

CREDIT SCORE KNOWLEDGE 2013
Consumer Survey: Summary Results



Consumer Federation of America



VantageScore®

Survey Objectives

- Measure consumer knowledge of credit scores as part of an annual tracking study
- Use 2013 results (3rd installment) to add to knowledge gained in 2011 and 2012
- Report on changes in consumer knowledge as a means to spotlight need for personal finance education in the area of credit scores

Methodology

- Telephone survey conducted in April 2013
- 18 questions administered by ORC International
- National sample of 1,022 adults
 - 512 men and 510 women
 - 18 years of age and older
 - Living in private households in the continental United States
- In 2011 and 2012, CFA and VantageScore Solutions undertook similar surveys of consumer knowledge, but responses from those surveys cannot reliably be compared with those from 2013 because of two changes that may affect the character of the sample populations: This year, for the first time, calls were made to cell phones as well as to landline phones. Also for the first time, after respondents answered each question, they were not given the correct answers. Even though earlier surveys were designed so that these answers could not help with subsequent questions, these surveys required much more time from respondents, which may have influenced their responses.

Executive Summary

- LARGE MINORITY OF AMERICANS KNOW LITTLE ABOUT CREDIT SCORES
 - Two-fifths of respondents do not know credit card issuers (40%) and mortgage lenders (42%) use credit scores in decisions about credit availability and pricing.
 - Two-fifths incorrectly believe that personal characteristics such as age (43%) and marital status (40%) are used in calculating credit scores.
 - Between one-quarter and one-third do not know when lenders are required to inform borrowers of the credit score used in their lending decision – after consumers apply for a mortgage (27%), when they are turned down for a loan (24%), and when they don't receive the best price or other terms (35%).
 - Between one-third and two-fifths do not know that the credit scores of co-signers of a student loan are affected by that loan – improving if payments are made on time (38%) and declining with one late payment (31%).

Executive Summary

- MANY ARE UNAWARE THEY CAN TAKE CONTROL
 - More than one quarter do not know key ways to raise or maintain their scores – keeping credit card balances low (26%) and not applying for several cards at the same time (28%).
 - More than one-third (36%) incorrectly believe that credit repair agencies are always or usually helpful in correcting credit report errors and improving scores.
- COMMON KNOWLEDGE – AND A COMMON MISPERCEPTION
 - One survey question was answered correctly by almost everyone – 94 percent know that making loan payments on time helps raise your credit score.
 - One question was answered incorrectly by almost everyone – only 7 percent know that making several inquiries about getting a consumer or mortgage loan in a 1-2 week window will never lower their FICO and VantageScore Solutions credit scores.

Executive Summary

- WOMEN PROVE MORE KNOWLEDGABLE THAN MEN
 - The survey revealed that women know more about credit scores than do men:
 - Far fewer women than men incorrectly believe that age (38% vs. 48%) and marital status (34% vs. 46%) are used in calculating credit scores.
 - Far more women than men:
 - correctly understand that credit bureaus collect the information for scores (74% vs. 68%);
 - know what a good score is (36% vs. 29%);
 - know when scores are free (65% vs. 60%);
 - know when lenders are required to disclose scores (53% vs. 46%); and
 - understand the importance of checking credit reports (77% vs. 72%).
 - Men, however, are correctly more skeptical than women about the value of credit repair agencies – only 32 percent think these agencies are always or usually helpful compared to 40 percent of women who believe this.

Executive Summary

MORE WHO OBTAINED SCORES KNOW THE SCORE

- Not surprisingly, those who have obtained one or more of their credit scores in the past year know more about scores than do those who have not.
- Significantly more of those getting their scores recently understand that:
 - lenders and service providers use scores;
 - three large credit bureaus collect the information on which credit scores are most often based;
 - consumers have more than one credit score;
 - that scores are sometimes free;
 - when scores must be disclosed by lenders;
 - how scores can be raised;
 - that checking credit reports is important; and
 - credit repair agencies usually are not helpful.

The Most Important Things Consumers Should Know About Credit Scores

- Credit scores are important in that they influence whether consumers can purchase a wide range of important services and/or at what price.
- An individual has many different credit scores, which are either generic or lender-based.
 - Generic credit scores are available from many sources -- not just FICO and the three credit bureaus.
 - Most scores, however, are based on information in a credit report at one of the three bureaus, although some websites allow consumers to estimate their score by answering questions about their credit use.
- Scores based on credit reports from one of the three main credit bureaus -- Experian, Equifax, and TransUnion -- may utilize either of the two main scoring systems, FICO or VantageScore. FICO scoring models and the recently released VantageScore 3.0 model generate scores in a range from 300 to 850. Earlier VantageScore models use a range of 501 to 990.

The Most Important Things Consumers Should Know About Credit Scores

- What's most important about a score is not its absolute level, but its relation to other scores from the same source.
 - Most sources will place a score in a 0-100% range, and some will add a letter grade (A, B, C, D, or F).
 - A 700 score may be either a good score or only a fair score, depending on the scoring system.
- Consumer behavior strongly influences credit scores, especially whether payments are made on time, and it's easier to lower than to raise scores.
 - Carelessly making late payments on a couple of credit cards or on a mortgage may take a year of on-time payments to restore one's old scores.
- The accuracy of information in one's credit reports at the three bureaus -- Experian, Equifax, and TransUnion – can also significantly influence credit scores.
 - You can access these reports for free through the website -- www.annualcreditreport.com -- or by calling 877-322-8228, and should certainly do so before obtaining a mortgage or car loan.

The Most Important Things Consumers Should Know About Credit Scores

- Even if you have high credit scores, and especially if you have lower ones, it is essential to comparison shop for credit.
 - Major lenders use somewhat different criteria in their own credit scores, and even when they use the same score, they may assign different risks to it.
 - For example, using the same score for an individual, one lender may place that person in a higher-risk subprime category while another lender may assign that person to a lower-risk (and lower cost) prime category.
- Be very skeptical about the value of using credit repair companies.
 - Consumer protection officials agree they often overpromise, charge high prices, and perform services, such as correcting credit report inaccuracies, that consumers could do themselves by simply contacting the lender and the credit bureaus.

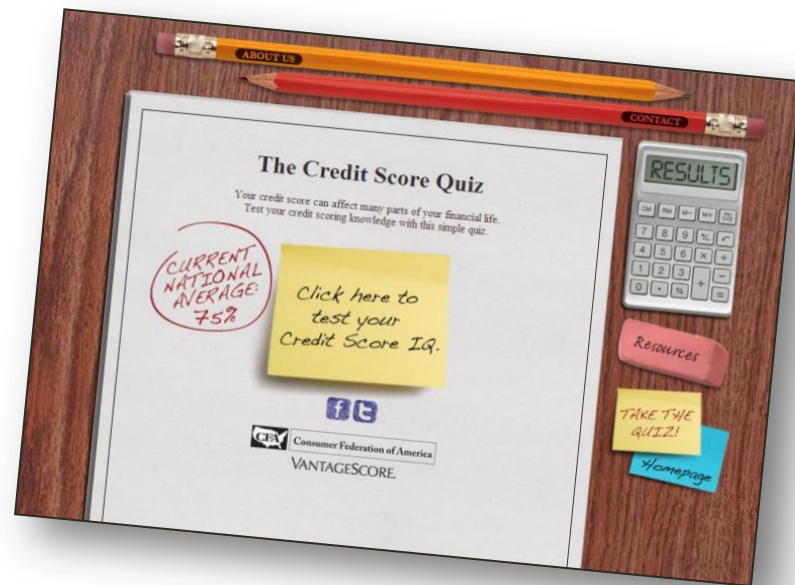
What Consumers Can Do to Raise their Credit Scores

Consumers can raise their credit scores in many ways, especially by:

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

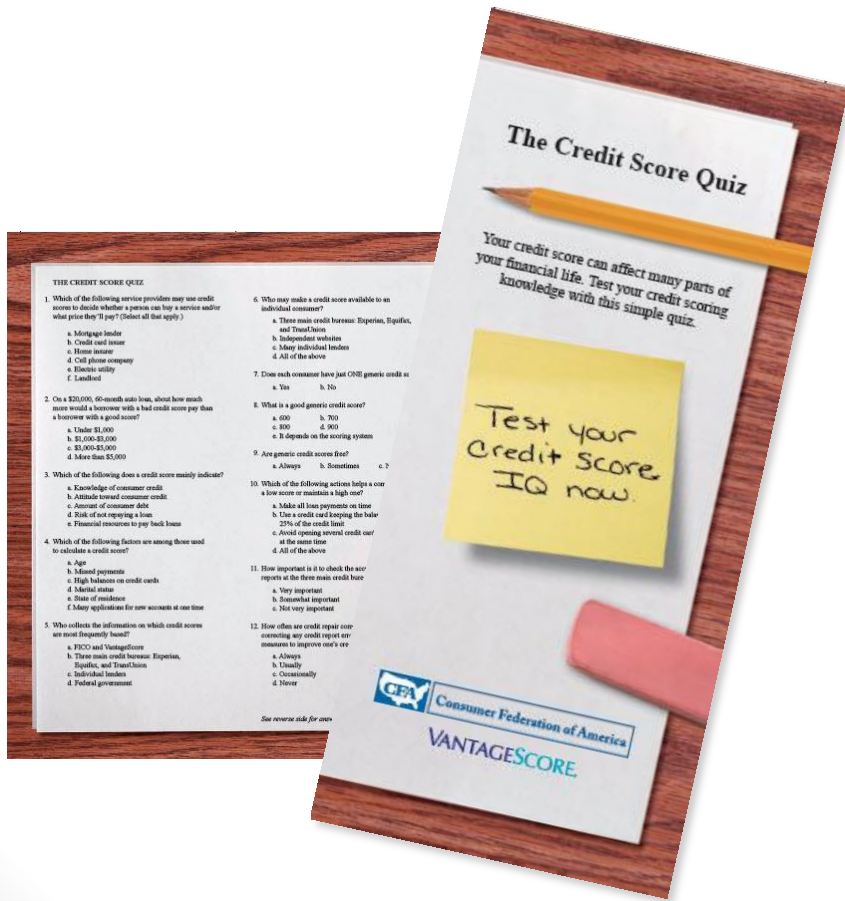
Find the Credit Score Quiz Online

- The website allows consumers to test their knowledge on credit scores through an interactive quiz
- The site is a fun tool that delivers answers to each question with explanations so that consumers can inform themselves about the latest credit score information.
- Useful resources and real-time nationwide results also are provided
- Nearly 35,000 people have taken the quiz
- Try it today: www.CreditScoreQuiz.org
- Now available in Spanish: CreditScoreQuiz.org/Espanol



Brochure and Web Banners

- Brochures and a web banner with an embedded link to the CreditScoreQuiz.org website are available and can be provided



Web Banner



What the press are saying...

