

The Effects of Authorized User Tradelines On Credit Scores

Author: Megan C. Shackelford

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Abstract

This study analyzed the impact of authorized user tradelines on credit scores by examining the credit scores of 1250 participants before and after adding one or multiple tradelines. The effects of the following aspects of tradelines were studied: the age of the tradeline added, the limit of the tradeline added, how many tradelines were added, the effect of other information on the credit report, the age of the participants, the gender of the participants, the impact of the state that the participant is located in, and the impact of COVID-19 on credit scores. The study separated the participants who started the research with credit files from those with no credit file. FICO scores were the only scores used in this study. Finally, the study evaluated individuals who experienced a decrease in credit score to determine the reasons behind those results. This study indicated that authorized user tradelines generally have a beneficial impact on credit score, resulting in an average increase of 75 points. While this could be due to multiple factors, the primary reason for this improvement was the addition of the tradeline(s). Tradelines impact the average age of accounts and the average utilization of revolving accounts, and they add positive payment history to the credit report, all of which can positively impact the credit score.

Introduction

An authorized user tradeline is a line of revolving credit which an individual has been granted permission to use but is not legally responsible to maintain. The 1974 Equal Credit Opportunity Act (ECOA) imposes two significant requirements: creditors are required to report authorized user information to the credit bureaus, and creditors must consider the history of the accounts held by a spouse when determining creditworthiness (1). Because the creditors report data for all authorized users without differentiating whether an authorized user is a spouse, effectively all authorized user tradelines must be considered when determining creditworthiness (3). The inclusion of authorized user tradelines in the analysis for creditworthiness enabled the authorized user to feel both the “benefit or burden” of the tradeline, depending on the tradeline’s standing to which they are added. Because scoring models assign value to both individual and authorized user tradelines, authorized users could use both types of tradelines to build their credit history and manage their credit. “Piggybacking credit” uses authorized user tradelines to bolster the credit score developed due to these practices.

Every account on a credit report is considered a “tradeline”, including authorized user tradelines. Creditors, like banks, report tradeline information to the credit bureaus. Credit bureaus maintain the database of information upon which all credit scores are based (4). The three main credit bureaus are Equifax, Experian, and Transunion. However, even though credit bureaus generate and sell their own credit scores, these are not typically, if ever, the credit scores used by lenders. The most widely used credit scores come from modelers like Fair Isaac Corporation (FICO). Credit scores produced by credit score modelers are used by lenders to make decisions regarding credit worthiness. These models take the information on your credit report and run it through multiple algorithms to determine your credit score. The credit score is a relative indicator of how worthy of credit an individual is - a high credit score indicates that the individual is worthy of credit while a low credit score indicates that an individual is risky and often not worthy of offers of new credit. This score is used primarily to help lenders determine whether an individual is worth the risk of extending credit to and how likely it is that the individual will pay back their debt. However, because of errors in data maintained by the credit

bureaus, credit scores are not always accurate. Credit scores are constantly fluctuating based upon the score model used and the data that is reported to the bureaus by the banks. Different websites may use different score models, or a model they created themselves. Additionally, the scores alone do not provide substantial evidence regarding an individual's creditworthiness. This is due to the fact that there are many important factors that can influence lending decisions that aren't included in the credit score, like salary or stability of work.

A credit score is based upon five primary factors of a credit report. These five factors include payment history, credit utilization, credit age, diversity of credit types, and new credit (inquiries). A change to any of these factors often results in a shift in the credit score. To obtain a good credit score, you should have good payment history, low credit utilization, old lines of credit, diverse types of credit (mortgages, loans, credit cards, etc.), and few new inquiries.

Credit can be hard to obtain, especially when you have a small or nonexistent credit file. That is where authorized user tradelines become relevant to consumers looking to develop their credit files and scores. A study performed by the Federal Reserve found that over one-third of the population had at least one authorized user tradeline on their reports (2). Authorized user tradelines, often called seasoned tradelines, allow the authorized user to piggyback their credit off an individual who has already established a line of credit. This is accomplished when an individual with established credit adds someone as an authorized user to one or more tradelines. Then, the information associated with the tradeline will report to the authorized user's credit report. This information includes the payment history, limit, and age of the account. Once this new information has been reported, the credit scoring agencies factor in this new information, often resulting in a change in the credit score.

