

The Lowdown on Those Free Credit Scores

The Fair and Accurate Credit Transaction Act of 2003 provided individuals with valuable rights to the credit information companies keep on them, but did you know that the credit score provided to you may be different than the one provided to lenders?

The first thing you should know is that you have a right to see your credit report once annually without cost. You can find free credit reports online. The report will contain important information that may affect your credit score.

While your credit report can be obtained for free, your credit score will cost you money, except in the case where you have been denied a loan on the basis of your credit score, in which case you may obtain your credit score for free. However, many banks and lenders are now providing their customers with free monthly credit score updates.

Your credit score is a numerical representation of your creditworthiness, which takes into account past and current credit activities, including any late payments, judgments, liens, bankruptcies, and foreclosures.

When you see an offer for getting your free credit score, it may be a marketing-driven incentive to get you to sign up for a fee-based credit monitoring service. The score may be only available at no cost if you agree to sign up for a trial subscription and don't cancel prior to the end of that trial period.

The Dirty Little Secret of Credit Scores

Before you purchase your credit score, understand that the methodology used to calculate the score you buy is different from that used to determine the credit score lenders receive.

While the correlation between the scores is high (90%), correlations vary among different consumer subsets. For instance, the correlation is strongest among consumers with scores below the median than for consumers with scores above the median. In fact, up to 27% of the scores received by individuals could be placed in a different credit score category from what the lender receives.¹

While knowing your credit score may be important, it may be more vital to review your credit report to correct any errors that may be hurting your score. After that, you can take any necessary steps to improve your credit profile.

1. Consumer Financial Protection Bureau, 2023. Based on a landmark study published in 2012. Most recent data available.

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