- **Headline: How Will You Score on the Credit Score Quiz?**

- ABCNews.com

Excerpt: *The Consumer Federation of America, CFA, has created a fascinating, fantastic quiz about credit scores –what they are, what factors into them, what lowers them and so on. It's worth taking, because as I have often preached here, credit costs money –big money—and there are two ways to cut that cost: use less credit and get credit for less.*

- **Headline: What you don't know about credit scores could hurt you**

- MSNBC.com

Excerpt: *How much do you know about credit scores and credit reports? Take the CreditScoreQuiz. There is also a Spanish language version.*

- **Headline: Consumers Getting Savvier About Credit Scores**

- NYTimes.com

Author: Ann Carrns

Summary: Consumers are getting savvier about credit scores, according to new findings from the nonprofit group Consumer Federation of America.

Excerpt: *How did you score on the quiz?*

- **Headline: Consumers Unsure About Credit Scores**

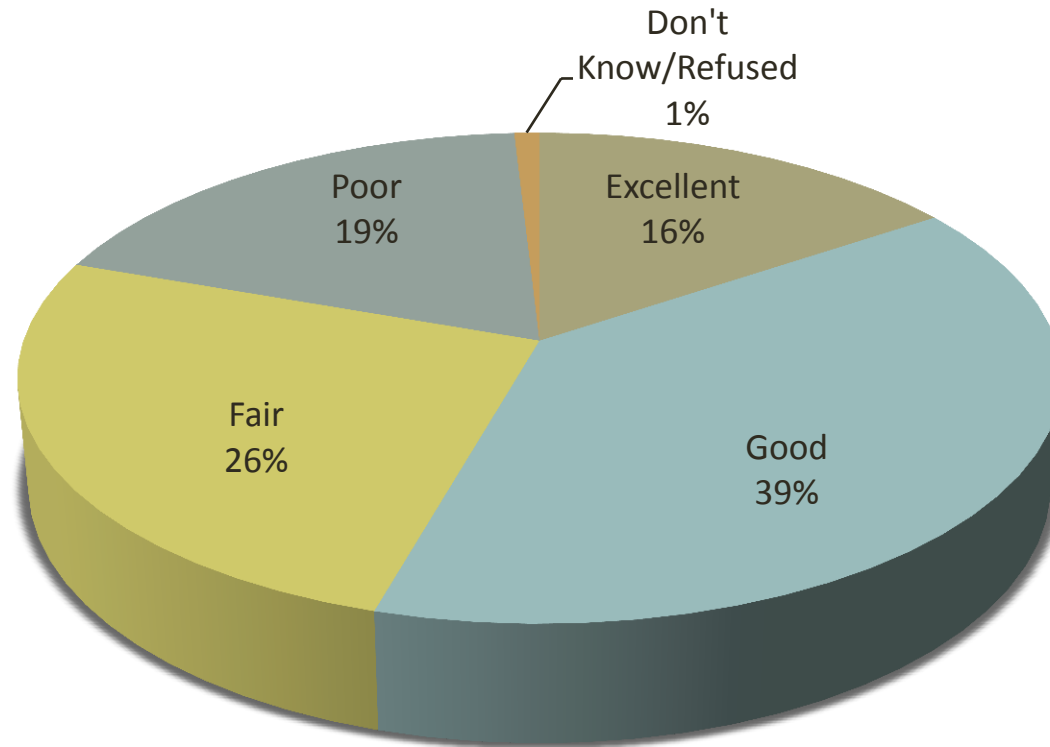
- Detroit Free Press (syndicated column)

Excerpt: *Test your credit score IQ with a 20-question quiz online at creditscorequiz.org. The interactive tool was developed by the Consumer Federation of America and VantageScore Solutions.*

SURVEY QUESTIONS & RESULTS

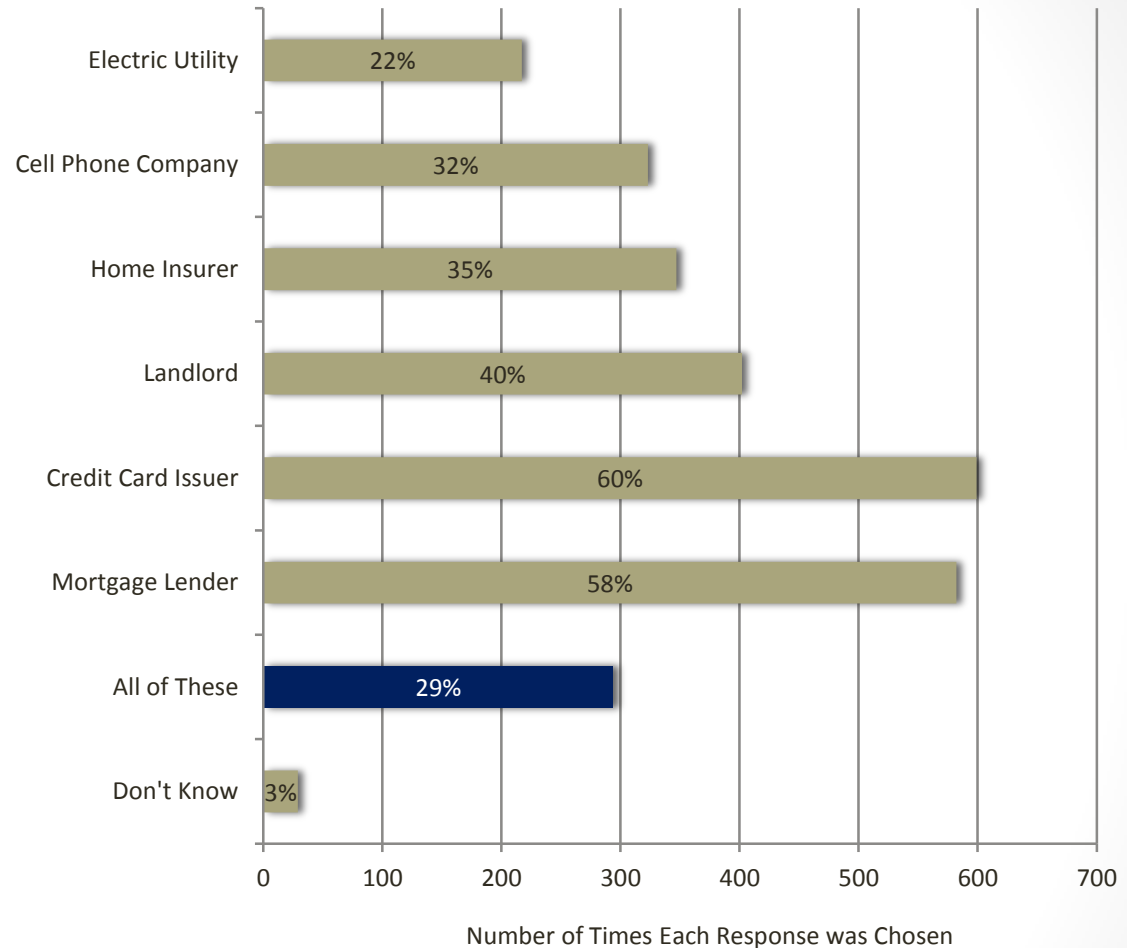
Question 1: Do you consider your knowledge of credit scores to be excellent, good, fair, or poor?

- Excellent
- Good
- Fair
- Poor
- Don't Know/Refuse



Question 2: Which of the following might use credit scores?

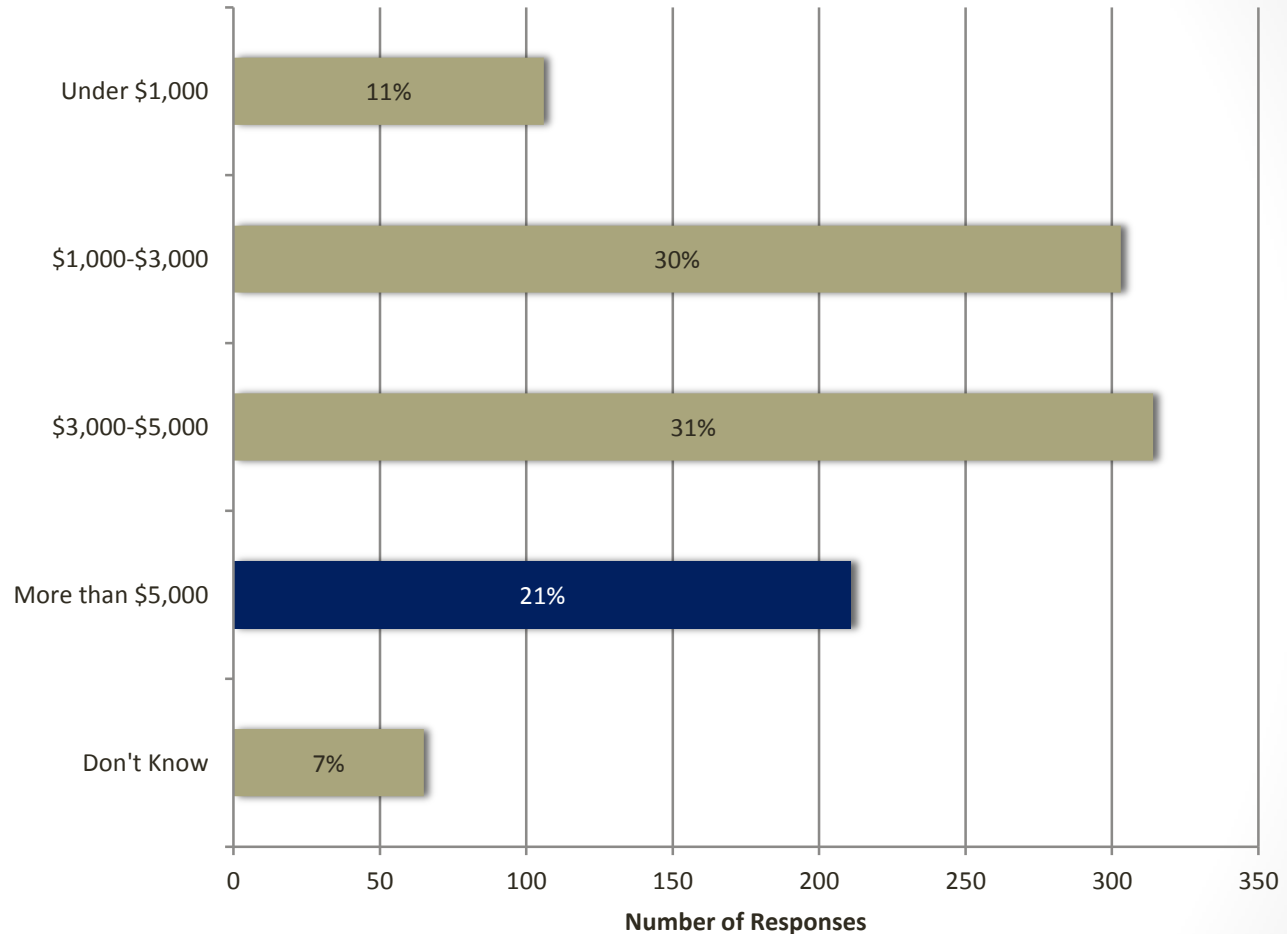
- Electric Utility
- Cell Phone Company
- Home Insurer
- Landlord
- Credit Card Issuer
- Mortgage Lender
- **All of These**
- Don't Know