Assuming that the line of credit is in good standing, this can have significant beneficial effects on the authorized user's credit score. However, the importance of the change in credit score will vary between individuals. For example, a 20-point increase for someone with a credit score of 685 will produce more benefits than a 20-point boost to an individual who has a starting credit score of either 750 or 460. The first situation would result in the transition from "fair" credit to "good" credit, which could lead to better lending rates. In contrast, the second situation

keeps the individual in the same scoring brackets of “very good” or “very bad” credit respectively, so there will likely not be much benefit for the individuals in the second example.

A survey study conducted by Credit Knocks in 2019 studied the impacts of authorized user tradelines on the credit scores of individuals of varying ages, ethnicities, income levels, and education levels. This study found that “being added as an authorized user had a more significant impact on credit scores than income, ethnicity, or education” (5). A similar study conducted by the Federal Reserve examined the role of authorized user accounts on an individual’s credit score, focusing on the impacts on married women’s credit score (2). These studies found a correlation between the credit scores for individuals who had authorized user accounts on their credit report and higher credit scores. However, neither study quantified the tradeline’s benefit on the score or the benefit deriving from each aspect of the tradeline on the credit score. That is where this study comes in.

Methods:

This study analyzes the contribution that an authorized user tradeline makes to a credit score and examines the impacts of the tradeline’s specific aspects. To begin with, each participant submitted a three-bureau credit report to Superior Tradelines, LLC in the normal course of business. Then, each participant’s credit report was evaluated by experts to determine the potential ability to benefit from the tradeline. The participants who were eligible for tradelines were then assigned a tradeline that would be maximally beneficial to the participants. For example, participants who struggled with high utilization were assigned tradelines of higher limits to negate that negative factor. Similarly, a participant with no credit history was given a tradeline with higher age to improve the average age of accounts.

Once the tradeline(s) had been assigned, the impact was analyzed in terms of age and limit of the tradeline, and the number of tradelines added. This study examined the credit scores of 1250 individuals who added authorized user tradelines to their credit report to determine how much the tradeline affected their credit score. All evidence, consisting of research, tests, and analyses, has been conducted and evaluated objectively by qualified persons and is generally accepted in the profession to yield accurate and reliable results. This study is sufficient in quality

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and quantity based on the standard generally accepted in the relevant scientific fields when considering the entire body of relevant and reliable scientific evidence to substantiate that the representation is accurate.

The study has shown that the addition of authorized user tradelines to a credit report can improve the credit score. Adding seasoned tradelines in good standing can help improve the payment history, age of accounts, and credit utilization for an individual. Improving these factors could result in an improvement in the credit score, which is heavily based upon these factors. This study analyzes the credit reports and scores of 1250 individuals that purchased authorized user tradelines through Superior Tradelines LLC over the last three years. All tradelines that were included in this study had to meet the following requirements: no late payments, utilization below 20%, regular usage, and they were from well-known banks. The tradelines varied in age from 1-21 years old and varied in the limit from \$1,350-\$50,000.

At the start of the study, all participants provided their credit reports and credit scores before adding the tradelines. After the tradeline(s) appeared on their credit reports, their updated credit scores and reports were collected again to analyze the differences. The following data was collected for each participant: the credit score for each bureau before tradeline(s), the credit score for each bureau after the addition of the tradeline(s), the limit of the tradeline(s), the age of the tradeline(s), the age of the participant, the state that the participant lives in, the other accounts on the credit report, and the gender of the participant. If there was a decrease in a credit score or no increase in the score, the credit reports were analyzed to determine what factors could negate the tradeline's contribution. Additionally, the source of the credit score was noted: most credit scores came from Experian.com and CreditKarma.com. The credit scores of the participants prior to the addition of the tradeline were recorded within 45 days of the tradeline reporting. This short timeframe limited the impact of factors other than the tradeline.

All of this information was then analyzed to determine each participant's score change for each of the three bureaus. The reason this study separates data from each bureau is that each bureau reports different data and factors tradelines into the score in different ways. Ideally, each bureau would report the same information, but since that is not always the case, the data from the three bureaus needed to be kept separate. Since the authorized user tradelines interact with what

is on the credit report to determine the score, combining sources with different data on the reports would result in inaccurate results from our analyses. Additionally, some lenders use a specific bureau when approving loans, so the data for all three bureaus were kept separate to reflect the increase that a lender may see through a particular source.

