

CREDIT SCORE KNOWLEDGE 2016

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 2016 results (sixth installment) to add to knowledge gained in 2011-2015
- Report on changes in consumer knowledge as a means to spotlight need for personal finance education in the area of credit scores
- Identify demographic distinctions within the survey data, with an eye toward refining outreach with educational materials and messaging

Methodology

- Telephone survey conducted in April 2016
- 18 questions administered by [ORC International](#)
- National sample of 1,005 adults
 - 501 men and 504 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 2013-2015 because of two changes that may affect the character of the sample populations: In 2013-2016, unlike 2011 and 2012, calls were made to cell phones as well as to landline phones and after respondents answered each question, they were not given the correct answers. Even though the 2011 and 2012 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

The sixth annual credit score knowledge survey found that a large majority of consumers (over 80%) know the basic facts about credit scores:

- Credit scores are used by mortgage lenders (88%) and credit card issuers (87%).
- Key factors used to calculate credit scores are missed payments (91%), personal bankruptcy (86%), and high credit card balances (85%).
- Ethnic origin is not used to calculate these scores (believed by only 12%).
- 700 is a good credit score (81%).

Executive Summary (cont'd.)

The national survey also found that many consumers do not understand credit score details with important cost implications:

- Consumers greatly underestimate the cost of low credit scores. Only 25 percent know that a low score, compared to a high score, typically increases the cost of a \$20,000, 60-month auto loan by more than \$5,000.
- A significant minority do not know that credit scores are used by non-creditors, often in ways with financial implications for consumers: Only about half (53%) know that electric utilities may use credit scores (for example, in determining the initial required deposit), while only about two-thirds know that these scores may be used by home insurers (66%), cell phone companies (68%), and landlords (70%).

Executive Summary (cont'd.)

The national survey also found confusion among many consumers about the factors that determine credit scores and the obligations lenders have to inform them about their scores:

- Roughly two-fifths think that marital status (38%) and age (45%) are used in the calculation of credit scores. While these factors may influence the use of credit, how credit is used determines credit scores.
- Only about half of consumers (51%) know when lenders are required to inform borrowers of their use of credit scores - after a mortgage application, when a consumer does not receive the best terms on a consumer loan, and whenever a consumer is turned down for a loan.

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

- Consumer behavior strongly influences credit scores, especially whether payments are made on time, and it's easier to lower than to raise scores.
 - Careless 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 seeking 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 of 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.
 - Credit repair “services,” which promise a quick improvement in your credit score, should not be confused with legitimate, certified credit counselors. Credit counselors, whose services are often available at little or no cost, can help you develop a long-term plan for improving your credit profile, with a focus on developing and maintaining good financial habits.

What Consumers Can Do to Raise their Credit Scores

Consumers can raise their credit scores in many ways:

- Pay bills on time consistently, every month.
- Avoid maxing out, or even coming close to maxing out, credit cards or other revolving credit accounts. (VantageScore Solutions recommends keeping outstanding charges at or below 30 percent of your credit limit.)
- Pay down debt, don't just move it around from one account to another.
- Avoid opening multiple new accounts at the same time, or in quick succession.
- Check credit reports regularly (at least once a year, at the free AnnualCreditReport.com website).

Find the Credit Score Quiz Online

- The newly enhanced website allows consumers to test their knowledge on credit scores through an interactive 12-question 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.
- Optimized for smartphones, tablets, and PCs
- More than 62,000 people have completed the quiz, including more than 17,000 in the past year.
- Try it today: www.CreditScoreQuiz.org
- Also available in Spanish: CreditScoreQuiz.org/Espanol



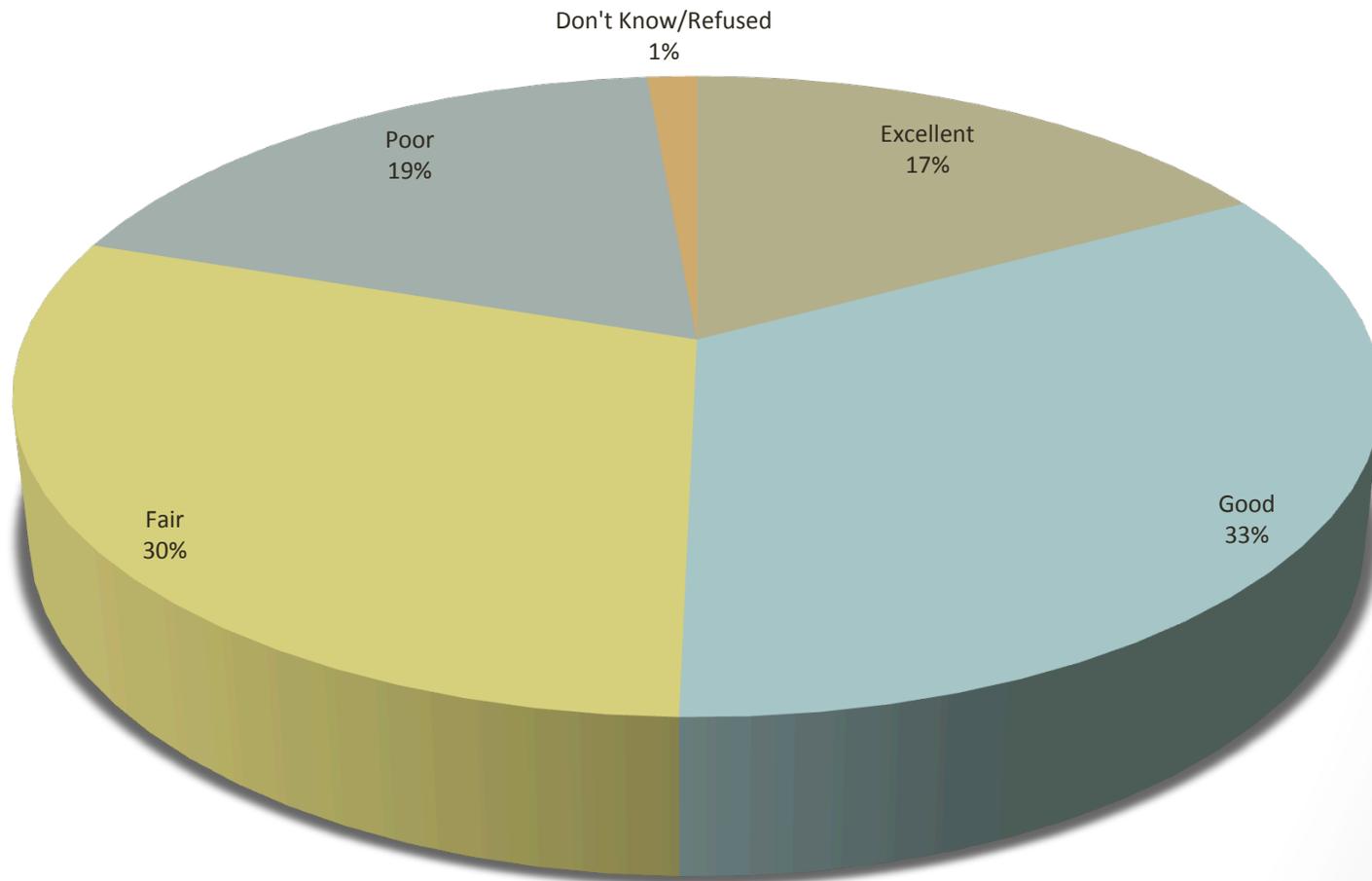
What the press are saying...

- **Headline: [How can you boost a credit score? Many have no clue](#)**
 - *Detroit Free Press*
Author: Susan Tompor
Excerpt: *What you don't know can hurt your credit score. ... For many consumers, it's all about getting a better education. And there are some online options for learning more on how to build a better credit score. One option is CreditScoreQuiz.org for a 12-question quiz. The site is a tool that's offered through the Consumer Federation of America and VantageScore Solutions..*
- **Headline: [Are you dumb about credit scores? Try this quiz](#)**
 - *Chicago Tribune*
Author: Gregory Karp
Excerpt: *Scores are a big deal. A consumer with low credit scores could pay \$5,000 more in interest over the life of a typical five-year car loan than a consumer with high scores, which highlights the need to know about the often-confusing topic, consumer advocates said Monday. ... The online 12-question quiz, newly redesigned and released Monday, is at creditscorequiz.org and was developed by the Consumer Federation of America and VantageScore Solutions.*
- **Headline: [Five Credit Score Misconceptions That Can Cost You](#)**
 - *Forbes.com*
Author: Ashlea Ebeling
Excerpt: *Key factors about credit scores continue to be widely misunderstood, and the misconceptions are potentially costing consumers tens of thousands of dollars, according to a conference held today by the Consumer Federation of America and VantageScore Solutions, a FICO competitor... Want to know more? Take the 18-question CFA/VantageScore quiz (with detailed answers) at www.creditscorequiz.org.*
- **Headline: [Nuances of Credit Scoring Still Elude Consumers](#)**
 - *NYTimes.com*
Author: Ann Carrns
Excerpt: *Consumers still have many misunderstandings about the details of credit scoring, like the impact of having several inquiries on their report around the same time, according the Consumer Federation of America. ... To see how much you know about credit scores, and how to improve them, answer the questions at creditscorequiz.org.*