Explanation: The answer is 'All of These'. All of these service providers may use credit scores to help them decide whether to sell a loan, provide a service, or determine a deposit or down payment.

Question 3: On a \$20,000, 60-month auto loan, about how much more would a borrower with a low credit score pay than a borrower with a high score? Would you say...

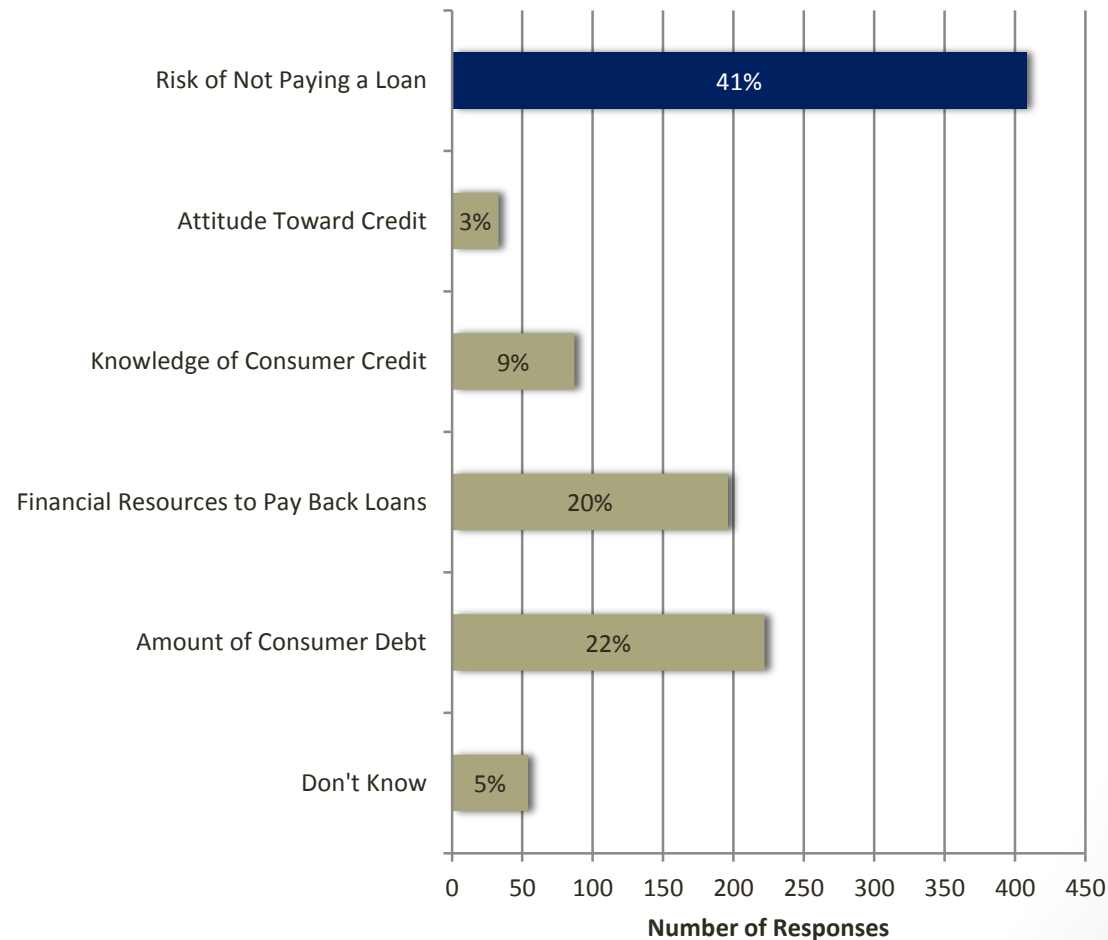
- Under \$1,000
- \$1,000-\$3,000
- \$3,000-\$5,000
- **More than \$5,000**
- Don't Know



Explanation: The answer is 'More than \$5,000'. On a typical auto loan from a bank, a borrower with a low score would be charged a higher interest rate and likely pay at least \$5,000 more.

Question 4: Which of the following does a credit score TYPICALLY measure?

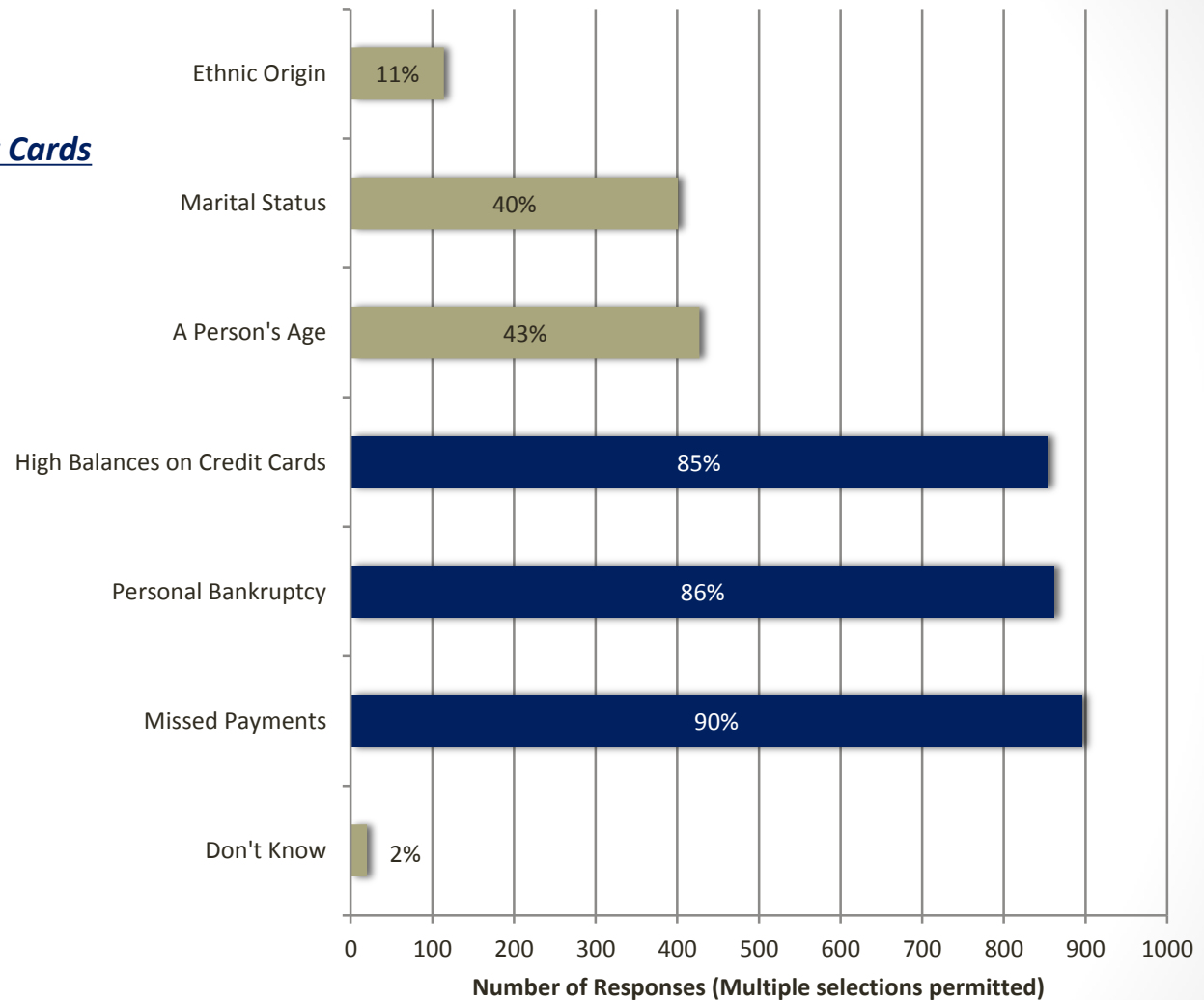
- Risk of Not Paying a Loan
- Attitude Toward Credit
- Knowledge of Consumer Credit
- Financial Resources to Pay Back Loans
- Amount of Consumer Debt
- Don't Know



Explanation: The answer is 'Risk of Not Paying a Loan'. The other factors may influence this risk, but it is the risk itself that a credit score tries to measure.