Some of the participants used different sources for their pre-tradeline credit scores than for the post-tradeline credit scores. Various sources use other scoring models, so the credit scores provided by two different sources could be different, even if the credit report's information is the same. For this reason, these scores were not included in the analysis. When participants had no credit score, they were assigned the value of 0 to the bureau with no score. If the credit score for a specific bureau could not be confirmed, then that bureau was not factored into the analysis. Additionally, most of the participants underwent a credit report analysis that paired them with appropriate tradelines. Inappropriately paired tradelines can actually hurt your creditworthiness because they put you into higher brackets and lenders will scrutinize your reports further. Because of this, we must disclose that these results come from the addition of tradelines that are purposefully chosen for the individual and do not reflect the impact of inappropriately selected tradelines.

The analyses indicated that authorized user tradelines generally lead to an increase in the credit score. However, there were some cases in which the credit score did not improve or decreased between the collection of the two sets of credit scores. For these cases, the credit reports were analyzed to determine what other factors impacted the tradelines' effectiveness.

Results:

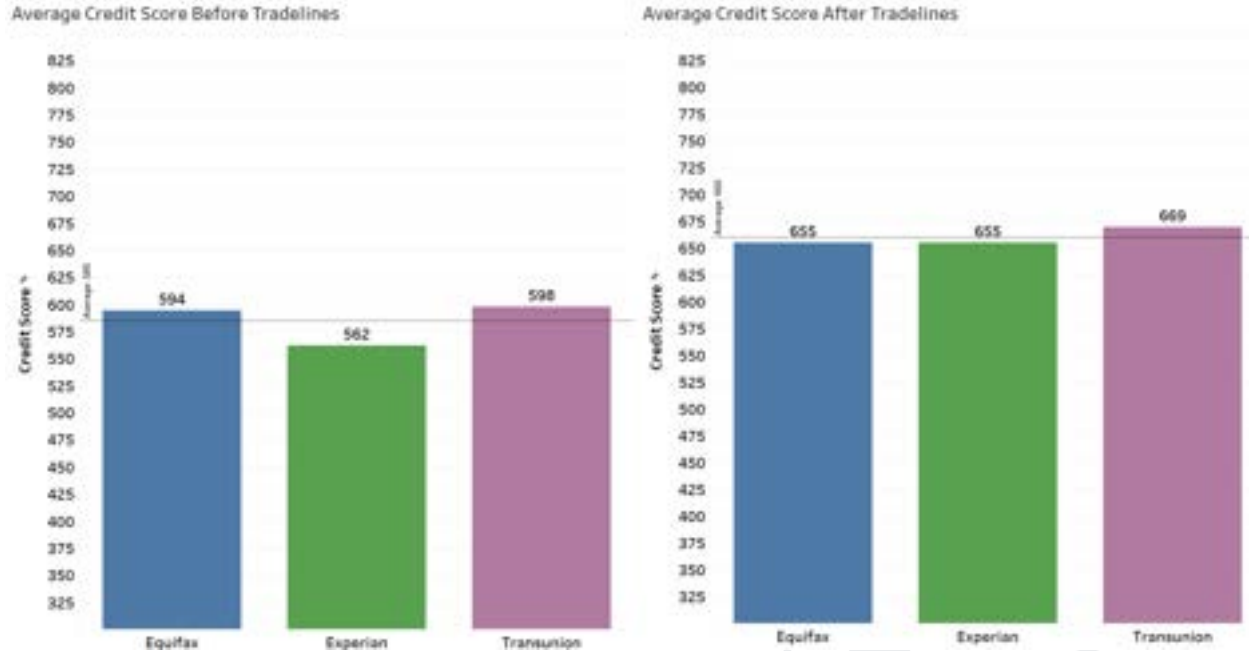
Analysis 1: General Findings

Data was collected from 1250 participants using the methods stated above. Once the data was obtained, the average credit score for each bureau was determined for the reports that came before the tradeline and the reports that came after the tradeline's addition. By comparing the average scores before and after the addition of the tradeline, it was found that the average change

