also to assess their money sense and values. There in lies the secret to identifying those likely to be successful tenants and borrowers.