



Consumer Federation of America

For Immediate Release
Monday, May 12, 2014

Contact: Jack Gillis, (202)737-0766

MILLENNIALS KNOW LESS ABOUT CREDIT SCORES THAN DO OTHER ADULT AMERICANS, ACCORDING TO 4TH ANNUAL NATIONAL SURVEY

*Those Who Have Not Obtained Free Credit Reports Have Less Knowledge
About Credit Scores*

*CFA Recommends Obtaining Free Reports and Taking Knowledge Quiz
(www.creditscorequiz.org)*

Washington, DC – The fourth annual national credit score knowledge survey, released today by the Consumer Federation of America (CFA) and VantageScore Solutions, LLC, reveals that millennials know less about these scores than other adult Americans. Those 18-34 years of age know less about which businesses use the scores and less about who collects information on which the scores are based, while being more likely to erroneously think that credit repair companies can always or usually be useful in correcting errors and improving scores.

An important reason for their lower knowledge appears to be that millennials are much less likely than other adult Americans to have ever obtained the free credit reports (49% vs. 74%) on which their credit scores are based. “Obtaining their free credit reports not only allows consumers to check the accuracy of the reports but also appears to motivate them to learn more about credit scores,” noted CFA Executive Director Stephen Brobeck. The easiest way to obtain one’s reports is to visit www.annualcreditreport.com or call the toll-free number, 877-322-8228.

CFA also recommends that consumers take the free online credit score quiz at www.creditscorequiz.org. “This easy-to-use quiz provides basic information about the complex world of credit scores and how consumers can improve their scores,” said Brobeck. To date, nearly 45,000 Americans have taken the quiz, which was developed and has been updated by CFA and VantageScore Solutions, displays no advertising, and collects no personal data. Everyone who completes the quiz in May will be given the opportunity to enter a drawing for a \$500 gift card.

The telephone survey was undertaken by ORC International April 17-19, 2014, using a representative sample of 1004 adult Americans interviewed on landlines or cell phones. The margin of error is plus or minus three percentage points.

Large Majority of Consumers Have Basic Knowledge About Credit Scores But Also Some Knowledge Gaps

A large majority of Americans know a great deal about credit scores:

- Well over four-fifths know that credit card issuers (88%) and mortgage lenders (87%) might use these scores.
- Well over four-fifths know that missed payments (92%), personal bankruptcy (87%), and high credit card balances (87%) are factors used to calculate credit scores.
- Nearly three-quarters (72%) know that they have more than one generic credit score.
- Nearly three-quarters (72%) know that the three main credit bureaus – Experian, Equifax, and TransUnion – collect the information on which credit scores are most frequently based.
- Nearly three-quarters (72%) know that it is very important to check the accuracy of one's credit reports at the three credit bureaus.
- Nearly three-quarters (74%) know that the Consumer Financial Protection Bureau is the federal agency best suited to help consumers solve individual problems.

However, far fewer Americans understand other important facts about credit scores. “Most troubling is that only 42 percent know that a credit score measures the risk of not repaying a loan rather than factors such as knowledge of, or attitude to, consumer credit,” noted Brobeck. “Consumers should be aware that they can take steps to reduce this risk and improve their scores, most importantly, by making all loan payments on time,” he added.

Moreover, few consumers understand when multiple inquiries about getting a consumer or mortgage loan lowers one's credit score. Only 7 percent know that neither FICO nor VantageScore will lower one's credit score if the inquiries are made during a one to two week window.

CFA is also concerned that only half of consumers (50%) understand the three instances when lenders who use generic credit scores are required to inform borrowers of the credit score used in the lending decision – after application for a mortgage loan, whenever an application for a consumer or mortgage loan is rejected, and whenever the best terms, including lowest interest rate available, are not offered on a consumer or mortgage loan.

Millennials Less Knowledgeable About Credit Scores Than Other Adults

On many questions, those 18-34 years of age scored significantly lower than other adults.

- When asked which of six types of businesses – ranging from credit card issuers to landlords to cell phone companies -- might use credit scores, only 18 percent of millennials, but 32 percent of older consumers, correctly identified all six.

- Under half (47%) of millennials, but over 60 percent of those 45-64 years of age, know that age is not used in calculating credit scores.
- Less than two-thirds (65%) of millennials, but three-quarters (75%) of older adults, know that the three main credit bureaus collect information on which credit scores are based.
- Half (50%) of millennials, but nearly three-fifths (59%) of those 45-64 years of age, know that credit repair companies only occasionally or never are helpful in correcting credit report errors and improving credit scores.

Millennials, however, do not delude themselves. Only two-fifths (40%) think they have good or excellent knowledge about credit scores, whereas more than three-fifths (62%) of those 35 years and older think they have this knowledge.

Those Who Have Obtained Their Credit Reports More Knowledgeable Than Those Who Never Have

Those who have obtained their credit reports know more about credit scores than those who have not. These statistically significant differences exist for many knowledge questions, including which businesses use scores (31% who have obtained reports vs. 23% who have not), personal bankruptcy as a factor influencing scores (91% vs. 81%), the role of credit bureaus in collecting information on which scores are based (81% vs. 54%), each consumer having more than one generic score (76% vs. 66%), three ways to raise low credit scores (61% vs. 51%), the importance of checking credit reports (78% vs. 61%), and credit repair companies never or only occasionally being helpful (58% vs. 48%).

“Those who are interested in their credit reports are probably also interested in their credit scores,” noted CFA’s Brobeck. “It’s so easy to go online and get your free reports that this action likely motivates people to learn more about credit scores. To do so, we suggest they take our credit score quiz, which acts as a self-tutorial.”

While those who had obtained their credit scores in the past year knew more than those who had not, the differences were not nearly as large as those related to obtaining credit reports. “This finding puzzled us since scores are often accompanied by explanations,” said Brobeck. “We can only speculate that scores were often given to people who took no initiative in obtaining them so perhaps lacked the motivation to learn what the scores really meant,” he added.

How Consumers Can Raise Their Credit Scores

Consumers can raise their credit scores, most importantly, by:

- Consistently paying their bills on time every month.
- Not maxing out, or even coming close to maxing out, their credit cards.
- Paying down debt rather than just moving it around, as well as not opening many new accounts rapidly.
- Regularly checking their credit reports to make sure they are error-free.

The Consumer Federation of America is a nonprofit association of more than 250 consumer groups that was established in 1968 to advance the consumer interest through research, education, and advocacy.