SURVEY QUESTIONS & RESULTS

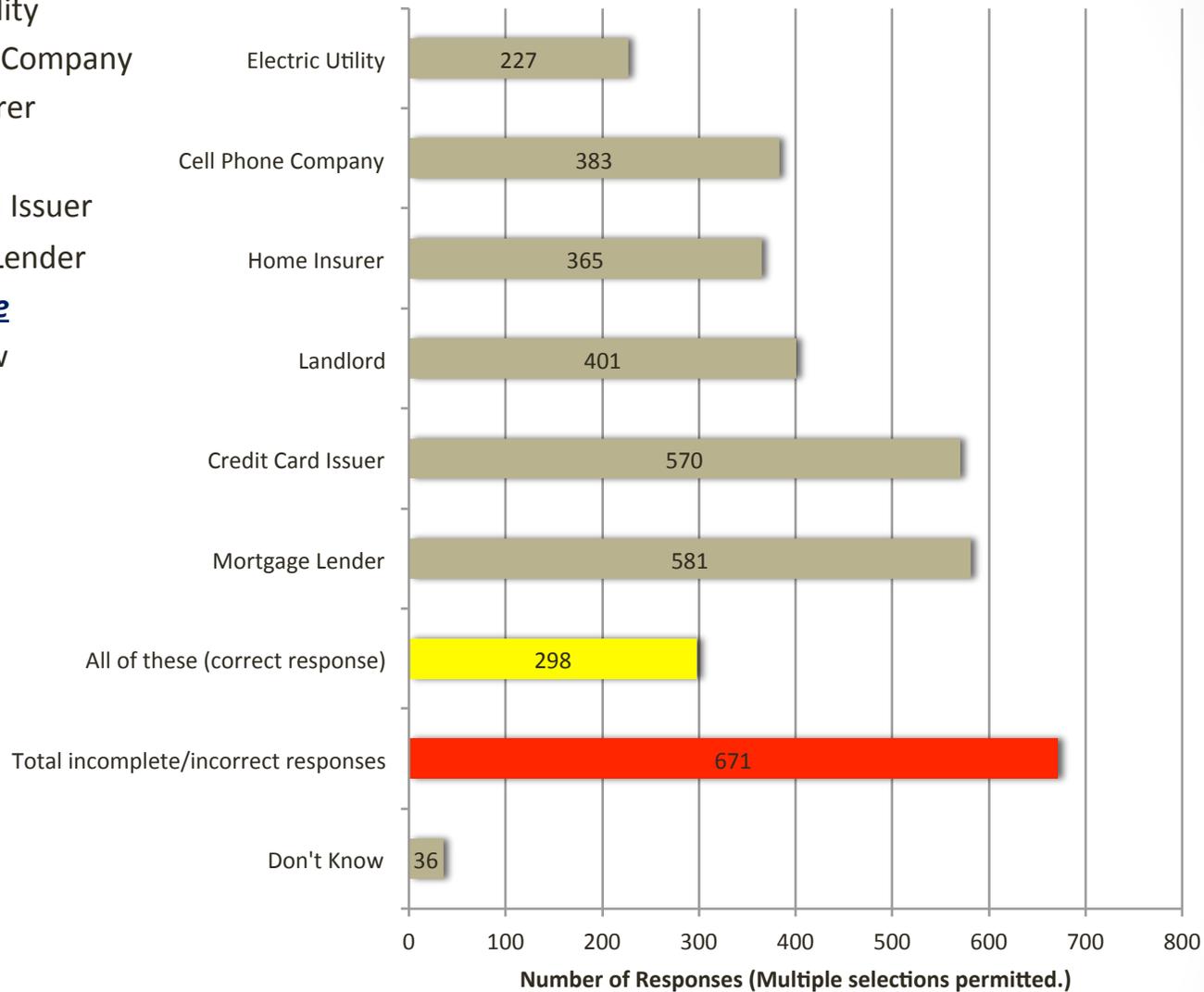
Question 1: Do you consider your knowledge of credit scores to be excellent, good, fair, or poor?

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



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

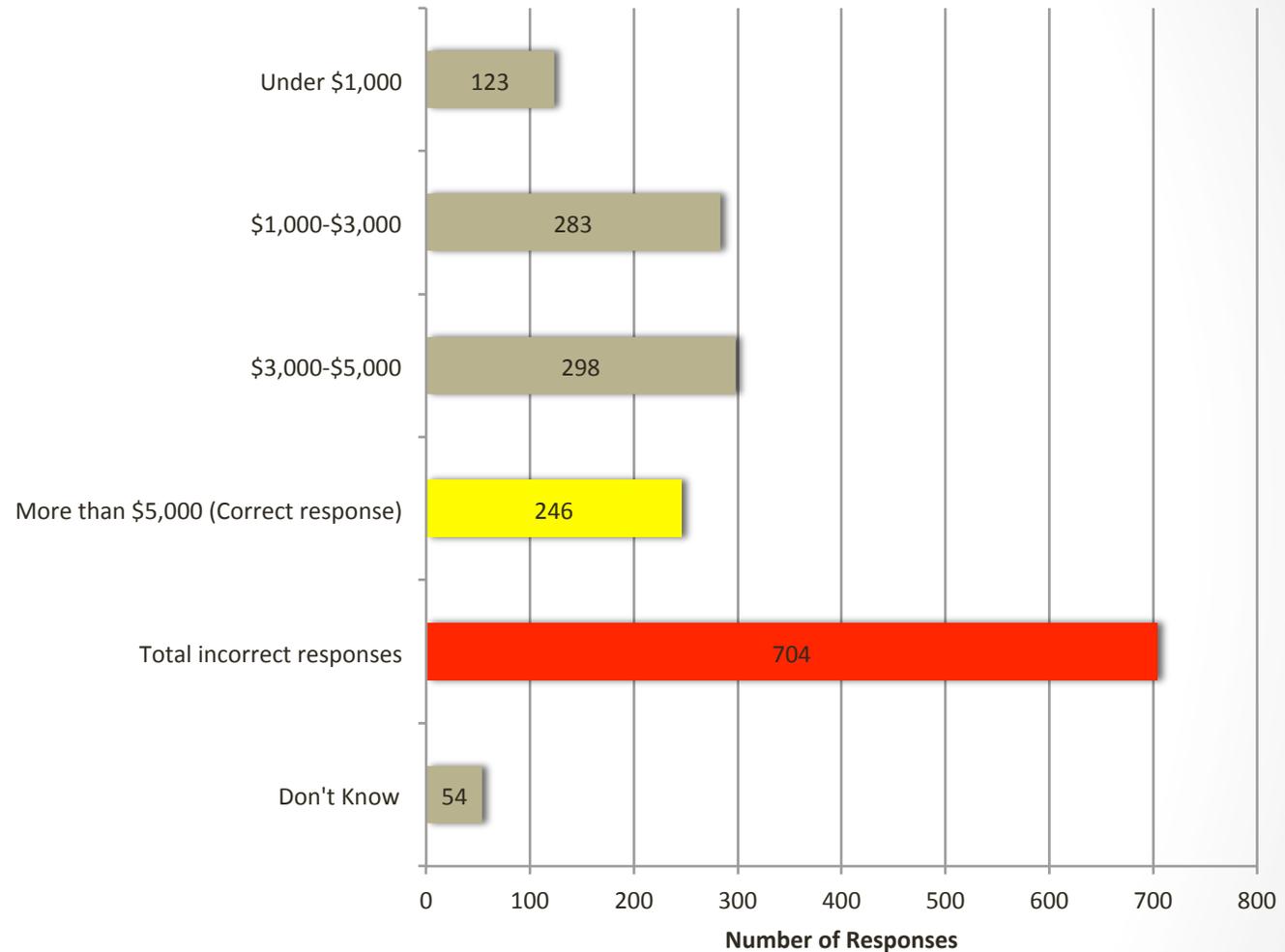
- Electric Utility
- Cell Phone Company
- Home Insurer
- Landlord
- Credit Card Issuer
- Mortgage Lender
- All of These
- Don't Know



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...