Question 5: Which of the following factors are among those used to calculate a credit score?

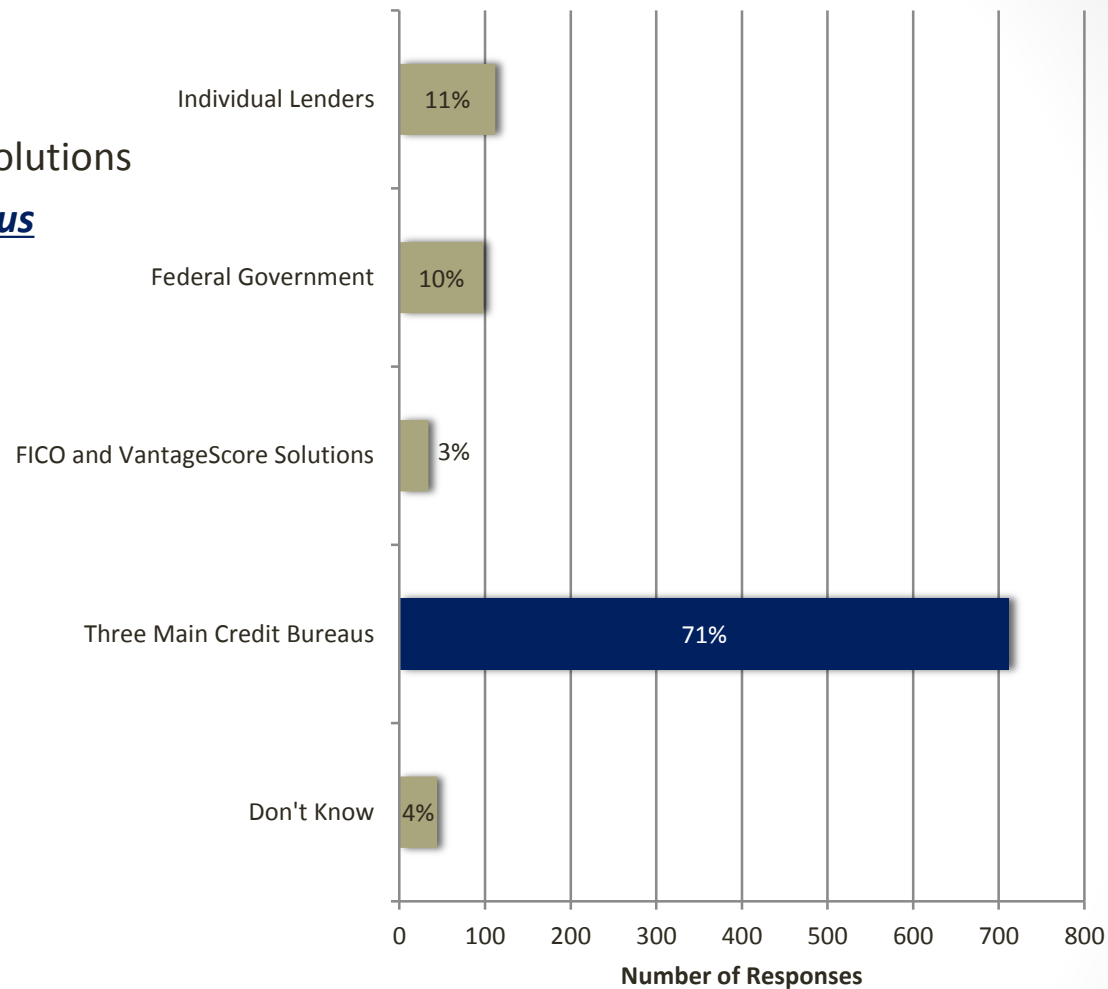
- Ethnic Origin
- Marital Status
- A Person's Age
- **High Balances on Credit Cards**
- **Personal Bankruptcy**
- **Missed Payments**
- Don't Know



Explanation: The correct responses are the three factors related to *credit use*: 'Missed Payments', 'High Credit Card Balances', and 'Personal Bankruptcy'.

Question 6: Who collects the information on which credit scores are most frequently based? Would you say...

- Individual Lenders
- Federal Government
- FICO and VantageScore Solutions
- Three Main Credit Bureaus**
- Don't Know

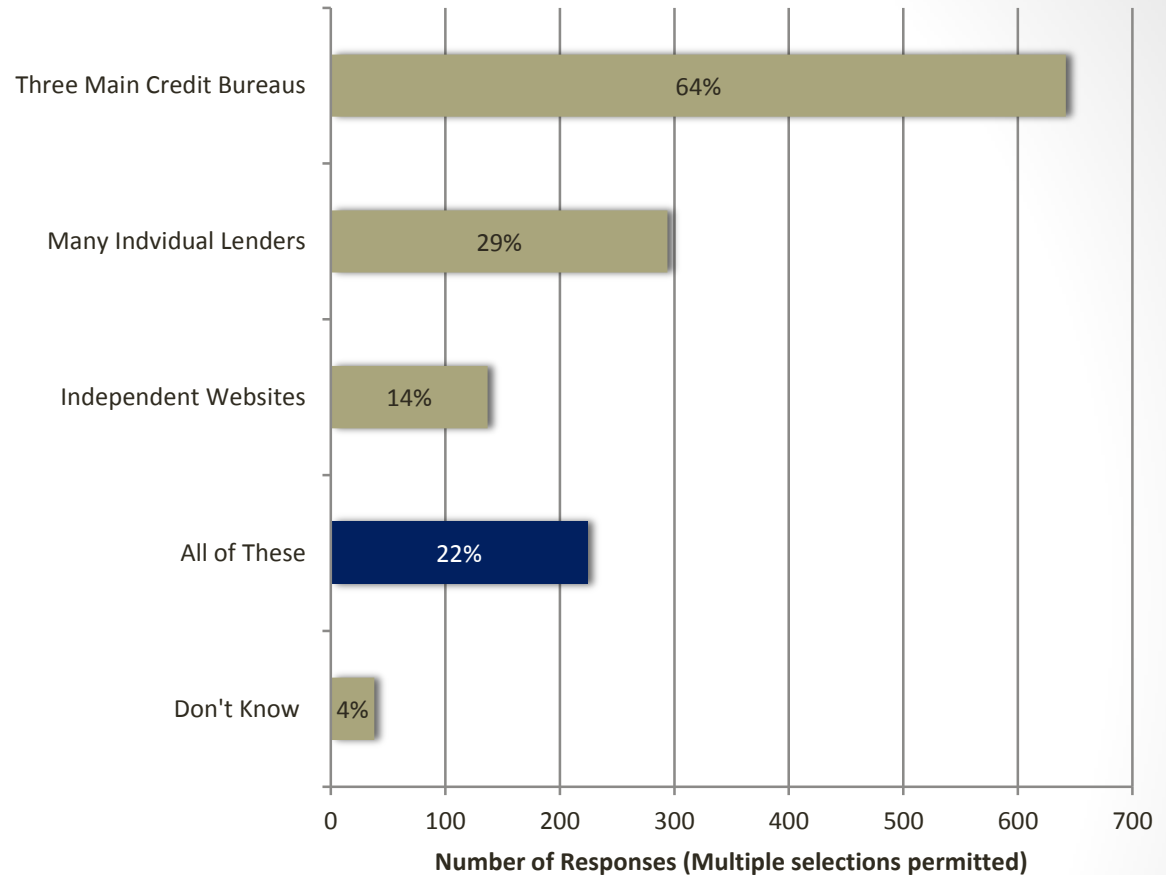


Explanation: The correct answer is the 'Three Main Credit Bureaus,' which collect information on the credit use of more than 200 million Americans and make it available in credit reports. FICO and VantageScore Solutions have developed the most popular scoring systems for using credit reports to compute credit scores.

Question 7: Who may make a credit score available to an individual consumer?

Would you say...

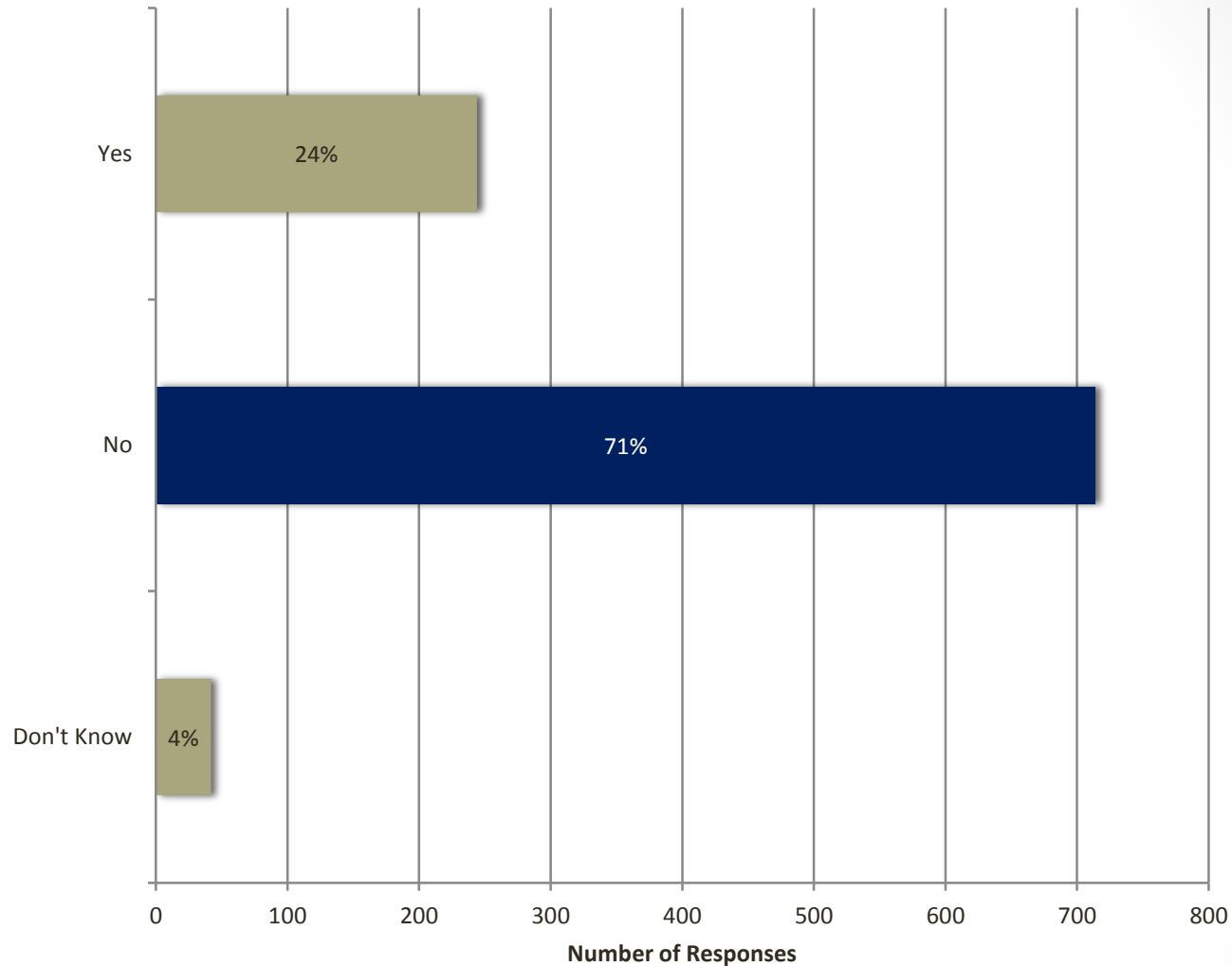
- Three Main Credit Bureaus
- Many Individual Lenders
- Independent Websites
- All of These
- Don't Know