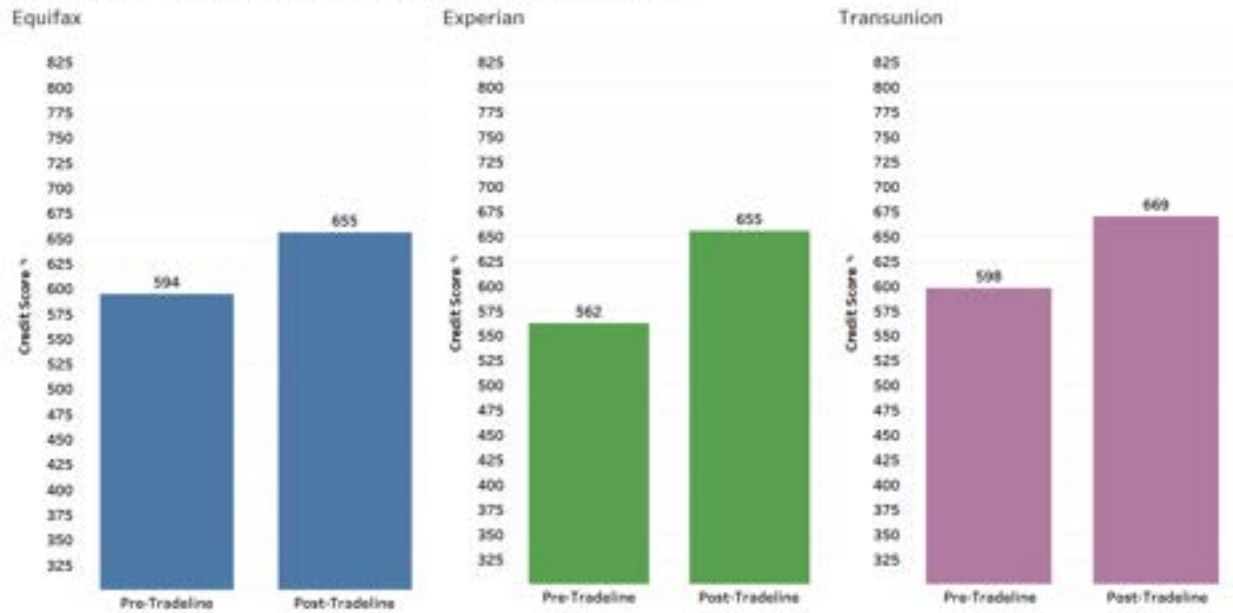
in credit scores was an increase of 93 points to Experian, a boost of 51 points to Equifax, and a rise of 71 points to TransUnion.

The before and after credit scores from each bureau were averaged, and it was found that the average credit score increase for each participant was 75 points across all three bureaus. This significant average increase in credit score implied that authorized user tradelines could drastically improve the authorized user's credit score and their creditworthiness. However, many factors go into this general average, which is explained in the subsequent analyses.

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Average Credit Score before and after the addition of a tradeline (by credit bureau)