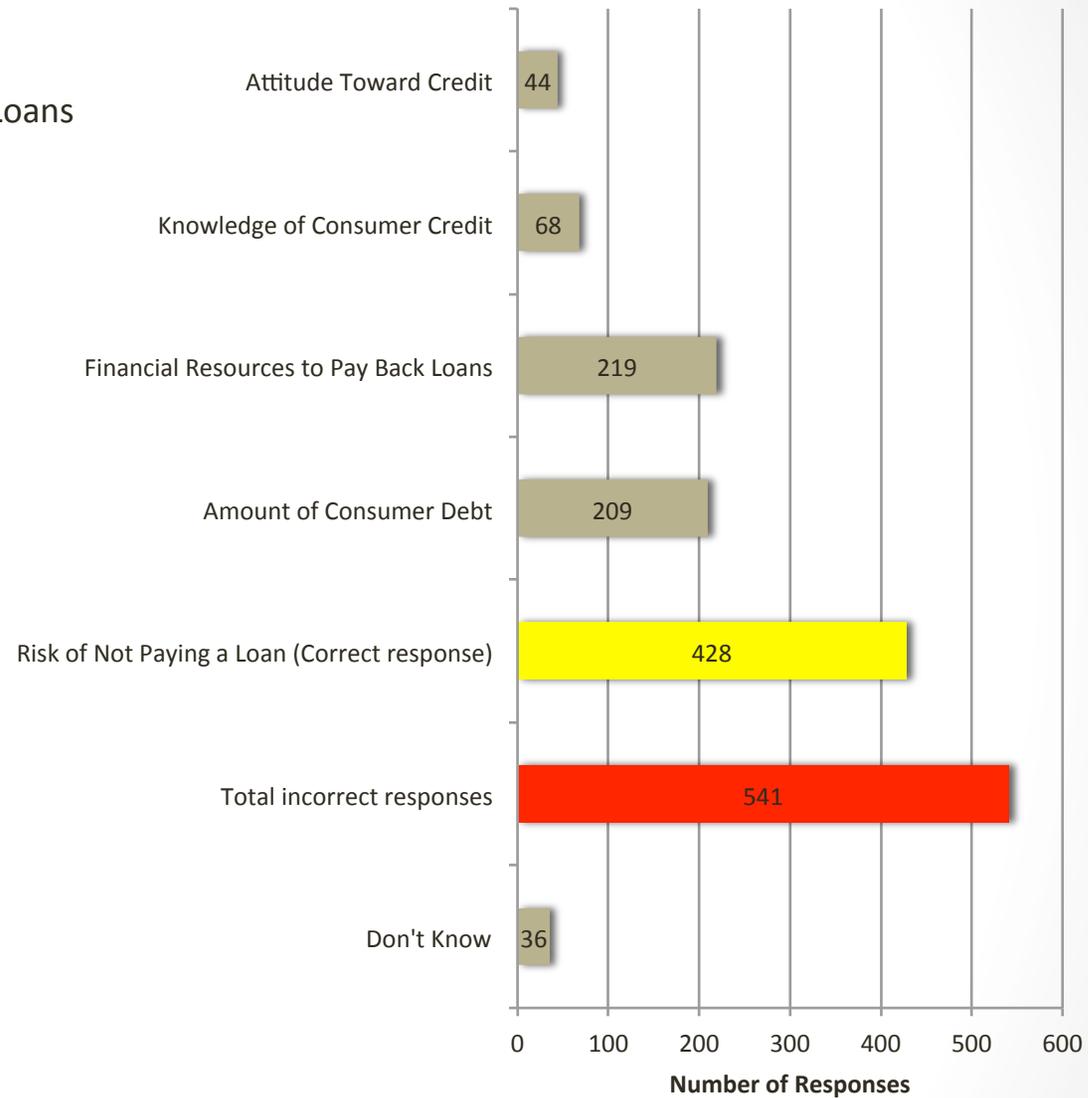
- Under \$1,000
- \$1,000-\$3,000
- \$3,000-\$5,000
- **More than \$5,000**
- Don't Know



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?

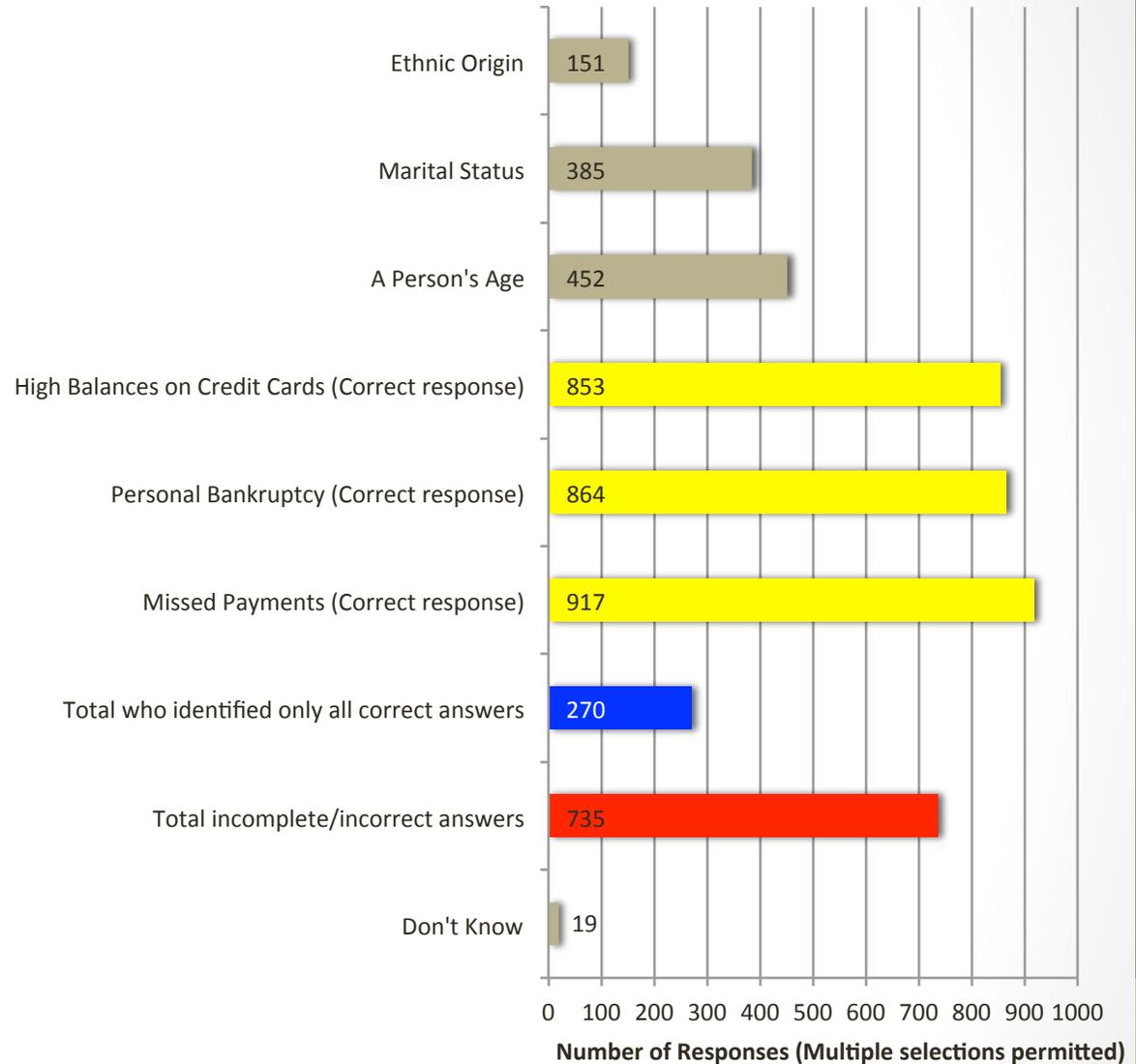
- Attitude Toward Credit
- Knowledge of Consumer Credit
- Financial Resources to Pay Back Loans
- Amount of Consumer Debt
- **Risk of Not Paying a Loan**
- Don't Know



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
- Martial 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...