Explanation: The answer is 'All of These' sources, but what's most important to understand is that there are two general types of credit scores: generic scores and lender-specific scores. Generic scores are available to all consumers through the credit bureaus, through FICO, and through some independent websites. They give consumers an idea of their general credit risk and, thus, whether they should be able to obtain credit and at what terms. Lender-specific scores, which may or may not be available to a borrower, are computed by individual lenders who also use them in making decisions whether to extend credit and at what interest rate. Like many individual lenders, some insurers also compute and use their own credit scores for risk assessment.

Question 8: Does each consumer have just ONE generic credit score?

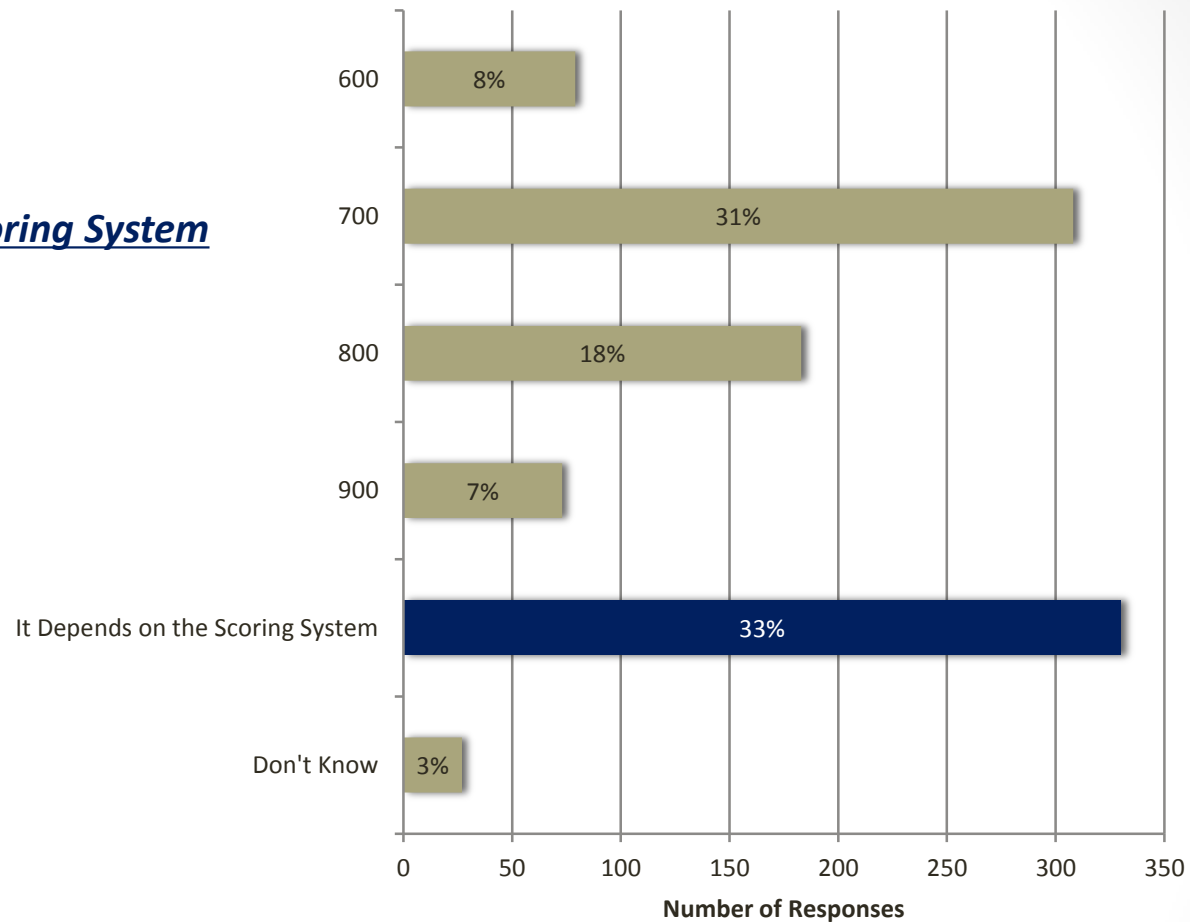
- Yes
- **No**
- Don't Know



Explanation: The answer is 'No'. Generic scores vary depending on the specific credit report and scoring model used as well as the point in time when the score is computed. It is possible, for example, that if one obtained generic credit scores from several different sources, the scores would all differ.

Question 9: What is a good generic credit score? Is it...

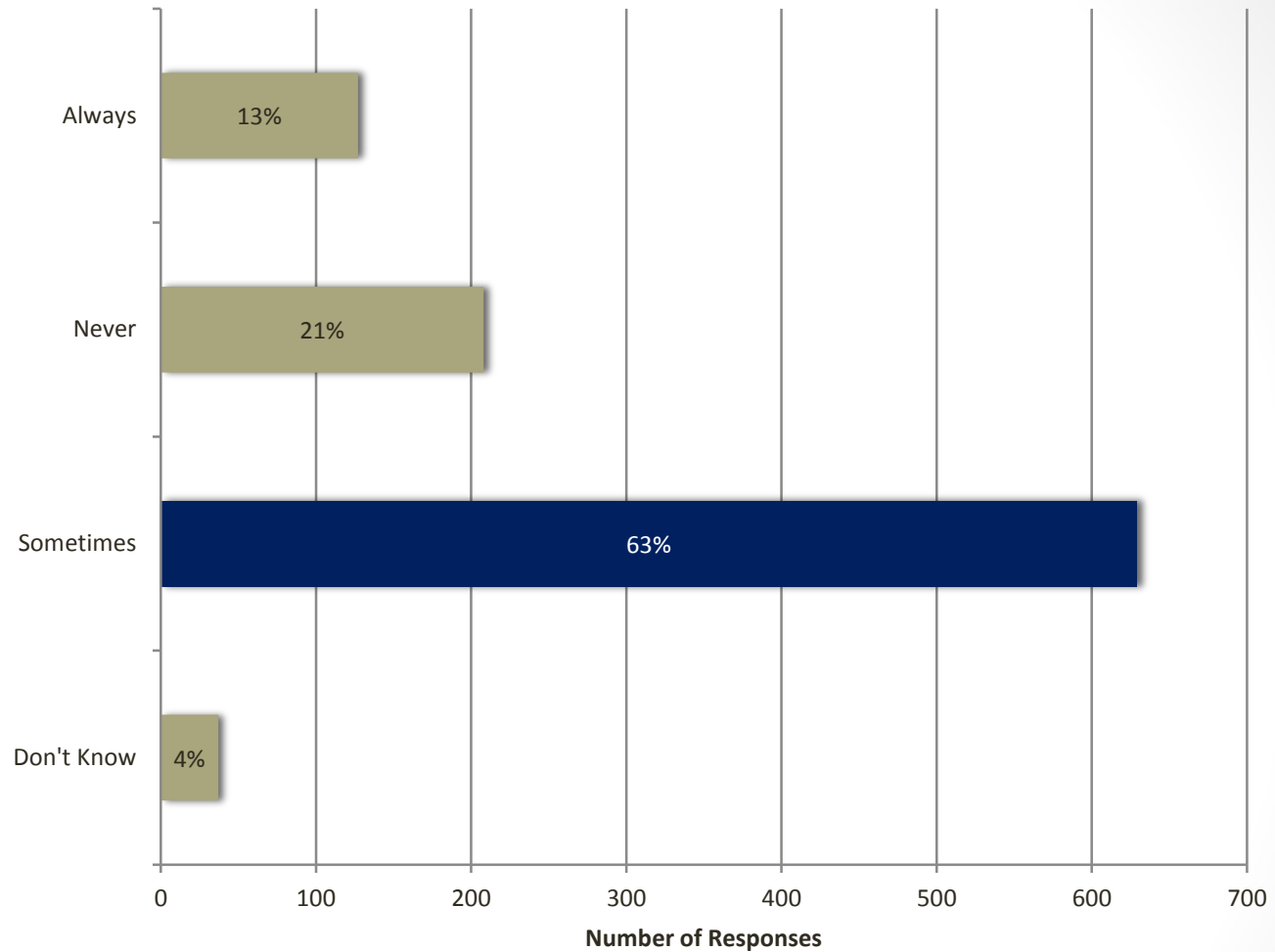
- 600
- 700
- 800
- 900
- *It Depends on the Scoring System*
- Don't Know



Explanation: The answer is 'It depends on the scoring system', though higher scores are better under virtually all scoring systems. Scores using the FICO and VantageScore 3.0 scales, which range from 300 to 850, are usually considered good if they are over 700. Scores from earlier VantageScore models, which range from 501 to 990, are usually considered good if they're over 800. But the most important point is that, when one gets a score, one should look to see where it falls on the scale of that scoring system.

