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Millennials score low when it comes to credit awareness

- *Almost half of Aussie millennials are unsure about the difference between a credit score and credit report*
- *Half do not know what a lender looks for in their credit report*
- *More millennials have sought advice about debt and credit compared to GenX and Baby Boomers, relying heavily on online sources for help*

Melbourne, 25 October 2018: Australian millennials have a lower understanding of credit than older generations, according to research from consumer education website, **CreditSmart**. A huge 44% of millennials are unsure of the difference between a credit score and a credit report, and over half are unaware of what a lender looks for in a credit report.

The study revealed that only 1 in 5 millennials said they were confident about their understanding of what a credit score is, and a further 75% were unaware that they can access their credit report for free.

Commenting on the findings, Geri Cremin, Credit Reporting Expert at the Australian Retail Credit Association (ARCA), which founded **CreditSmart**, said: “Millennials are at a point where they may be looking to make their first milestone purchase, like their first car or first home. It is really important for them to get on top of their credit health so when the time is right, they’re in a good position to make the big-ticket purchases.”

The research also flagged that nearly a quarter of millennials think their credit report can be checked when applying for a new job.

“There are restrictions on who can access your consumer credit report. Real estate agents and employers cannot check your consumer credit report,” explained Ms Cremin.

An analysis* by credit score provider and ARCA member, CreditSavvy.com.au, found that millennials (aged 25-34) have the lowest average credit score (624) when compared with GenX (aged 45-54) at 659 and Baby Boomers (55+) at the highest level (737).

“While younger generations generally have lower scores, this doesn’t necessarily mean they’re worse at managing credit. The lower scores are often the result of young people lacking a detailed history with credit or can be linked to the types of credit younger people take out like credit cards and personal loans,” said Leo Hillary, Product Director at CreditSavvy.com.au.

“The good news is that with comprehensive credit reporting, younger Australians will have more capacity to demonstrate their credit worthiness simply by making their loan repayments on time each month.”

More millennials take action

A quarter of millennials (24%) have either checked their credit report themselves or have had it checked for credit applications in the past 12 months - more than GenX (20%) and Baby Boomers (10%). This is mainly for credit card and mobile phone applications.

Despite having low awareness of their credit health, a third of millennials are seeking advice about debt and credit (32%). Among those who sought advice, nearly a quarter (24%) have done so via an online service of some sort, followed by searching on Google (17%), highlighting heavy reliance on online sources for seeking answers to their questions.

**Average credit score data is supplied based on CreditSavvy.com.au’s member base and does not reflect the entire Australian population. CreditSavvy.com.au uses Experian’s credit score which ranges between 0 – 1000.*

"It's encouraging to see that although millennials have low awareness of credit, they are keen to learn and improve their own credit health," said Ms Cremin.

How can millennials improve their credit health?

For millennials looking to build their credit score, Ms Cremin recommends starting with the basics.

"You'll start creating credit history when you apply for a credit card, a post-paid phone or utility account (as long as it's in your name). But it's important to make sure you only take out credit that you can afford as not paying will have a lasting effect on your credit health," she said.

Ms Cremin also recommends focusing on making timely payments. "Making repayments on time is the best way to build your credit health. Even if it's a small loan or small credit card, as long as you make repayments on time, you'll start building a strong repayment history, which shows potential lenders that you can manage credit responsibly. That healthy credit history will be an asset when you want a larger loan, for example a car or home loan, further down the track.

"A default stays on your credit report for five years but even a late payment can stay on your credit report for two years. The more late payments on your credit report, the more your credit score will drop.

"An easy way to stay on top of your repayments is to talk to your credit provider about setting up automated payment or direct debit. Putting your repayments on auto-pilot might help when you're away on holiday, or busy at work, and would otherwise forget to stay on top of repayments.

"If you're struggling with repayments, talk to your credit provider about how they can help. The earlier you discuss financial difficulty, the better," added Ms Cremin.

The research, undertaken by YouGov Galaxy, was done ahead of important changes to Australia's credit reporting system, which will see lenders move to comprehensive credit reporting (CCR).

By the end of September, many lenders including the Big Four Banks started sharing comprehensive credit reporting information to ensure a transparent, and fairer credit lending system.

For information on how to optimise your credit health, go to the CreditSmart website (http://www.creditsmart.org.au), set up by credit experts to help you understand how recent credit reporting reforms affect you.

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About the study

The study was conducted online between 15-18 March 2018, with a sample size of 1,026 of Australians aged 18 years and older throughout Australia, out of which 51% of the sample were women.

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About CreditSmart

CreditSmart is an information website (www.creditsmart.org.au) created and supported by credit experts to help consumers understand how credit reporting operates in Australia. It aims to help consumers take control of their credit health and understand how recent credit reporting reforms affect them, by providing information about the system that is unbiased and fair.

Companies that support the CreditSmart education campaign include:

ANZ Bankwest Bendigo and Adelaide Bank/ Delphi Bank BOQ Citi Commonwealth Bank Compuscan Credit Savvy Credit Simple CUA Customs Bank Experian	Firefighters Mutual Bank/Teachers Mutual Bank Genworth GetCreditScore Good Shepherd Microfinance HSBC Keypoint Law Latitude Financial Services Macquarie Group ME Bank MoneyMe MoneyPlace NAB Now Finance	Pepper Money Police Bank QBE SocietyOne Suncorp Toyota Finance/Hino Financial Services/Lexus Financial Services/Power Torque Financial Services Unibank Westpac/ Bank of Melbourne/ BankSA/ StGeorge/ RAMS Zeal Solutions

About ARCA

The CreditSmart website is owned by the Australian Retail Credit Association (ARCA), which is the peak body for organisations involved in the disclosure, exchange and application of credit reporting data in Australia. ARCA's members are the most significant credit providers and credit reporting bodies (CRBs), including the four major banks, international and regional banks, specialist consumer finance companies, mutuals and marketplace lenders.

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