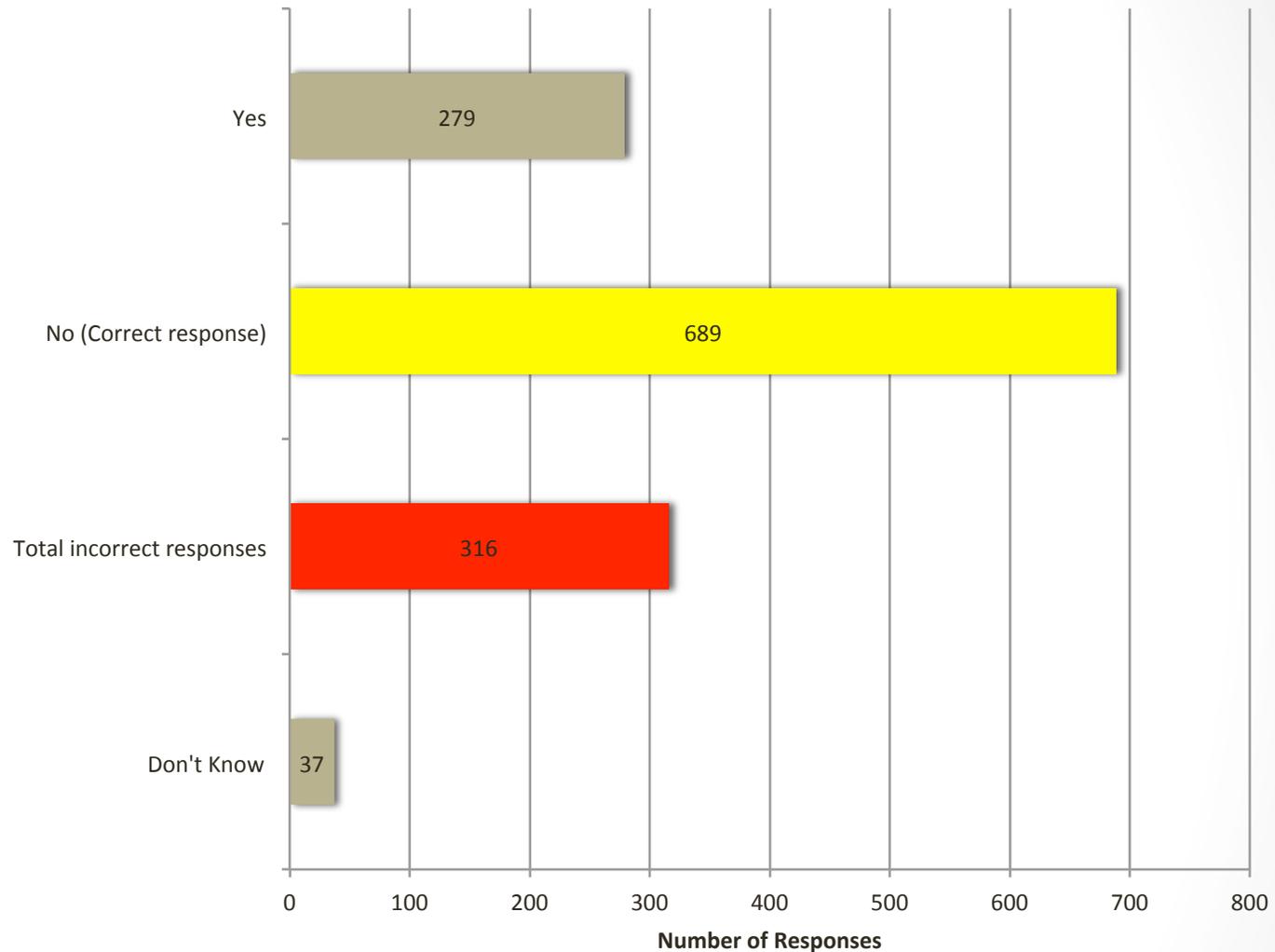
- Individual Lenders
- Federal Government
- FICO and VantageScore Solutions
- **Three Main Credit Bureaus**
- Don't Know



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: Does each consumer have just ONE generic credit score?

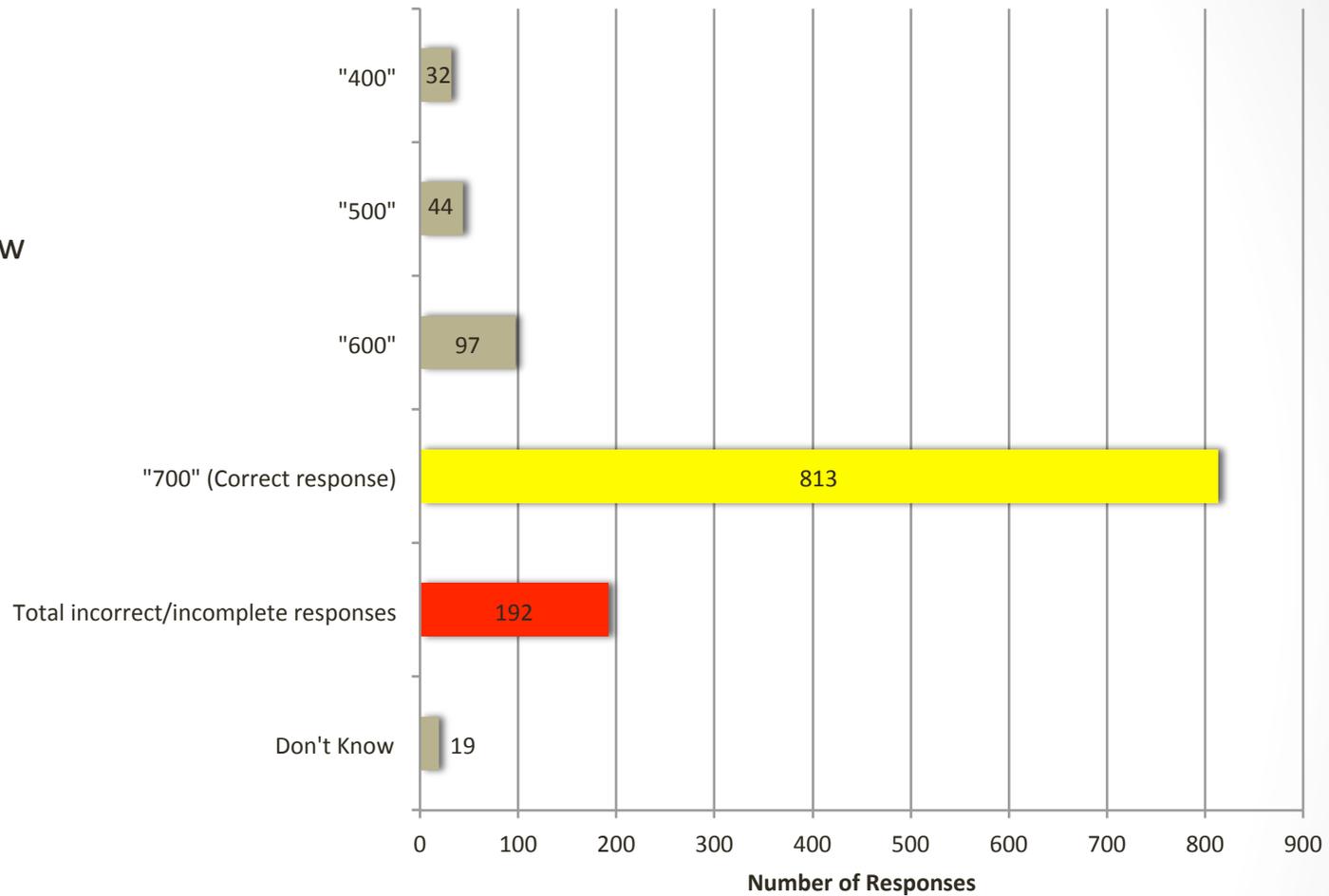
- Yes
- No
- Don't Know



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 8: Which of the following is usually a good credit score?

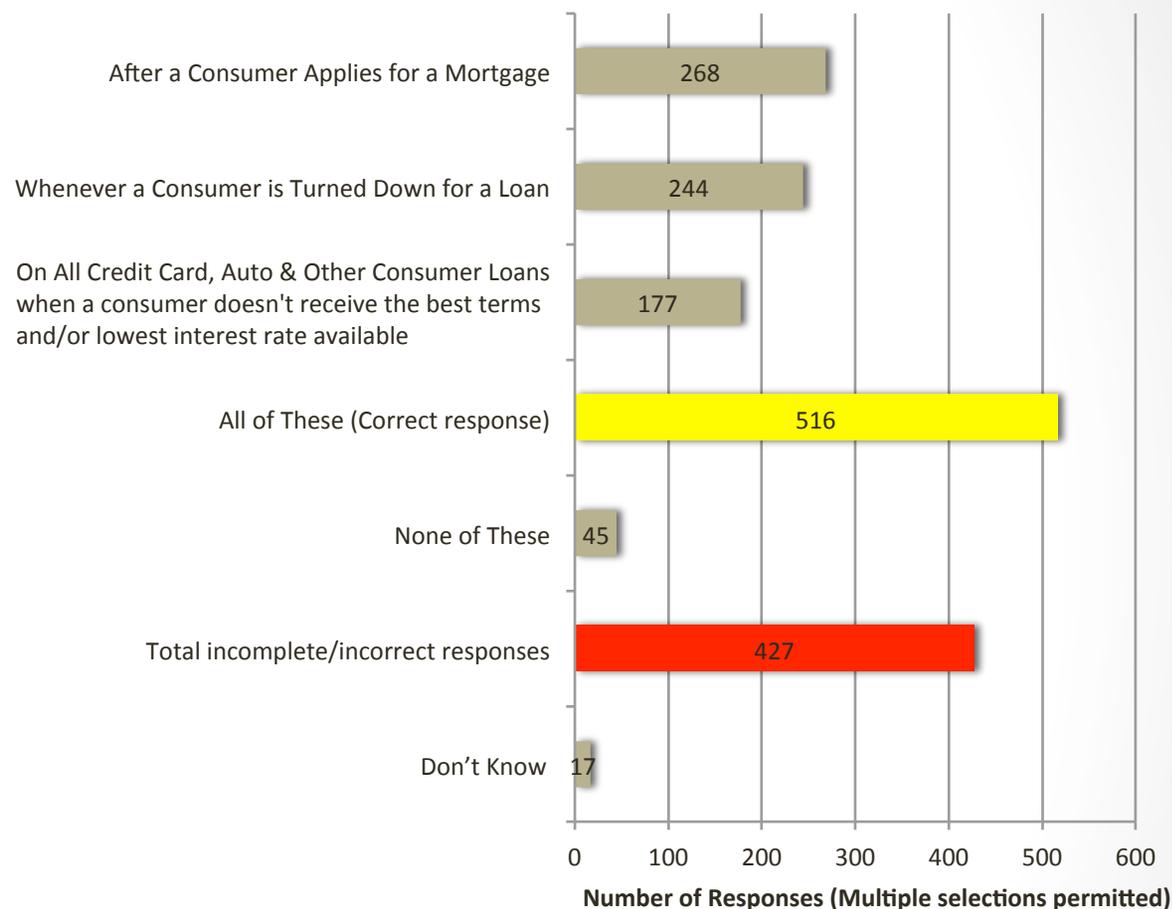
- 400
- 500
- 600
- **700**
- Don't Know