Question 10: Are generic credit scores free? Would you say...

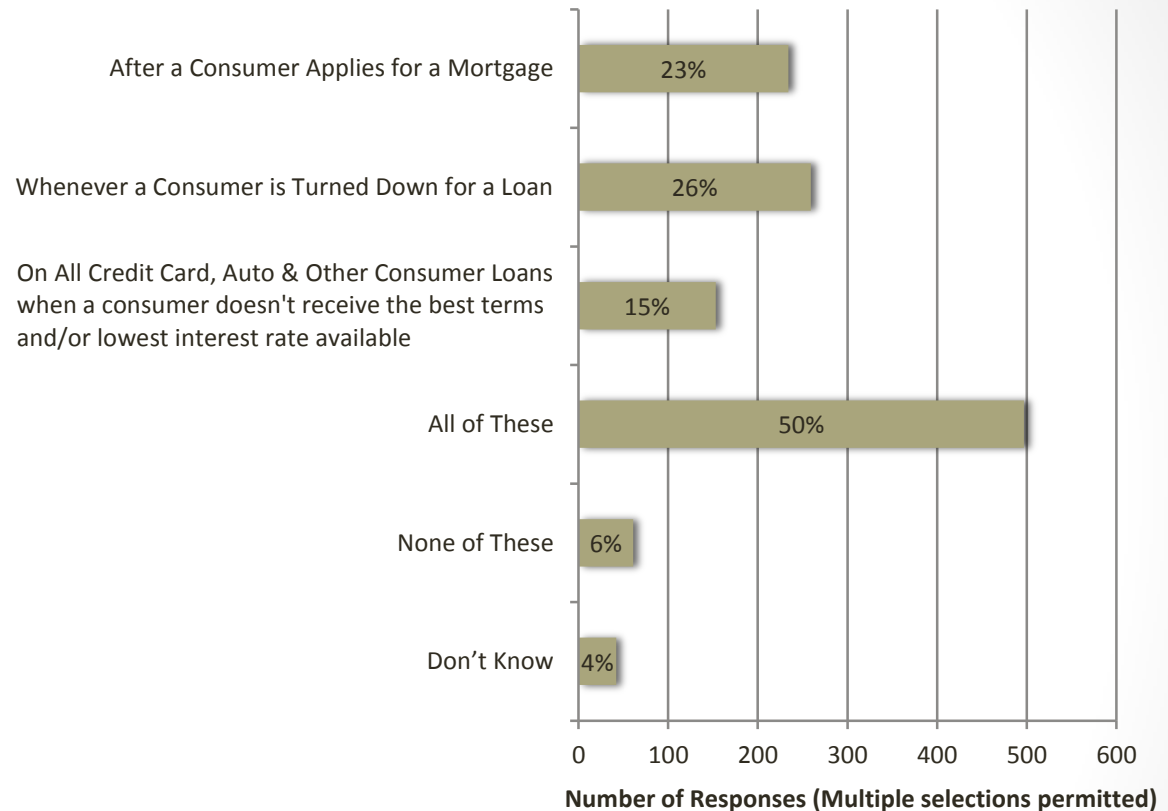
- Always
- Never
- Sometimes
- Don't Know



Explanation: The correct answer is 'Sometimes'. The three credit bureaus, FICO, and various websites sell individual scores, usually for less than \$20 each. Some of their websites also offer free scores as part of trial periods for fee-based monthly monitoring services. Some credit card issuers and credit unions make available a free credit score to select customers. And some websites allow consumers to roughly estimate their score by answering questions about their credit use.

Question 11: When are lenders who use generic credit scores required to inform borrowers of the credit score used in the lending decision?

- After a Consumer Applies for a Mortgage
- Whenever a Consumer is Turned Down for a Loan
- On All Credit Card, Auto & Other Consumer Loans when a consumer doesn't receive the best terms and/or lowest interest rate available
- **All of These**
- None of These
- Don't Know

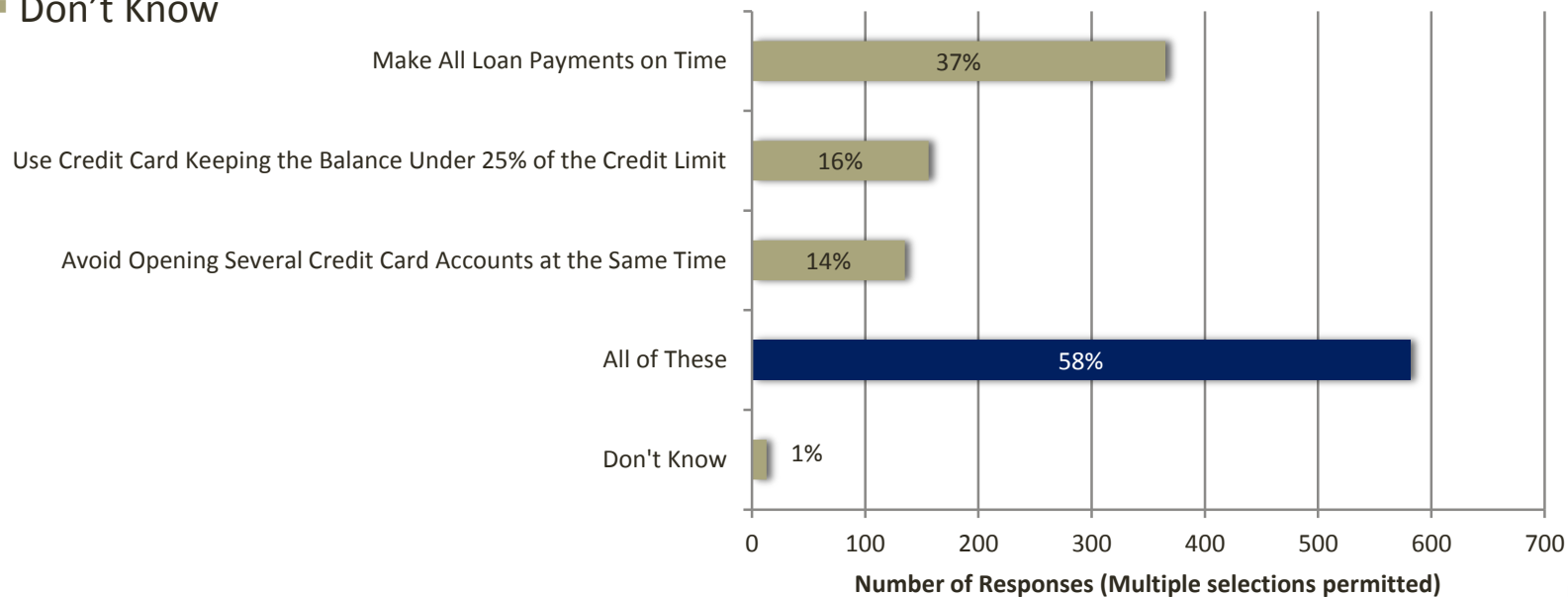


Explanation: The correct answer is 'All of These'. Federal law requires mortgage lenders to inform applicants of the generic credit score or scores the lenders use in evaluating the loan applications. As of July 21, 2011, it also requires mortgage and consumer lenders who use generic scoring models to set terms for their service as well as to disclose a credit score or scores used to reach that decision when a consumer is not offered the lowest interest rate or best terms available.

* In the circumstance when a consumer doesn't receive the best terms and/or lowest interest rate available

Question 12: Which of the following actions helps a consumer raise a low score or maintain a high one?

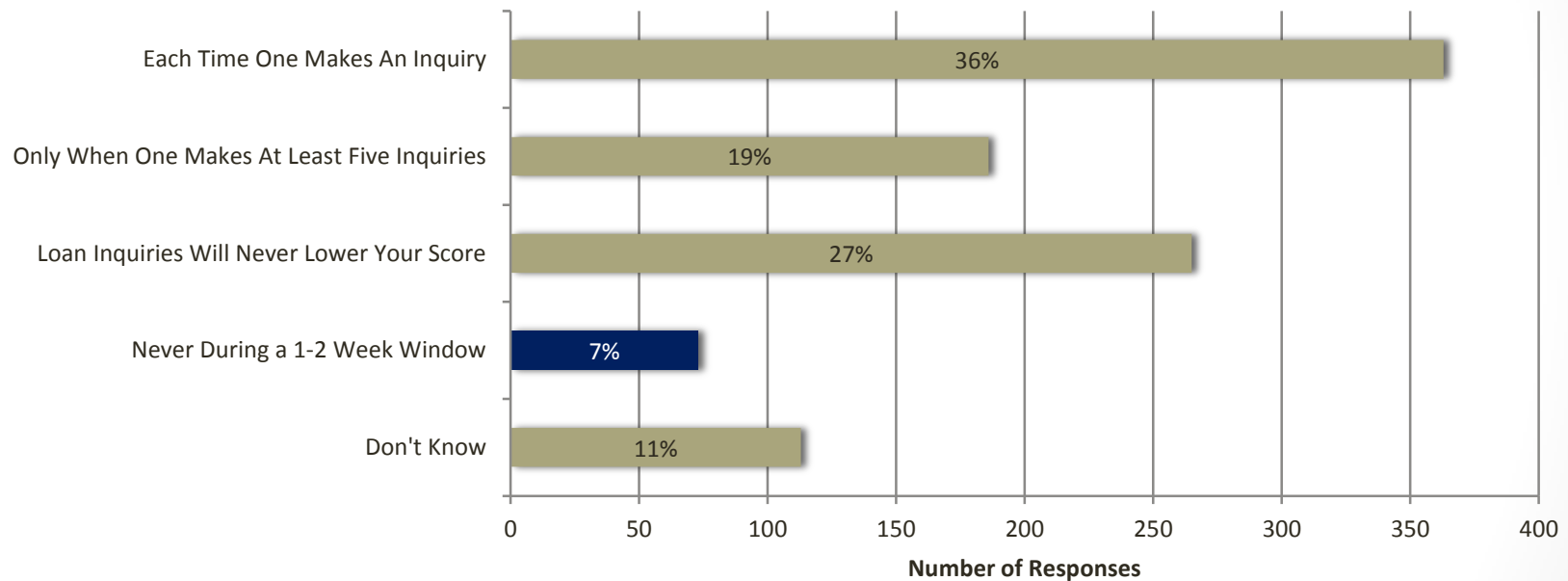
- Make All Loan Payments on Time
- Use Credit Card Keeping the Balance Under 25% of the Credit Limit
- Avoid Opening Several Credit Card Accounts at the Same Time
- All of These
- Don't Know



Explanation: The correct answer is 'All of These,' though it takes much longer to raise a low score than lower a high one. The make-up of each individual's credit file will impact the amount of change seen in a credit score. For example, someone with a good score may lose up to 30 points when payments are missed on multiple accounts like credit cards and auto loans or possibly more than 100 points when a mortgage payment is missed. And they may gain some of these points back by making all mortgage, car, and credit card payments on-time for six months.

