



What you need to know: Understanding why offers for “your” credit score are not all the same

By [Stephanie Brenowitz](#) - JAN 03, 2017

Today, TransUnion and Equifax have agreed to change practices that the Bureau found misled consumers about the value of the credit scores they marketed and sold. In their advertising, TransUnion and Equifax misrepresented that the credit scores they marketed and provided to consumers were the same scores that lenders typically use to make credit decisions when that is not accurate. The companies have also agreed to return more than \$17.6 million to consumers and pay penalties totaling \$5.5 million.

Read more about the settlements in our [press release](#).

Credit scores, and the information in your credit reports, can provide important information. When considering an offer for a credit score, keep in mind that the credit score being provided or sold may not be the same score that is used by lenders and insurers in making credit decisions. Here is some information to help you make sense of credit score offers.

A **credit score** predicts how likely you are to pay back a loan on time. Your credit score is a three-digit number that is based on information from your credit report.

You do not have just “one” credit score - there are many credit scores available to you as a consumer as well as to lenders and insurers, and the credit score you obtain may be different than the ones that businesses use to make credit decisions. A credit score may vary from lender to lender, and depending on which consumer reporting company compiled the credit history used to generate the score.

FREQUENTLY ASKED QUESTIONS

We also have answers to many credit reporting questions in Ask CFPB.

[Learn more](#)

Even when you obtain a credit score from the same reporting company that a lender used, the score you get as a consumer may be different.

We want you to understand what information will be most useful to you when learning about your credit report and scores. Here are some key tips you should keep in mind.

Tip 1: Understand the differences in your credit scores

There is no “one” credit score.

There are many credit-scoring formulas available to you as a consumer as well as to lenders. The score you receive from any source will depend on the data used to calculate it, and the score may be different depending on the scoring formula, the source of your credit history, and even the day when it was calculated.

Credit reporting companies, also known as credit bureaus or consumer reporting agencies, are companies that compile and sell credit reports.

Credit reporting companies can gather information from many sources including:

- Thousands of lenders across the country
- Public records, such as bankruptcies, liens, and other judgments
- Collections agencies, which provide information on delinquent accounts

Because credit reporting companies calculate scores in a number of ways, and because they may report your financial history at different times, your credit scores may change slightly each month.

Tip 2: Monitor your credit report for accuracy

Mistakes in your credit reports could hurt your credit history and credit score, so check them regularly. If you monitor your credit report, you can keep track of the items affecting your credit scores and make sure your credit report is accurate. You can get one free credit report from each of the big three credit reporting companies every 12 months. Go to annualcreditreport.com or call 877-322-8228.

Learn more about how to get a [free copy of your credit report](#).

The Fair Credit Reporting Act (FCRA) is a federal law that provides directions and limits on how credit reporting companies disclose credit report information.

- By requesting the reports **at the same time**, you can determine whether any of your files have errors.
- By requesting the reports **separately**, you can monitor your credit files more frequently throughout the year.

Get a [list of consumer reporting companies](#), and read about [your rights under the FCRA](#).

When you get your report, look for:

- Mistakes in your name, phone number, or address.
- Loans, credit cards, or other accounts that are not yours.
- Reports saying you paid late when you paid on time.
- Accounts you closed that are listed as open.
- The same item showing up more than once (like an unpaid debt)

Tip 3: How to get and keep good credit scores:

- **Pay all your bills on time.** Setting up automatic payments, or electronic reminders, can help you keep on top of your payments.
- **Don't use too much of the credit that is available to you.** Your credit limit is the amount of total credit you have. Credit scoring models look at how close you are to being “maxed out,” or owing as much as your credit limit, so try to keep your balances low in proportion to your overall credit limit.
- **Be careful closing accounts.** Scoring models look at your available credit. If you close some credit card accounts and put most or all of your credit card balances onto one card, it may hurt your credit score if you are using a high percentage of your total credit limit. Frequently opening accounts and transferring balances can hurt your score too.
- **A long credit history will help your score.** Credit scores are based on experience over time. Your score will improve the longer you have credit, open different types of accounts, and pay back what you owe on time.
- **Only apply for credit you need.** Credit scores look at your recent credit activity as an indicator of your need for credit. If you apply for a lot of credit over a short period of time, it may appear that your economic circumstances have changed for the worse.

Order your [free credit report](#) every year and [dispute any errors](#) you find.

Tip 4: Fix any mistakes you find in your report

If you find something wrong in your credit report, you may contact both the credit reporting company and the entity that provided the information. Explain what you think is wrong and why. Include copies of documents that support your dispute. Your credit reports will come with instructions on [how to dispute mistakes](#).

Topics:

- ENFORCEMENT
- CREDIT REPORT

Due to technical issues, the commenting feature of our blog is temporarily unavailable. We're working to bring this functionality back, and look forward to hearing your feedback and comments about the CFPB's work soon.

FURTHER READING

Blog

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[CFPB Orders TransUnion and Equifax to Pay for Deceiving Consumers in Marketing Credit Scores and Credit Products](#)

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