Explanation: Scores of 700 and above – the most common credit-scoring scale range is 300-850 – are usually considered by lenders to indicate low credit risk, while scores below the mid-600s are often considered to indicate some or great risk. Thus, those with low scores are much more likely to be denied credit or charged high, subprime rates. However, it is important to recognize that scoring models may use other scales, so it's essential to know where a score falls on its model's scale range.

Question 9: When are lenders who use generic credit scores required to inform borrowers of the credit score used in the lending decision?

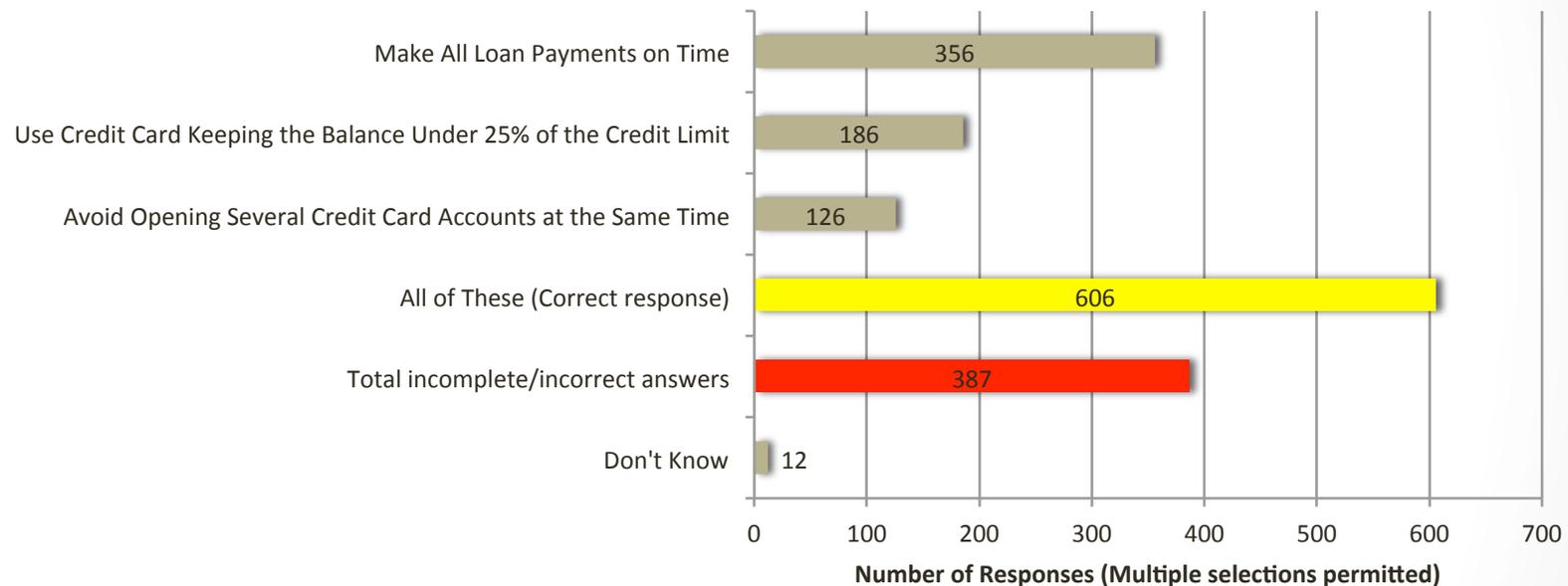
- After a Consumer Applies for a Mortgage
- Whenever a Consumer is Turned Down for a Loan
- On All Credit Card, Auto & Other Consumer Loans when a consumer doesn't receive the best terms and/or lowest interest rate available
- **All of These**
- None of These
- Don't Know



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 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.

Question 10: Which of the following actions helps a consumer raise a low score or maintain a high one?

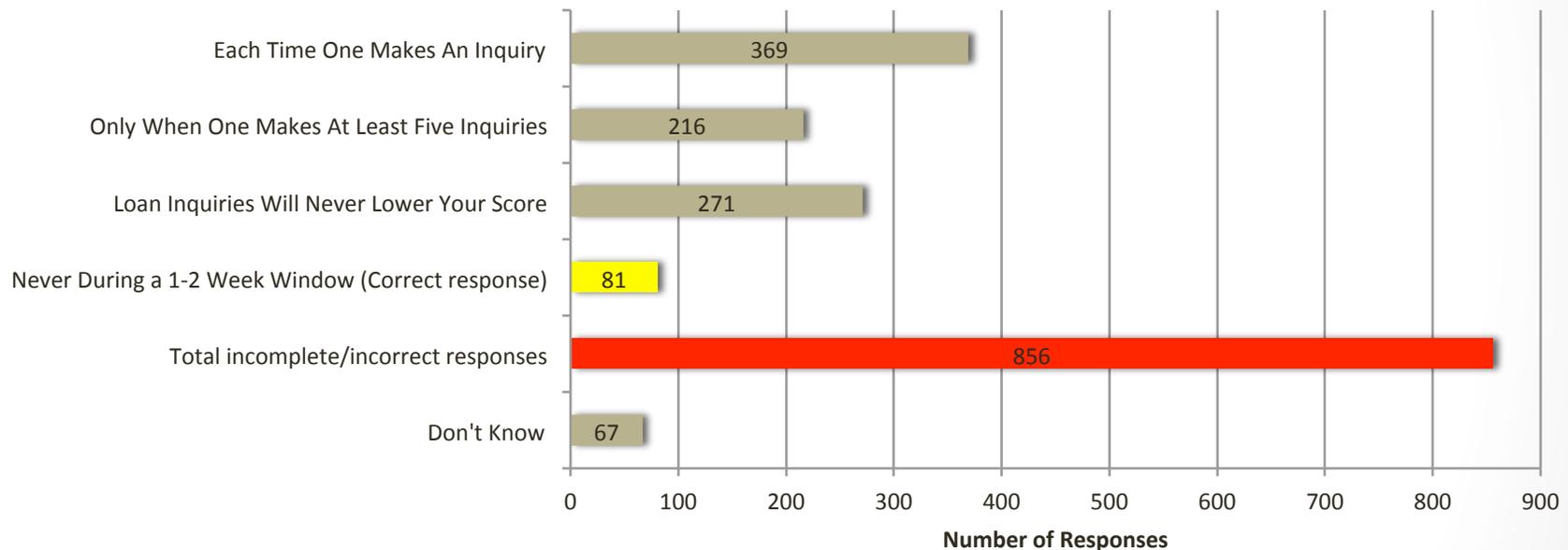
- Make All Loan Payments on Time
- Use Credit Card Keeping the Balance Under 25% of the Credit Limit
- Avoid Opening Several Credit Card Accounts at the Same Time
- All of These
- Don't Know