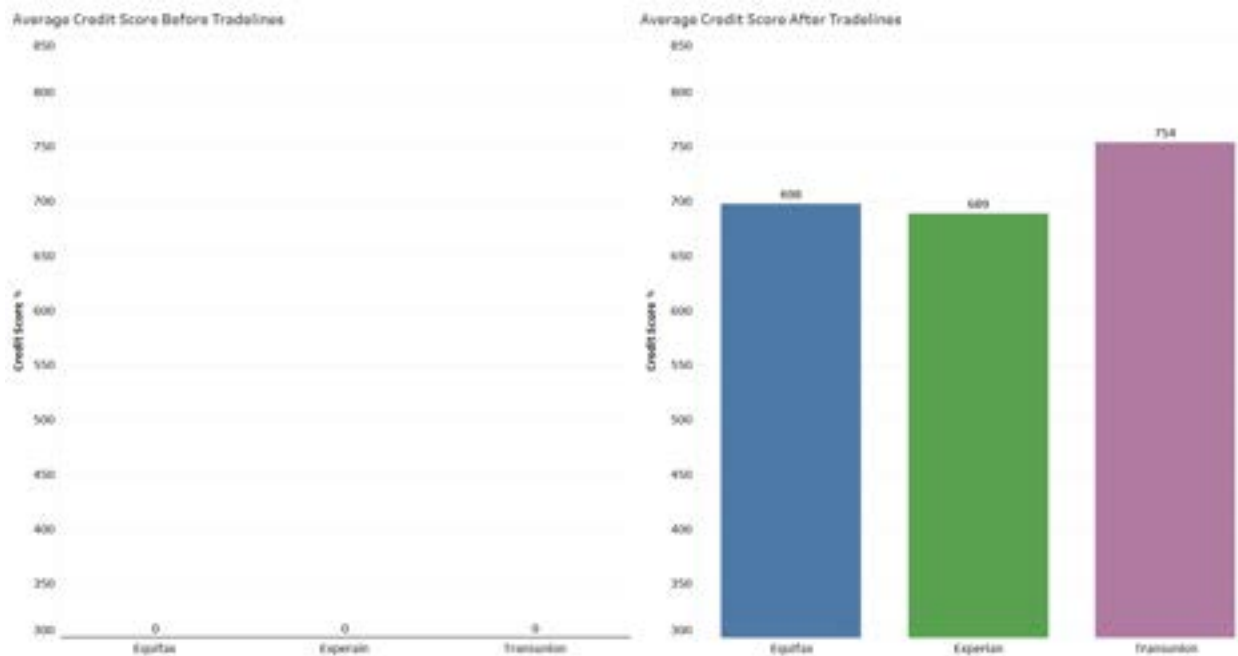


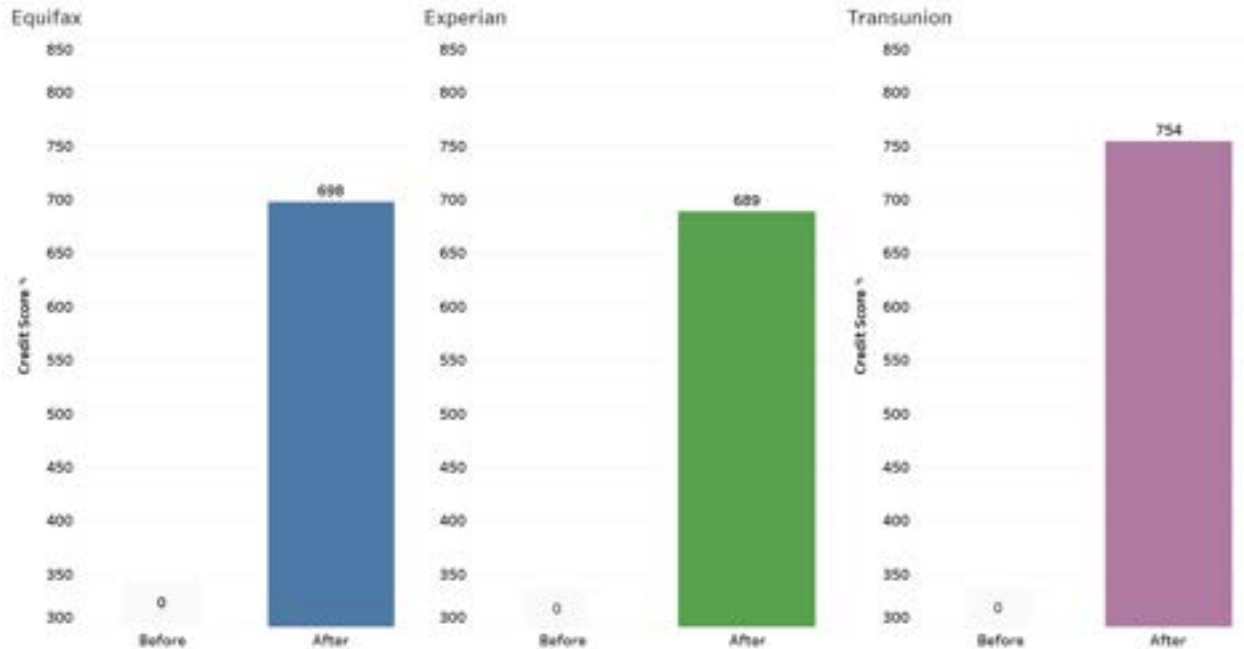
Analysis 2: Average Credit Score Change Given Little to No Credit

Thin or non-existent credit files typically cannot generate a credit score, so they were assigned zero value. Since the lowest FICO credit score possible is 300, any addition to the credit report would cause the credit score to rise hundreds of points. 123 participants had no credit score before adding the tradelines, which accounted for 9.8% of the study participants. Since this

situation occurs frequently, the credit scores were analyzed from the 123 participants who had no starting credit score separately from those who had credit scores. The addition of an authorized user tradeline to the credit report for participants with no pre-existing credit score resulted in an average increase in the credit score by 698 points for Equifax, 689 points for Experian, and 754 points for Transunion.

