

U.S. DEPARTMENT OF THE TREASURY

Press Center



Consumer Financial Protection Bureau Report Examines Differences Between Credit Scores Consumers and Lenders Receive

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Consumers May Be Unaware of Variety of Credit Scores Available

WASHINGTON – The Consumer Financial Protection Bureau (CFPB) [released a report](#) today examining the differences between credit scores sold to consumers and scores used by lenders to make credit decisions.

“The consumer bureau’s mission is to bring transparency to the consumer financial markets so families can compare products and choose the ones that are right for them,” said Elizabeth Warren, Special Advisor to the Secretary of the Treasury on the CFPB. “One way consumers have tried to empower themselves is by knowing their credit scores. We are assessing whether purchasing a credit score provides a consumer with the information he or she needs.”

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) required the CFPB to study the differences between credit scores consumers purchase and those creditors use to make credit decisions. The CFPB’s report covers the process of developing credit scoring models, why different scoring models may produce different scores for the same consumer, how different scoring models are used by creditors in the marketplace, what credit scores are available to consumers for purchase, and ways that differences between the scores provided to creditors and those provided to consumers may disadvantage consumers.

Consumer reporting agencies (CRAs) compile and maintain files on consumers that are used to produce credit reports. Credit scores are numerical summaries of the comparative credit risks of default; they are calculated based on information contained in credit files and credit reports. These scores are important because they are used to make credit-granting decisions, to identify prospects for credit offers and solicitations, to make decisions about raising or lowering credit limits on credit cards, and to set terms for mortgages or other loans, among other uses.

While most credit scores are purchased by lenders and other users to assess consumers’ credit risk, consumers can also purchase credit scores when they obtain their free annual credit reports, when they request copies of their credit reports directly from CRAs, or when they enroll in “credit monitoring” services that offer credit reports and scores for a monthly subscription fee. The credit scores available for purchase by consumers may vary from the score used by a lender for a variety of reasons, including:

- Use of different scoring models;
- Lenders and consumers may not use the same CRA;
- Data in the consumer’s credit reports change between the time the consumer purchases a score and the time the lender obtains the score;
- A consumer and a lender could possibly access different reports from the CRA, if they were to use different identifying information about the consumer;

The report discusses the general lack of information about credit scoring. One survey shows that many consumers do not know that a credit score represents the risk of not repaying a loan. Furthermore, many consumers do not know that credit scores they buy may not use the same credit scoring models that are most widely used by lenders.

Consumers who are unaware of the variety of credit scores available in the marketplace may purchase a score believing it to be their “true” score. The most significant adverse impact on a consumer from score differences would likely occur if the credit scores the consumer buys give a substantially different impression of his or her credit risk than credit scores that a lender would use.

As a follow-up to the report, the CFPB is obtaining data from each of the three nationwide CRAs, and credit scores from the CRAs and Fair Isaac Corporation widely used by lenders and consumers to compare the variations between the credit scores sold to lenders and those sold to consumers. To help educate consumers, the CFPB also plans to post advice on its website about how to obtain and maintain a good credit score.

The full version of the CFPB credit scoring report can be found at http://www.consumerfinance.gov/wp-content/uploads/2011/07/Report_20110719_CreditScores.pdf

