



## Credit Scores: To Buy or Not to Buy, That is the Question

A recent study by the Consumer Financial Protection Bureau (CFPB) found that your credit score varies based on where it is obtained. Texas Partners FCU defines a credit score as “a number that measures how likely you are to repay debt on time,” which is “calculated and based on your history of repaying debt.” Be advised that when you buy your credit score, it may be from a different source than the one your creditor (credit union, bank, or credit card company) uses and as a result could be a completely different score.

There are literally dozens of credit scoring formulas from a variety of sources each with their own scoring system, so a “passing grade” from one Credit Reporting Agency may not be equivalent in the eyes of another. The following table generated from Credit Karma’s, “Credit 101: Credit Score Differences,” shows the disparity between credit score ranges.

Major Credit Reporting Agency	Credit Score Range
Equifax BEACON	300 – 850
Experian CE	330 – 830
FICO	300 – 850
TransUnion TransRisk	300 – 850
VantageScore	501 – 990

According to the CFPB, 1 out of every 5 shoppers who purchase their credit score will “receive a meaningfully different score than would a creditor.” This means that the credit score you pay for may not be the same as the one the creditor receives when you apply for credit. You could wind up believing that you have a higher credit score than you actually have and may believe you qualify for a low interest rate. You may even be surprised to be denied credit when you are given a good credit score from one agency but not the others. This makes it difficult to figure out where you stand when it comes to applying for loans, renting a property, and making many of life’s other decisions.

“Typically, the members we see who have paid for their credit score and then applied for a loan, are given a false sense of security,” according to Ken Chambers, Lending Manager of Texas Partners FCU. “For example, according to their purchased credit score, they have a 700 score. But when we get their score, it is closer to 600. Borrowers with these two scores will pay very different interest rates on their loan.”

Since there is no standard credit score yet, when you need a loan the CFPB suggests shopping around and applying to several lenders so that regardless of which scoring range each lender uses you can pick out the best deal. The CFPB concluded in their “Analysis of Differences between Consumer- and Creditor-Purchased Credit Scores”:

Some consumers are reluctant to shop for credit out of fear that they will harm their credit score. Many consumers are generally aware that inquiries by creditors can negatively impact their credit score. However, the potentially negative impact of inquiries on credit scores may be overblown. For example, FICO reports that its scoring models treat multiple inquiries made for either a mortgage, auto, or student loan within the same 30 day-window as a single inquiry.



Being that your credit score is based on your credit history, the first step in figuring out where you stand is to get a copy of your credit report and report any errors. Everyone is permitted one free copy of their credit report annually from each of the major credit reporting agencies (Equifax, Experian, and TransUnion). You can request a copy from *AnnualCreditReport.com*, the only source authorized by the Federal Trade Commission:

**online:** [www.ftc.gov/freereports](http://www.ftc.gov/freereports) or the direct link <https://www.annualcreditreport.com>

**by phone:** 1-877-322-8228

or **via mail:** by filling out the “Annual Credit Report Request” form available for download from <https://www.annualcreditreport.com/cra/requestformfinal.pdf> and sending it to:

Annual Credit Report Request Service  
P.O. Box 105281  
Atlanta, GA 30348-5281

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Source:

1. Credit Karma. (2011).Credit 101: Credit Score Differences. <http://blog.creditkarma.com/credit-101/credit-scores/credit-101-credit-score-differences/>
2. Consumer Financial Protection Bureau. (2012). Consumer Financial Protection Bureau Study Finds Credit Scores Used by Consumers and Lenders Can Differ. <http://www.consumerfinance.gov/pressreleases/consumer-financial-protection-bureau-study-finds-credit-scores-used-by-consumers-and-lenders-can-differ/>
3. Federal Trade Commission. FREE Annual Credit Report. [www.ftc.gov/freereports](http://www.ftc.gov/freereports)
4. Consumer Financial Protection Bureau. (2012). Analysis of Differences between Consumer- and Creditor- Purchased Credit Scores. [http://files.consumerfinance.gov/f/201209\\_Analysis\\_Differences\\_Consumer\\_Credit.pdf](http://files.consumerfinance.gov/f/201209_Analysis_Differences_Consumer_Credit.pdf)