



Consumer Federation of America

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LARGE MINORITY OF AMERICANS KNOW LITTLE ABOUT CREDIT SCORES

Updated CreditScoreQuiz.org Provides Important Information About These Scores

Washington, DC – A consumer survey, released today by the Consumer Federation of America (CFA) and VantageScore Solutions, reveals that a large number of Americans know little about credit scores. Between about one-quarter and two-fifths of a representative sample of 1022 adult Americans incorrectly answered wide-ranging questions about these scores:

- Two-fifths do not know that 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%).
- 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.

“Credit scores have become so influential in the lives of most consumers that tens of millions are severely disadvantaged by their lack of knowledge about these scores,” said Stephen Brobeck, CFA’s Executive Director. “Low credit scores will often cost car buyers more than \$5000 in additional finance charges and cost home purchasers tens of thousands of dollars in additional mortgage loan costs. And low scores are likely to limit consumer access to, and increase the cost of, services such as cell phone service, electric service, and rental housing.”

To help consumers learn more about credit scores, CFA and VantageScore Solutions have updated their interactive quiz – www.CreditScoreQuiz.org and www.CreditScoreQuiz.org/Espanol -- which has already been taken by more than 35,000 persons.

"Misperceptions about credit scores are extremely concerning. People who fail to understand exactly what can impact their score have little incentive to manage the real things that truly do make

a difference; such things as paying bills on time, keeping credit card balances low, and not taking out unnecessary loans," said Barrett Burns, President and CEO of VantageScore Solutions. "We encourage all consumers to take the credit score quiz and empower themselves to become better credit managers."

One survey question was answered correctly by almost everyone – 94 percent know that making loan payments on time helps raise your credit score. And 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. "Consumers should not worry that comparison shopping for a loan in a week or two will lower their scores," said CFA's Brobeck. "And this shopping will help ensure they obtain the lowest possible price for that loan," he added.

Women Know More About Credit Scores Than Men

The survey revealed that women know more about credit scores than do men. Far fewer women incorrectly believe that age (38% vs. 48%) and marital status (34% vs. 46%) are used in calculating credit scores, and far more women 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 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.

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, that three large credit bureaus collect the information on which credit scores are most often based, that 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 the credit repair agencies usually are not helpful.

On the whole, young adults between the ages of 18 and 34 know as much about credit scores as the rest of the adult population, though those between the ages of 35 and 44 know more. Quite possibly that is because they are the group most likely to have recently purchased a wide range of services, including loans, that are affected by credit scores. As suggested above, recent experience with services using credit scores is likely to have increased knowledge about these scores.

Overall, those who thought they knew the most about credit scores do in fact know more. However, the differences between those who said they have good or excellent knowledge, and those who said they have only fair or poor knowledge, are often small or non-existent, and those who said they know less are in fact more likely to know when lenders are required to disclose scores.

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 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 to make sure they are error-free. Consumers can access these reports for free through the website www.annualcreditreport.com, or by calling 877-322-8228.

The telephone survey was undertaken by ORC International April 25-28, 2013, using a split sample of landlines and cell phones. The margin of error is plus or minus three percentage points. In 2011 and 2012, CFA and VantageScore Solutions undertook similar surveys of consumer knowledge. However, the responses from these surveys cannot reliably be compared with those from 2013 because of two changes: This year for the first time calls were made to cell phones as well as to landline phones, and despite the use of weighting, the split sample may have a slightly different character than earlier landline samples. 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.

[For a graphical representation of results please click here](#)

[To find this press release on the CFA's website](#)

The Consumer Federation of America is a non-profit association of more than 260 consumer groups that was established in 1968 to advance the consumer interest through research, education, and advocacy.