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

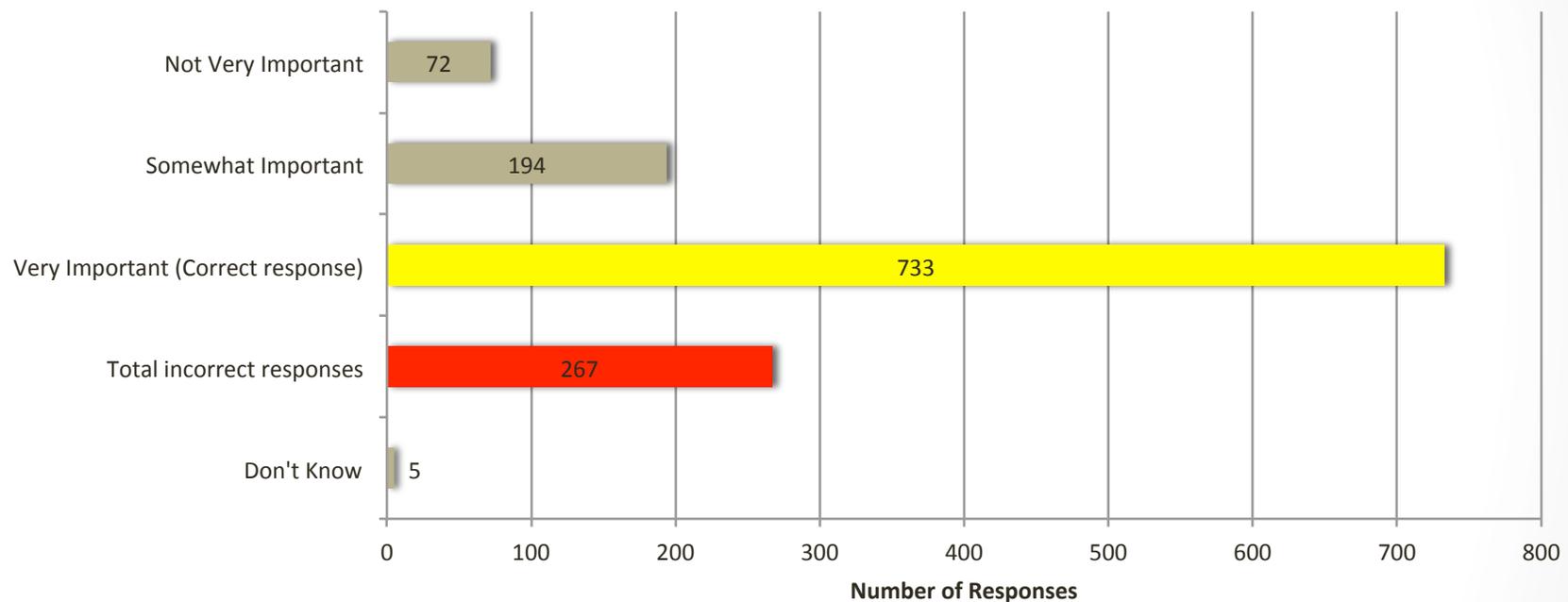
- Each Time One Makes an Inquiry
- Only When One Makes At Least Five Inquiries
- Loan Inquiries Will Never Lower Your Score
- **Never During a 1-2 Week Window**
- Don't Know



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 12: How important is it to check the accuracy of your credit reports at the three main credit bureaus?

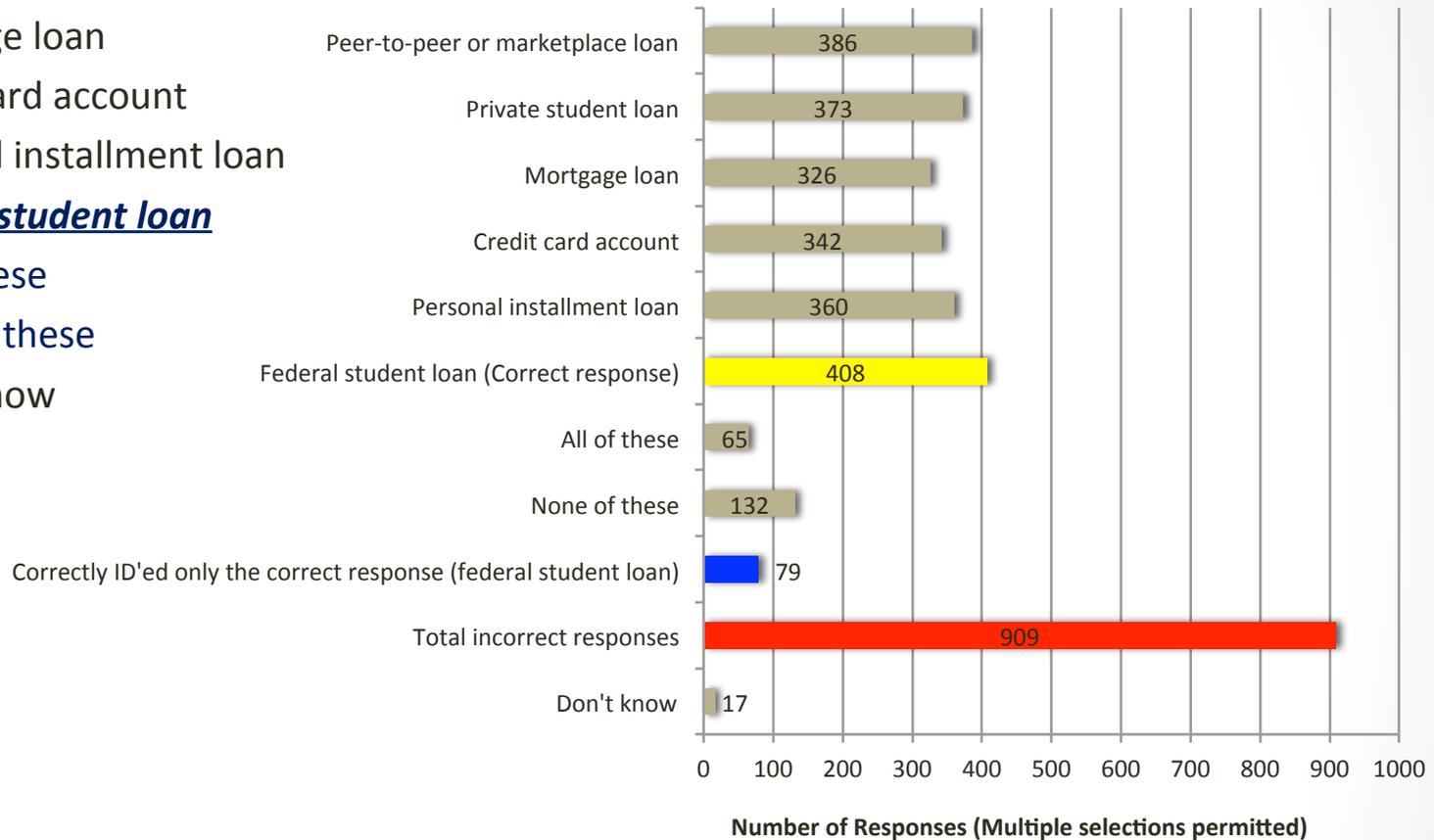
- **Very Important**
- Somewhat Important
- Not Very Important
- Don't Know



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 13: Which of the following doesn't use credit scores?

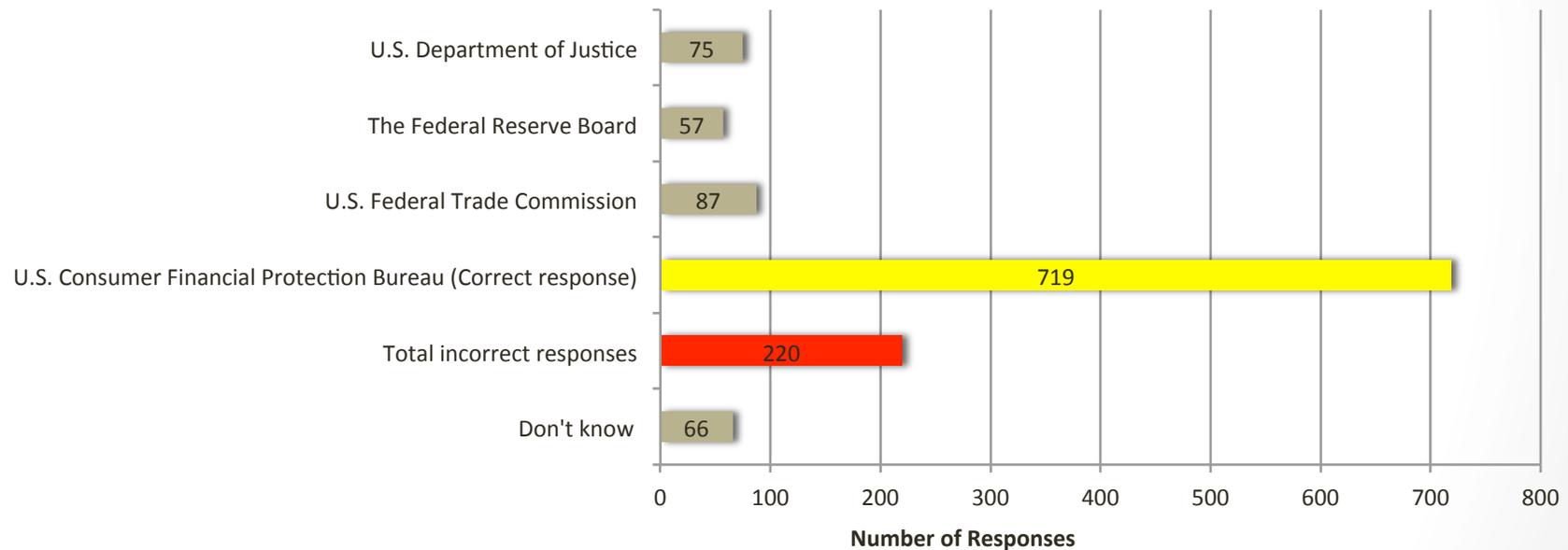
- Peer-to-peer or marketplace loan
- Private student loan
- Mortgage loan
- Credit card account
- Personal installment loan
- **Federal student loan**
- All of these
- None of these
- Don't Know



