



Consumer Federation of America



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CONTACT:
Jack Gillis, CFA, 202-737-0766
Jeff Richardson, VantageScore Solutions,
203-363-2170

**FIFTH ANNUAL NATIONAL CREDIT SCORE SURVEY: CONSUMER
KNOWLEDGE ABOUT CREDIT SCORES IMPROVED OVER THE PAST YEAR
HOWEVER THERE ARE STILL SERIOUS KNOWLEDGE GAPS**

*Consumer Federation of America and VantageScore Solutions Encourage Consumers to
Obtain Free Credit Reports and Take Redesigned Knowledge Quiz
(CreditScoreQuiz.org)*

Washington, DC – The fifth annual national credit score survey, released today by the Consumer Federation of America (CFA) and VantageScore Solutions, LLC, reveals a small, across-the-board improvement in consumer knowledge about credit scores over the past year. For example, more Americans correctly think that age, marital status, and ethnicity are not used to calculate credit scores, and a higher percentage understand that making all loan payments on time, using a credit card but keeping low balances, and avoiding opening several credit card accounts at the same time will raise a low credit score or maintain a high one.

However, serious consumer knowledge gaps remain. For example, only 20 percent of Americans know that low credit scores are likely to increase the finance charges on a \$20,000, 60-month car loan by more than \$5,000. Moreover, more than two-fifths (41%) incorrectly think that the additional charges would be less than \$3,000.

“Low credit scores can deny one access to credit or increase the costs of this credit by thousands of dollars,” said Stephen Brobeck, CFA’s Executive Director. “These higher costs can often be avoided simply by making loan payments on time or by deferring purchases until loan payments are manageable,” he added.

“We know that if consumers are educated about credit scoring, they will feel empowered and are more likely to improve their score. Our online knowledge quiz website is a powerful tool that consumers and credit educators can leverage in order to increase their understanding of the increasingly diverse world of credit scoring,” said Barrett Burns, President and CEO of VantageScore Solutions. “We redesigned CreditScoreQuiz.org to make it even more accessible than the former quiz, which has been taken by more than 50,000 consumers,” he added.

The Credit Score Quiz website (www.CreditScoreQuiz.org) has been upgraded for better performance on mobile devices and streamlined to enable quicker completion of its multiple-choice questions. The update also adds a new question about alternative lending sources, and enhanced options for sharing results on social media. Like the original Quiz website, it allows users to download and print the all questions and answers, and it includes a set of links to web resources about consumer credit and credit scoring.

Knowledge Improves But Gaps Remain

The telephone survey, undertaken by ORC International April 9-12 this year, revealed small but broad improvements in consumer knowledge from last year's survey, which was also conducted in April. (Both surveys interviewed a representative sample of 1000 adult Americans by landline or cell phone, with a margin of error of plus or minus three percentage points.) For example:

- Small increases in knowledge of service providers who may use credit scores – mortgage lenders (87% to 88%), credit card issuers (88% to 89%), cell phone companies (61% to 62%), and landlords (70% to 72%).
- A significant increase in awareness of the cost of an auto loan with a low credit score (16% to 20%).
- Greater awareness that certain factors are not used to calculate credit scores – age (47% to 42%), marital status (44% to 42%), and ethnicity (14% to 12%).
- A significant increase in those knowing that making loan payments on time, using a credit card keeping balances low or paid off, and avoiding opening several credit card accounts at the same time help raise a low score or maintain a high one (57% to 60%).
- Greater awareness of the importance of checking the accuracy of your scores at the three main credit bureaus (70% to 72%).

At the same time, there remain serious knowledge gaps. While higher, the percentage of those understanding the cost implications of low scores for auto loans remains very low. The percentage of those who know that multiple inquiries about getting credit lower one's FICO or VantageScore credit scores never lower these scores during a 1-2 week window (8%) also is low given how important it is to shop around for the best terms for loans. Furthermore, although consumer protection officials agree that credit repair companies offer poor value to consumers, two-fifths of respondents (40%) believe that these companies are always or usually helpful in correcting credit report errors (or in taking other measures to improve one's credit scores).

Strong Correlation Between Obtaining/Receiving Scores and Greater Knowledge

Those who have obtained or received any of their credit scores in the past year have significantly greater credit score knowledge than those who have not. For example:

- Knowledge that the three main credit bureaus – Experian, Equifax, and TransUnion – collect the information on which credit scores are frequently based (79% for “haves” vs. 64% for “have not”).
- Awareness that individuals have more than one credit score (76% vs. 64%).
- Knowledge that 700 is usually a good credit score (86% vs. 77%).
- Knowledge that making payments on time, keeping credit card balances low or paid off, and not opening several card accounts at the same time helps raise a low credit score or maintain a

high one (66% vs. 55%).

- Awareness of the importance of checking the accuracy of one's credit reports at the three main credit bureaus (83% vs. 64%).

“It is not surprising that those learning their credit scores tend to know more,” noted CFA’s Brobeck. “Receiving these scores often provokes interest in what they mean and concern about their level,” he added.

Knowledge Gap Between Millennials and Older Americans Closes Somewhat

Millennials (those aged 18-34) are much more likely to have obtained or received any credit scores this year (53%) than last year (44%). They also are much more likely to have ever obtained a free copy of their credit reports this year (57%) than last year (49%).

This increased personal experience with their credit scores and reports may help to explain their improved knowledge on several aspects of credit scores, including: awareness of the high cost of a low score on an auto loan (15% to 22%), the fact consumers have more than one credit score (72% to 77%), the importance of checking the accuracy of credit reports (69% to 73%), and the fact that the Consumer Financial Protection Bureau is the federal agency best suited to resolving problems about credit scores and reports (65% to 70%).

However, there still remains a credit score knowledge gap between millennials and older Americans. For example, there is greater awareness among all respondents than among millennial respondents that the three main credit bureaus collect information on which scores are based (70% vs. 61%) and that 700 is usually a good credit score (81% vs. 73%).

How Consumers Can Raise Their Credit Scores

In brief, the way consumers can raise their credit scores, or maintain high ones, is by:

- Consistently making their loan payments on time every month.
- Using only a small portion of the credit available on a credit card.
- Paying down debt rather than just moving it around, as well as not opening many new accounts at the same time.
- Regularly checking their credit reports to make sure they are error-free.

About the Consumer Federation of America

The Consumer Federation of America (CFA) is an association of more than 250 non-profit consumer groups that, since 1968, has sought to advance the consumer interest through research, education, and advocacy.

About VantageScore Solutions

VantageScore Solutions, LLC (www.vantagescore.com) is the independently managed company that owns the intellectual property rights to the VantageScore credit scoring models,

including the VantageScore 3.0 model, which has the ability to formulate a highly accurate score for 30 – 35 million previously unscorable consumers. Initially developed by America’s three national credit reporting companies (CRCs) — Equifax, Experian and TransUnion — VantageScore Solutions’ highly predictive models use an innovative, patented and patent-pending tri-bureau scoring methodology that provides lenders and consumers with more consistent credit scores across all three national credit reporting companies. Nearly one billion VantageScore credit scores were used in 2014, by over 2,000 lenders and other industry participants, including six of the 10 largest banks.