These results suggest that it can be highly beneficial for individuals with no credit score to be added as an authorized user to a tradeline. The individuals who had no credit score to start were intentionally separated from those who did have a credit score because authorized user tradelines tend to impact those who have a small credit file more significantly. Given that there is less information on the credit report for the credit score formula to include, adding a tradeline in good standing can dramatically improve multiple factors that influence the credit score. While there are fewer of these participants, there is a higher average score which inflated the results of Analysis 1. These findings are also in accordance with the results of the study by the Federal Reserve (2).





Analysis 3: Average Increase Given Some Credit to Start with

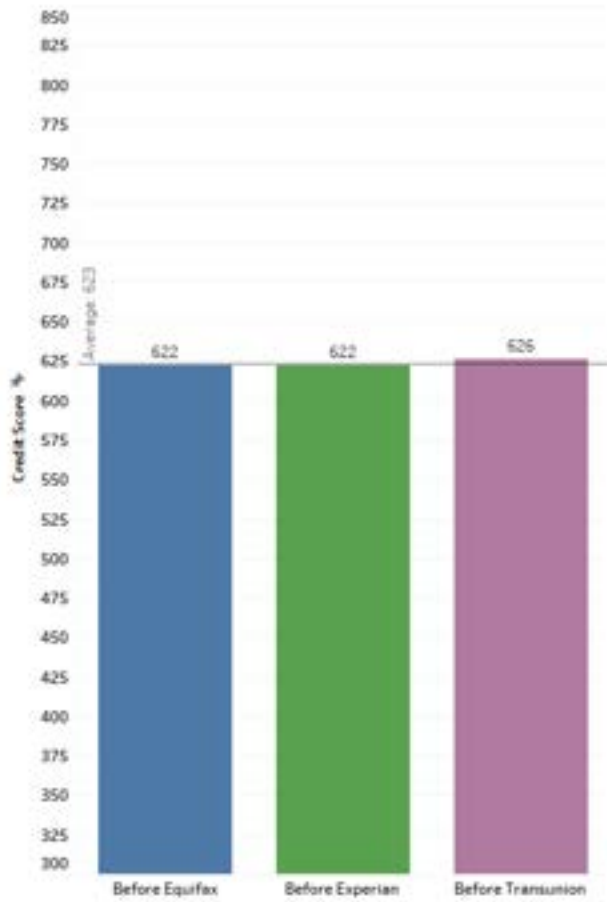
Analysis 3 studied the credit score change that resulted from the addition of authorized user tradelines for participants who had a credit score prior to the tradeline addition. 1127 participants were included in this analysis. When analyzing data from all sources, it was discovered that the average credit score change was 31 points for Equifax, 29 points for Experian, and 40 points for Transunion. The average change in credit score across all three bureaus was a 33-point increase.

This average increase is minor compared to the average score increases for those with no credit file to begin. Since 90.2% who were added to authorized user tradelines start with some credit score, this is a more appropriate figure to apply to most situations. There are many explanations why these participants saw significantly smaller increases in their scores. First and foremost, the lowest FICO score is 350, so if participants with no prior credit score received any increase in score, they would see at least 350 points, which is unrealistic for anyone who has a credit score of 500, given that the perfect FICO score is 850. Additionally, the tradelines added to their reports were no longer the only factor determining the credit score. Instead, they were

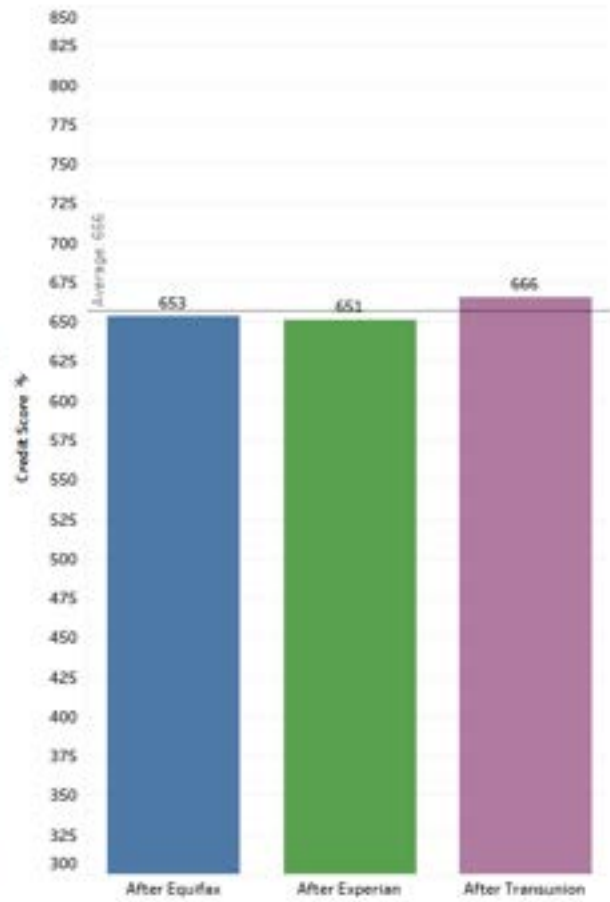
one or two among many accounts. Since each line of credit contributes to the credit score, having multiple accounts would lessen the impact of adding a tradeline. Finally, it was impossible to guarantee that each account on the participant's reports was in good standing. Only the authorized user tradelines added were guaranteed to be in good standing. Having recent negative factors, like late payments, high utilization, or collections, can seriously negate the benefit of adding a tradeline to a credit report. The participants who already had credit scores before the addition of the tradeline were significantly more likely to have negative factors on their reports, which could be why the average improvement in the credit score is limited here.