Question 13: When will multiple inquiries about getting a mortgage or auto loan or loans from lenders lower one's FICO or VantageScore credit score?

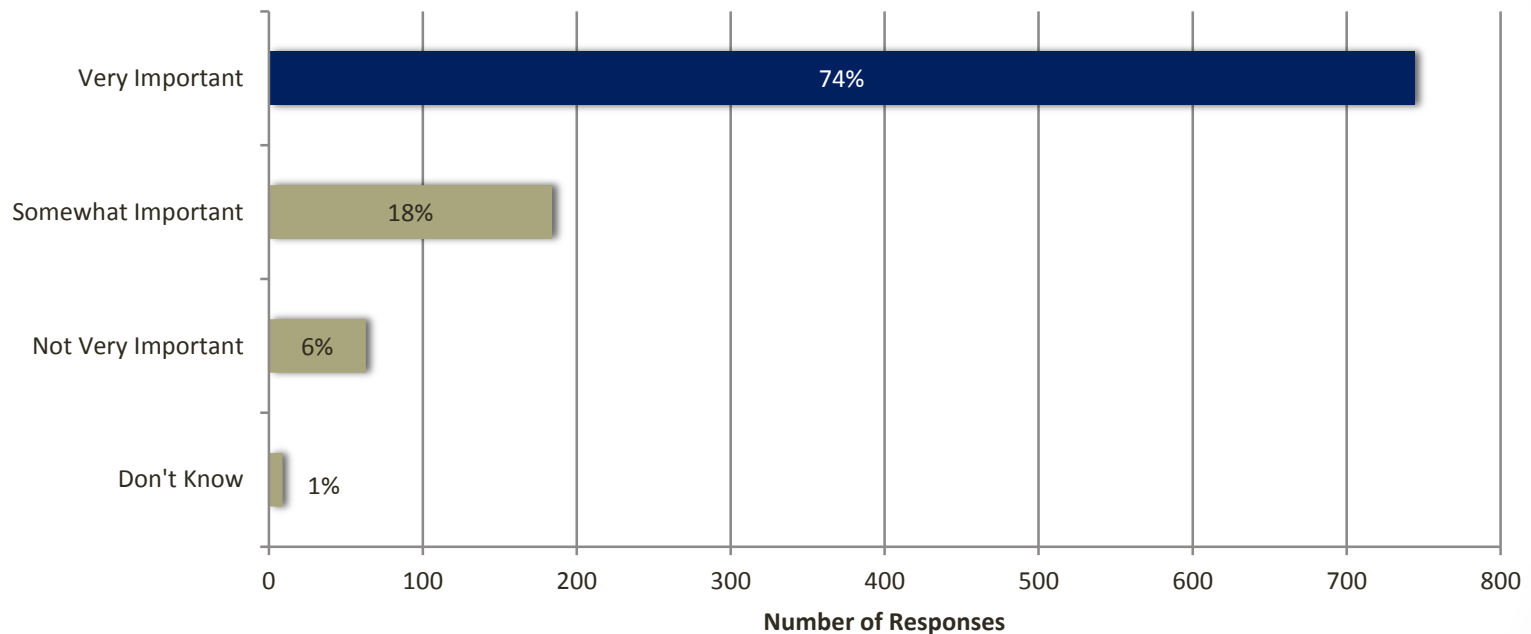
- Each Time One Makes an Inquiry
- Only When One Makes At Least Five Inquiries
- Loan Inquiries Will Never Lower Your Score
- **Never During a 1-2 Week Window**
- Don't Know



Explanation: The answer is 'Never During a 1-2 Week Window'. Inquiries during this period are treated as one inquiry by FICO and VantageScore credit scoring models, and usually by other scoring models. An inquiry after this window has closed may be considered a second inquiry, which could have a negative impact on a consumer's credit score. But keep in mind that multiple inquiries rarely lower a consumer's credit score as much as a missed loan payment.

Question 14: How important is it to check the accuracy of your credit reports at the three main credit bureaus? Is it...

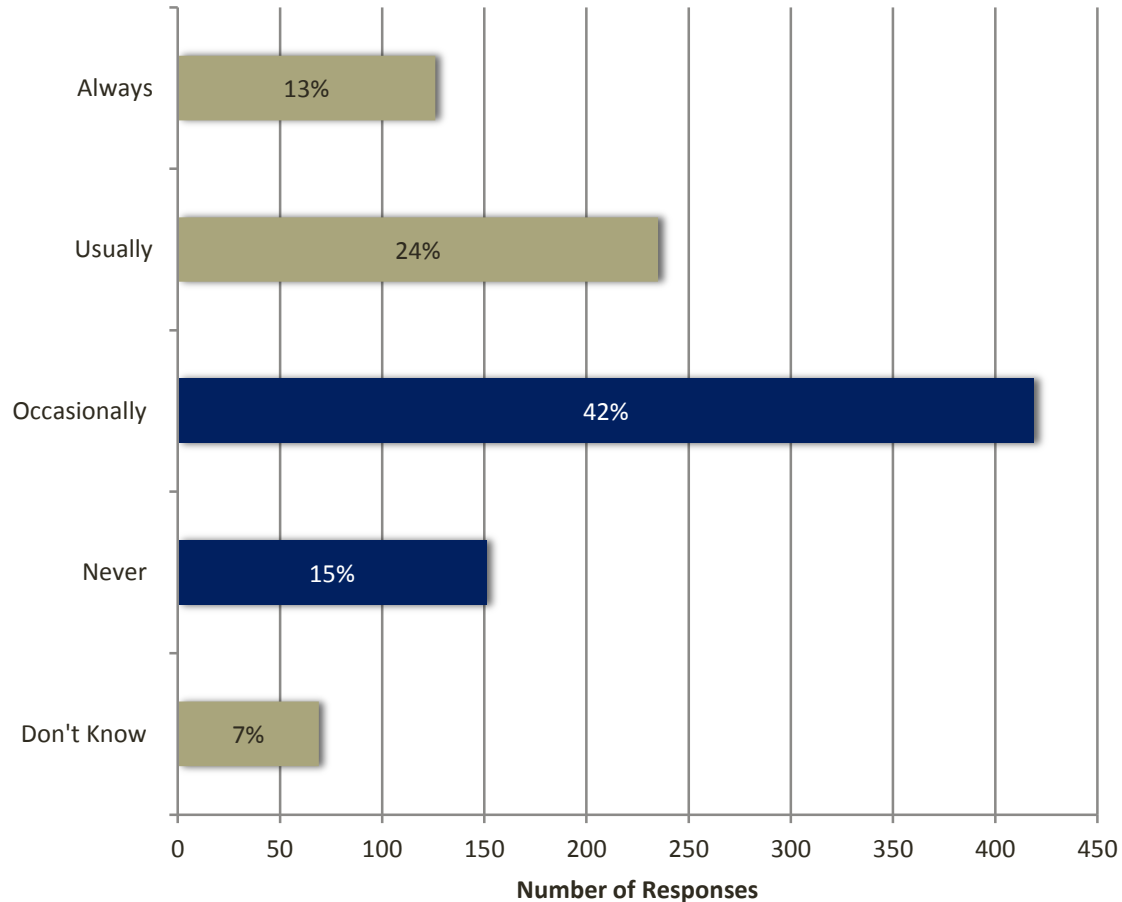
- Very Important
- Somewhat Important
- Not Very Important
- Don't Know



Explanation: The correct answer is 'Very Important'. Lenders may have provided inaccurate information or failed to add accurate information about your payment history to your credit reports. And since many consumers have similar names, even accurate information may have been added to the wrong file. Each of the three main credit bureaus -- Experian, Equifax, and TransUnion -- will provide a free copy of your credit report once a year upon your request. An easy way to get these reports is to visit www.annualcreditreport.com or call 877-322-8228.

Question 15: How often are credit repair companies helpful in correcting any credit report errors and taking other measures to improve one's credit score? Would you say...