Explanation: Nearly all mainstream loans involve a check of the applicant's credit score, but federally sponsored student loans do not. Stafford loans (issued directly to students through the U.S. Department of Education) and Perkins loans (issued by schools from a pool of federal funds) require no credit checks at all. A third federal student loan type, the PLUS Loan (offered to students and parents) does not require a credit score, but it does exclude applicants with "adverse credit history" including defaulted loans and bankruptcy within the past five years.

Question 14: When you cannot resolve a complaint to a credit bureau or lender about your credit report or credit score to your satisfaction, which of these federal government agencies is best suited to help you resolve the problem? Would you say...

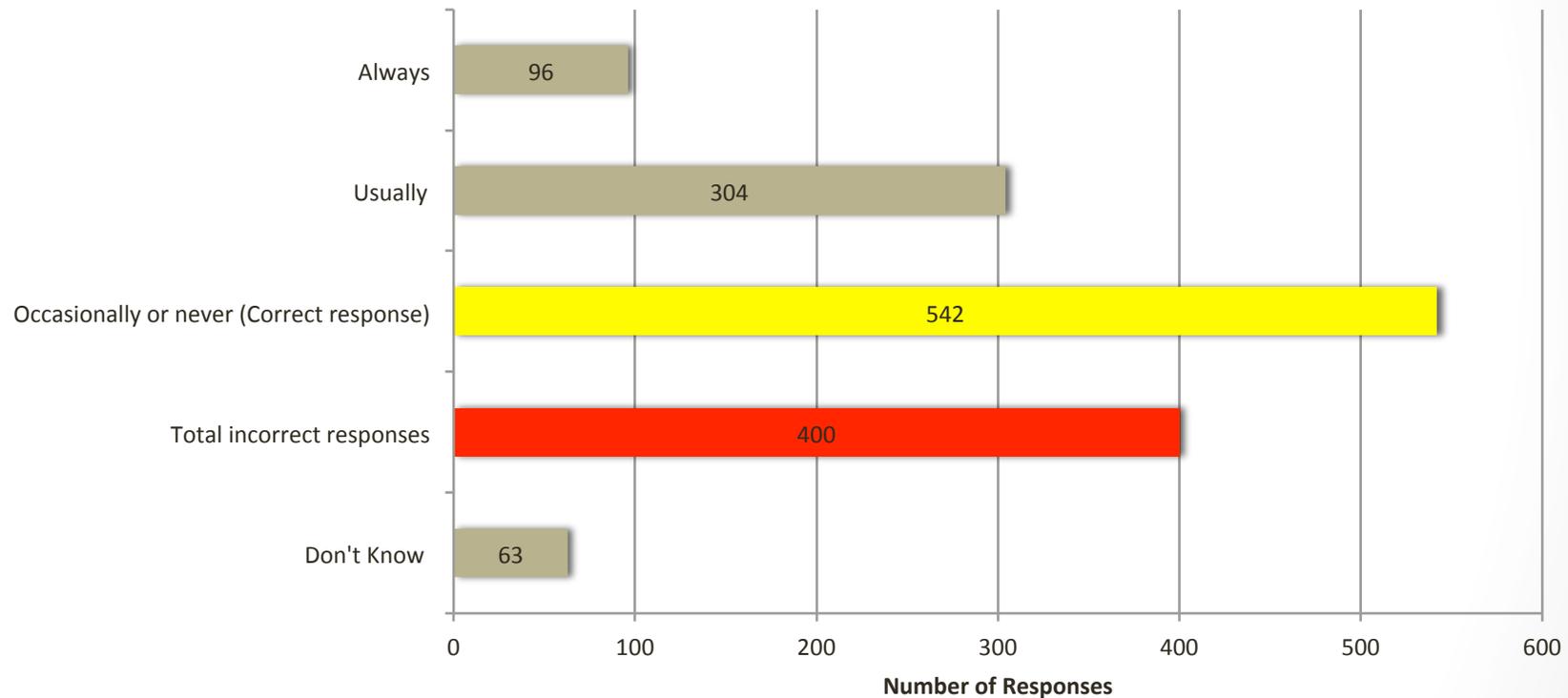
- U.S. Department of Justice
- The Federal Reserve Board
- U.S. Federal Trade Commission
- **[U.S. Consumer Financial Protection Bureau](#)**
- Don't Know



Explanation: The Consumer Financial Protection Bureau now helps consumers resolve many types of complaints about credit reports and credit scores. But before filing a complaint with them (www.ConsumerFinance.gov/Complaint), the Bureau recommends filing your complaint and obtaining a response from the credit bureau or other company with which you are dealing.

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...

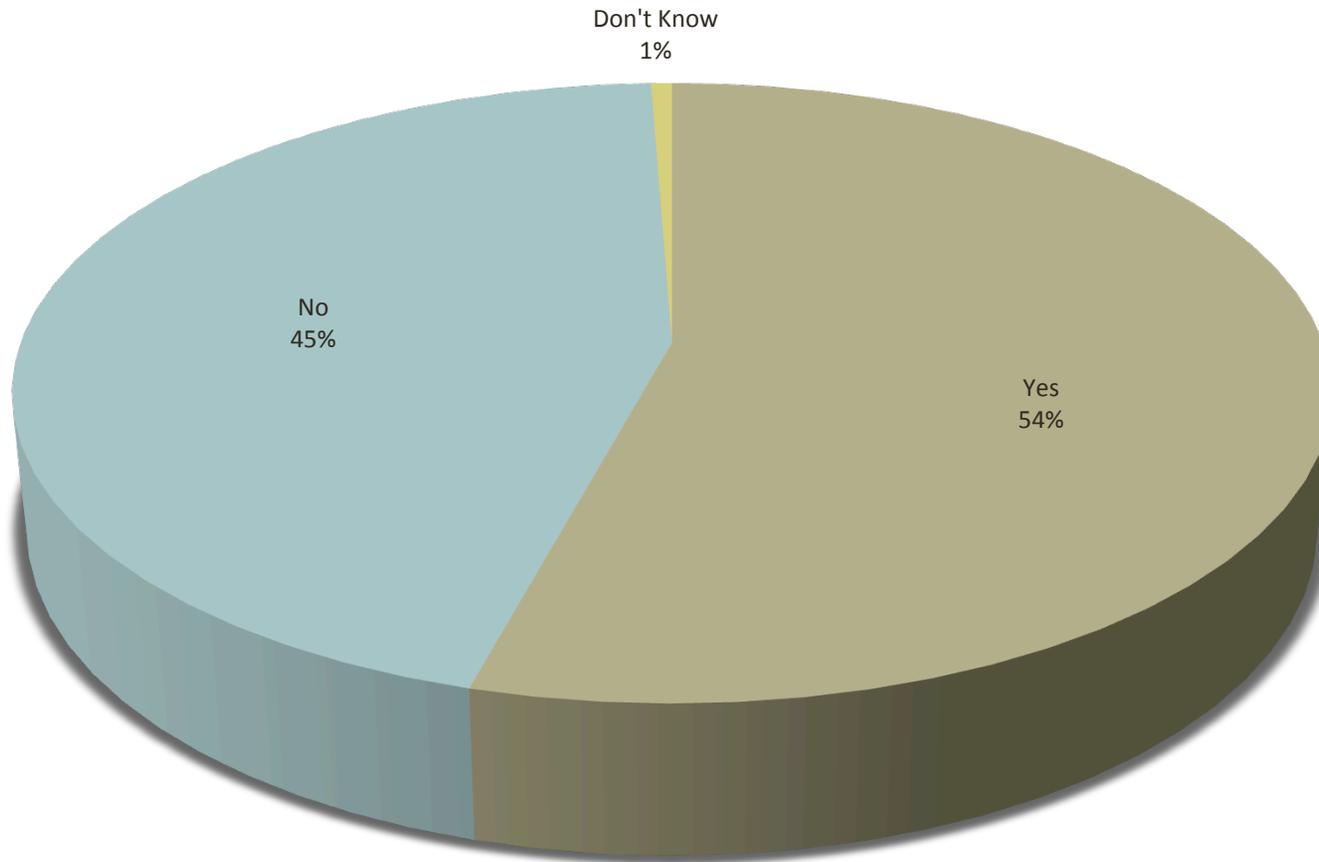
- Always
- Usually
- Occasionally or Never
- Don't Know



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.

