



Are Credit Karma Credit Scores Accurate?

Credit Karma is a San Francisco-based financial services company, founded in 2007, that offers free credit scores to consumers. But, just how accurate are Credit Karma scores? They may differ by 20 to 25 points, and in some cases even more.

When Credit Karma users see their credit score details, they are viewing a VantageScore, **not the FICO score that the majority of lenders use**. A VantageScore has the same credit score range as FICO, and uses some of the same information as a FICO score. But, the way in which the information is used to determine an individual's credit score is different.

FICO vs. VantageScore

When most people think of their credit score, they are most likely thinking about FICO. The Fair Isaac Corporation introduced FICO credit scores for consumers in 1989. Since then, they have worked diligently to keep up with consumer behaviors, and how those behaviors impact the FICO scoring calculations. Up until about a decade ago, FICO was the only consumer credit score used by the three major credit reporting bureaus (Equifax, Experian, TransUnion), and the only score used by lenders and financial institutions.

In recent years, VantageScore has taken on the challenge of competing with FICO. By partnering with the three credit bureaus, VantageScore is able to use similar information and scoring models as FICO does to generate an individual's credit score. However, **there are differences between FICO and VantageScore** that consumers should be aware of.

First, it's prudent to understand that both the FICO and VantageScore methods draw from the same consumer information: payment history, credit usage, length of credit, type of credit, and recent inquiries. However, these are gathered in different ways.

FICO bases its scores on the credit reports of millions of consumers at a time, received directly from the three credit bureaus, creating the most accurate scores. On the other hand, VantageScore uses consumer credit reports in smaller batches, to create its scoring formula. Both offer a credit score range from 300 to 850.

FICO requires at least six months of credit history and one account reported to the credit bureaus to create a score. However, VantageScore requires only one month of activity and one account reported to the credit bureaus. This makes it more beneficial to consumers with a short credit history. A VantageScore may be far higher than a FICO score for the same individual.

Additionally, FICO and VantageScore differ when it comes to late payments. For FICO, payment history makes up 35% of the scoring calculation, with all late payments viewed in the same way. VantageScore calculations penalize late mortgage payments more severely than other types of credit accounts.

Conclusion

Overall, Credit Karma may produce a different result than one or more of the three major credit bureaus directly. The slight differences in calculations between FICO and VantageScore can lead to significant variances in credit scores, making Credit Karma less accurate than most may appreciate.

Having different available credit scores can be a bit overwhelming. But it is important to **review your FICO credit scores and reports from each of the three major credit bureaus, at least annually.** This ensures there are no reporting errors or major discrepancies, and reviewing credit reports can help you detect signs of identity theft.

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