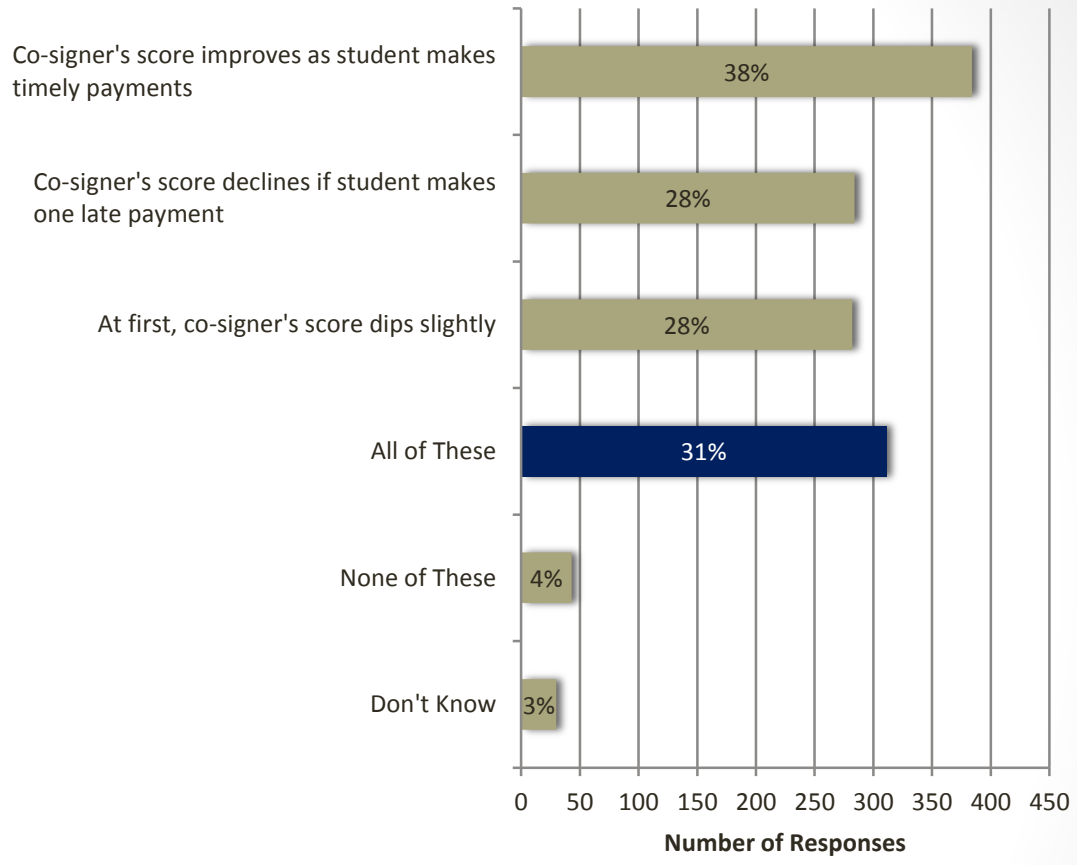
- Always
- Usually
- Occasionally
- Never
- Don't Know



Explanation: Experts disagree whether the correct answer is 'Occasionally' or 'Never'. However, most agree that credit repair companies often overpromise, charge high prices and perform services that consumers could do themselves by just contacting the lender and the credit bureaus.

Question 16: How would co-signing a student loan affect one's credit score? Would you say...

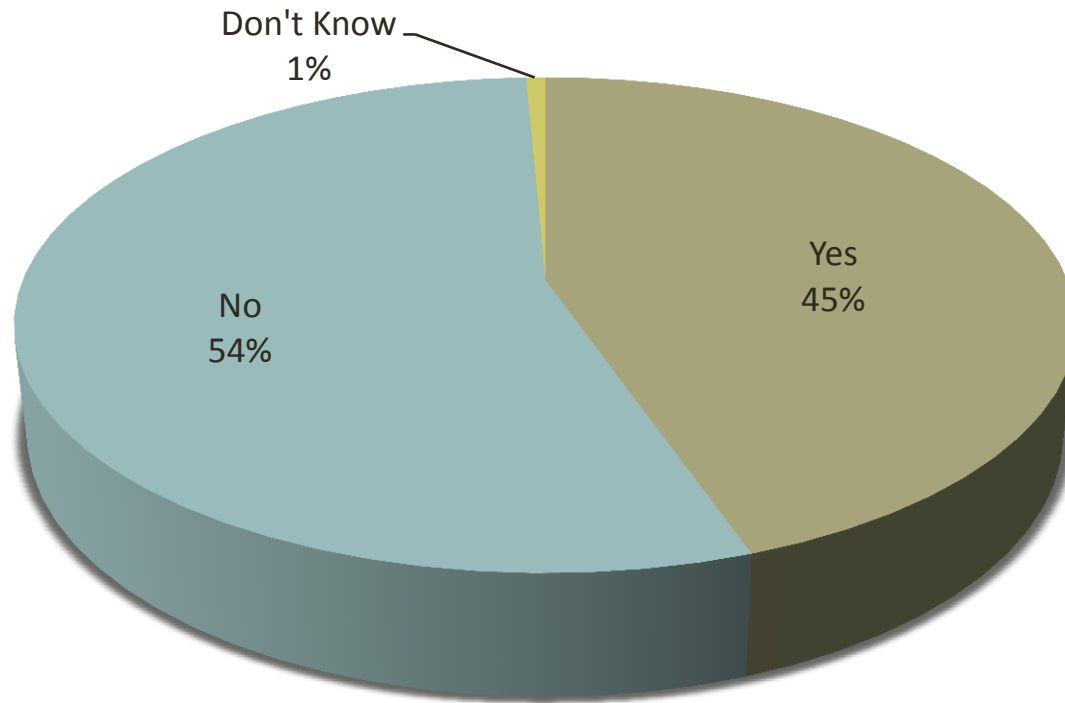
- Co-signer's score improves as student makes timely payments
- Co-signer's score declines if student makes one late payment
- At first, co-signer's score dips slightly
- All of These
- None of These
- Don't Know



Explanation: The correct answer is 'All of These'. A student loan account is just like any other co-signed credit account. Both the applicant and co-signer's credit scores may be impacted by taking on a new loan balance and because a credit score inquiry is typically made when the loan is applied for, which causes a slight decline in the applicant's credit score. The decline associated with the credit inquiry can usually be recovered in three months. Just as with other loans, the loan recipient and co-signer share responsibility for making on-time payments on student loans. On-time payments can have a positive impact on the credit scores of both the applicant and co-signer, while missing payments on a student loan account will significantly lower credit scores for both.

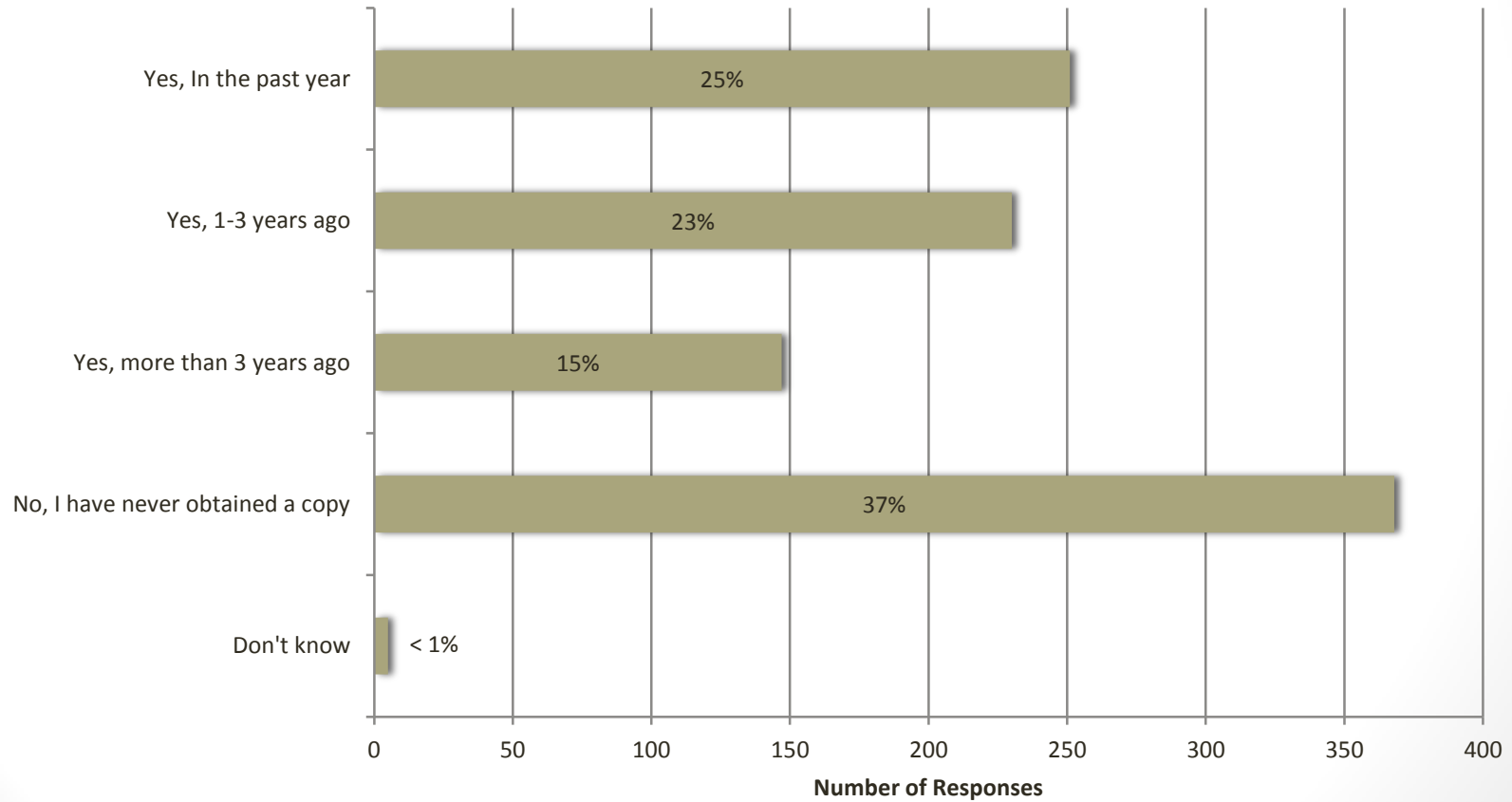
Question 17: In the PAST YEAR, have you obtained or received any of your credit scores?

- Yes
- No
- Don't Know



Question 18: Have you ever obtained a FREE copy of your credit REPORTS? Would you say...

- Yes, in the past year
- Yes, 1-3 years ago
- Yes, more than 3 years ago
- No, I have never obtained a copy
- Don't know



About the Survey Sponsors



Consumer Federation of America

Consumer Federation of America (CFA) is a nonprofit association of nearly 300 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, education, and advocacy. Learn more about CFA at consumerfed.org.



VantageScore Solutions, LLC is the independently managed company that owns the intellectual property rights to the VantageScore credit scoring models, including the recently announced VantageScore 3.0 model, which provides up to 25 percent predictive improvement over earlier models and has the ability to formulate scores 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 scoring methodology that provides lenders and consumers with more consistent credit scores across all three national credit reporting companies.

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