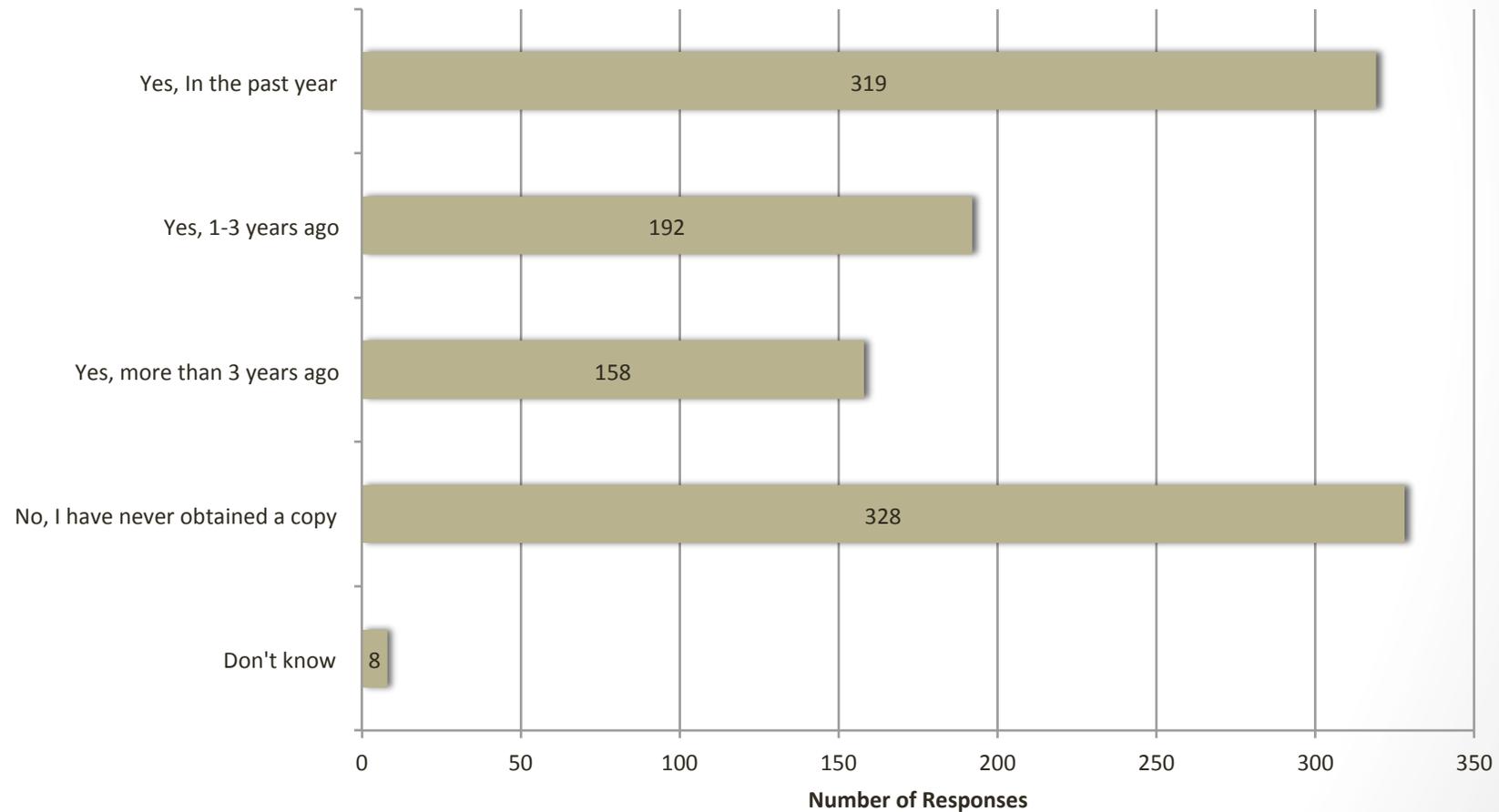
Question 16: In the past year, have you obtained or received any of your credit scores?

- Yes
- No
- Don't Know



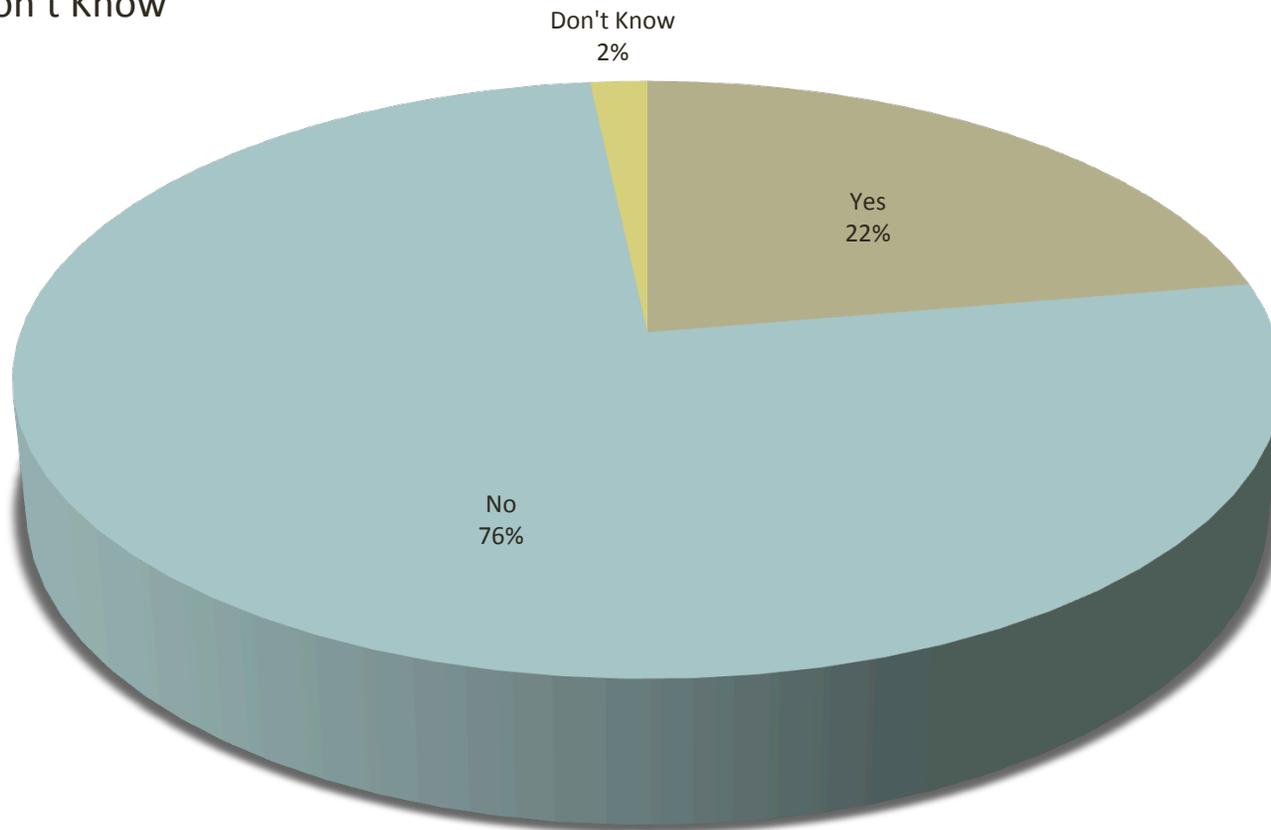
Question 17: Have you ever obtained a copy of your free credit reports?

- 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



Question 18: In the next 12 months, do you intend to apply for a credit card, mortgage, or auto loan?

- Yes
- No
- Don't Know



About the Survey Sponsors



Consumer Federation of America

Consumer Federation of America (CFA) is a nonprofit association of more than 250 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.

Contact Info

Consumer Federation of America
1620 I Street, NW - Suite 200
Washington, DC 20006
202-387-6121
cfa@consumerfed.org

VantageScore Solutions, LLC
P.O. Box 141
Atlantic Street Post Office
Stamford, CT 06901
203-363-2199
info@vantagescore.com