



Consumer Federation of America



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### **MANY AMERICANS MISUNDERSTAND CREDIT SCORES ACCORDING TO NEW NATIONAL SURVEY**

*CFA and Fair Isaac Make Available Free Brochure  
Through Federal Citizen Information Center*

Washington, D.C. and Minneapolis — March 15, 2005 — According to a new survey by the Consumer Federation of America (CFA) and Fair Isaac Corporation (NYSE:FIC), developer of the FICO® credit score used by most lenders to evaluate consumer credit risk, almost one-half of American consumers do not understand key facts about credit scores:

- 49% do not understand that credit scores measure credit risk;
- 45% incorrectly think that increasing one's income will increase one's credit score.

"Despite all of the news coverage about credit scores over the past year, many consumers still do not understand important facts about these increasingly influential numbers," said Stephen Brobeck, CFA's Executive Director.

To provide consumers with basic information about credit scores, CFA and Fair Isaac have prepared a new free brochure that is being distributed by the Federal Citizen Information Center (FCIC). "This credit score brochure contains the most important information about the score most businesses use — the FICO credit score — including what factors influence its rise and fall, and how consumers can get their own scores," said Cheri St. John, vice president of Global Scoring and Consumer Solutions for Fair Isaac.

"The Federal Citizen Information Center (FCIC) is proud to work with CFA and Fair Isaac to distribute this very valuable consumer resource," said Mary Levy, FCIC's director of Consumer Information and Education. "This public/private sector partnership means that more consumers will get the information they need to manage their credit, improve their credit scores and get the best possible credit terms the marketplace has to offer. It's a win-win-win situation for the consumer, the credit industry, and the government."

To get a free copy of this brochure, titled "Your Credit Scores," consumers can contact the Federal Citizen Information Center at 1 (888) 8 PUEBLO (1-888-878-3256) or by writing to the following address: Credit Scores, Pueblo, CO 81009. The brochure is also available online to consumers at three different web sites: <http://www.pueblo.gsa.gov>, <http://www.myfico.com>, and <http://www.consumerfed.org>.

## **Many Consumers Misunderstand Meaning of Scores and How to Improve Them**

The survey was conducted by Opinion Research Corporation (ORC) during the period February 10 to February 13. The 1,013 people surveyed by telephone are representative of the adult American population. The sampling error is plus or minus three percentage points.

When given four definitions of a credit score, only 51% correctly indicated that it represents "someone's credit risk." Forty-nine percent said that it represents credit availability, debt levels, or credit IQ, or that they did not know what it represents.

Respondents who were most knowledgeable about the definition of credit scores were those with incomes over \$75,000 (66%), those with a college degree (63%), and those 35-44 years of age (62%). Those with the least knowledge of this definition were those with incomes under \$25,000 (34%), those without a high school degree (35%), and those 18-24 years of age (34%).

When asked what actions would improve a person's credit score, nearly everyone (93%) correctly said that "paying off one's debts" would do so. But nearly one-half also incorrectly said that "getting a job that pays a lot more" (45%) and "inheriting a million dollars" (40%) would also directly raise one's credit score.

Again, those with the least knowledge about what will raise a credit score were the young, the least affluent, and the least educated. For example, 67% of those aged 18-24 incorrectly believe that increasing one's income raises one's score. And 62% of those who have not completed high school, and 57% of those with incomes under \$25,000, also incorrectly believe that higher incomes raise credit scores.

## **Free Brochure Explains How to Learn One's Own Scores and How to Raise Them**

CFA and Fair Isaac have prepared a brochure -- "Your Credit Scores" -- that is available free from the Federal Citizen Information Center or online at the FCIC's web site and those of CFA and Fair Isaac.

Key information in the brochure includes the following:

- Many kinds of businesses use credit scores today including: telephone companies, electricity and natural gas service providers, apartment landlords, and of course banks, mortgage lenders, credit card companies and auto lenders.
- FICO credit scores range from 300-850, and a score above 700 indicates relatively low credit risk, while scores below 600 indicate relatively high risk which could make it harder to get credit or lead to higher loan rates.
- The difference between a 580 and a 720 FICO credit score could mean a three percentage point difference in a mortgage rate. That would represent a \$72,000 difference in mortgage loan costs over the lifetime of a 30-year, \$100,000 fixed-rate loan.
- Your payment history affects about 35% of a FICO credit score; how much you owe about 30%; the length of your credit history about 15%; and applying for new credit about 10%.
- You can raise your credit score by paying bills on time, keeping balances low on credit cards, paying off debt rather than moving it between credit cards, and taking other measures outlined in the brochure.

A unique feature of the brochure is examples of how two different consumers use credit and how their use influences their FICO credit scores over time. For example, when one consumer runs up two credit cards to nearly their limit, his ex-wife's credit score declines by 80 points since her name is still on both

card accounts. When another consumer makes steady payments for a year on credit cards, significantly lowering balances, her credit score rises by 50 points.

Organizations that provide credit scores are listed along with information about other kinds of risk scores, web and phone access, and related prices.

#### **About CFA**

CFA is a national federation of some 300 non-profit consumer groups that seeks to advance the consumer interest through research, education, and advocacy.

#### **About Fair Isaac**

Fair Isaac Corporation (NYSE:FIC) is the preeminent provider of creative analytics that unlock value for people, businesses and industries. The company's predictive modeling, decision analysis, intelligence management, decision management systems and consulting services power billions of mission-critical customer decisions a year. Founded in 1956, Fair Isaac helps thousands of companies in over 60 countries acquire customers more efficiently, increase customer value, reduce fraud and credit losses, lower operating expenses and enter new markets more profitably. Most leading banks and credit card issuers rely on Fair Isaac solutions, as do insurers, retailers, telecommunications providers, healthcare organizations, and government agencies. Through the [www.myfico.com](http://www.myfico.com) Web site, consumers use the company's FICO® scores, the standard measure of credit risk, to manage their financial health.

#### **Statement Concerning Forward-Looking Information**

Except for historical information contained herein, the statements contained in this press release that relate to Fair Isaac, including statements regarding its credit scoring product offerings and the benefits to be derived from these offerings, are forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially, including any unforeseen technical difficulties related to the implementation, use and functionality of the offerings, the risks that customers will not perceive material benefits from the offerings, failure of the products to deliver the expected results, the possibility of errors or defects in the offerings, regulatory changes applicable to the use of consumer credit and other data, and other risks described from time to time in Fair Isaac's SEC reports, including its Annual Report on Form 10-K for the year ended September 30, 2004, and quarterly report on Form 10-Q for the period ended December 31, 2004. Forward-looking statements should be considered with caution. If any of these risks or uncertainties materializes or any of these assumptions proves incorrect, Fair Isaac's results could differ materially from Fair Isaac's expectations in these statements. Fair Isaac disclaims any intent or obligation to update these forward-looking statements.

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