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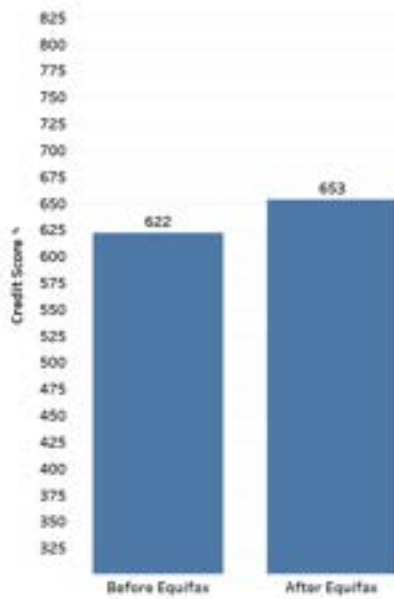
Before Tradelines were added



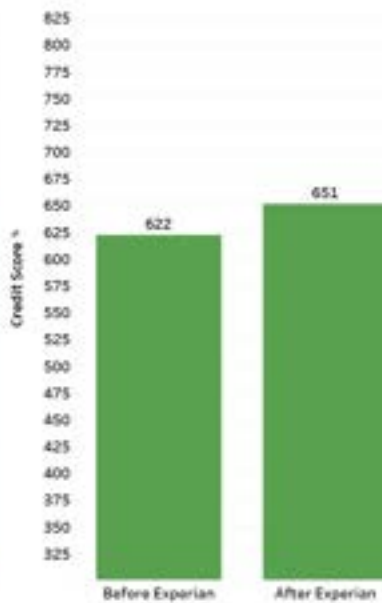
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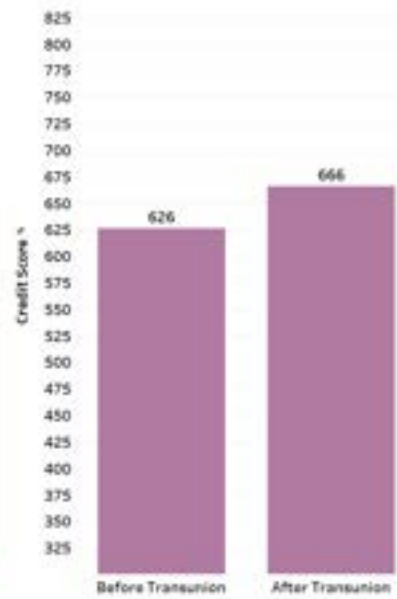
Equifax



Experian



Transunion



Analysis 4: Average Increase Per Line (1, 2, 3)

The number of tradelines added to an individual's credit reports can significantly impact the credit score change. More authorized user tradelines often result in a more expansive credit file, lower utilization, and an increase in the average age of accounts. Analysis 4 analyzed the score change of individuals who purchased one, two, and three tradelines to isolate this factor. The addition of more than three tradelines is complex and often full of misreporting issues, and it is rarely beneficial to an individual to add more than three lines to their credit file. Additionally, the presence of too many authorized user tradelines on a credit file can get the account flagged for authorized user abuse, in which case all authorized user accounts will be removed from the lender's analyses for creditworthiness. Because of this, participants were never added to more than three authorized user tradelines at one time.

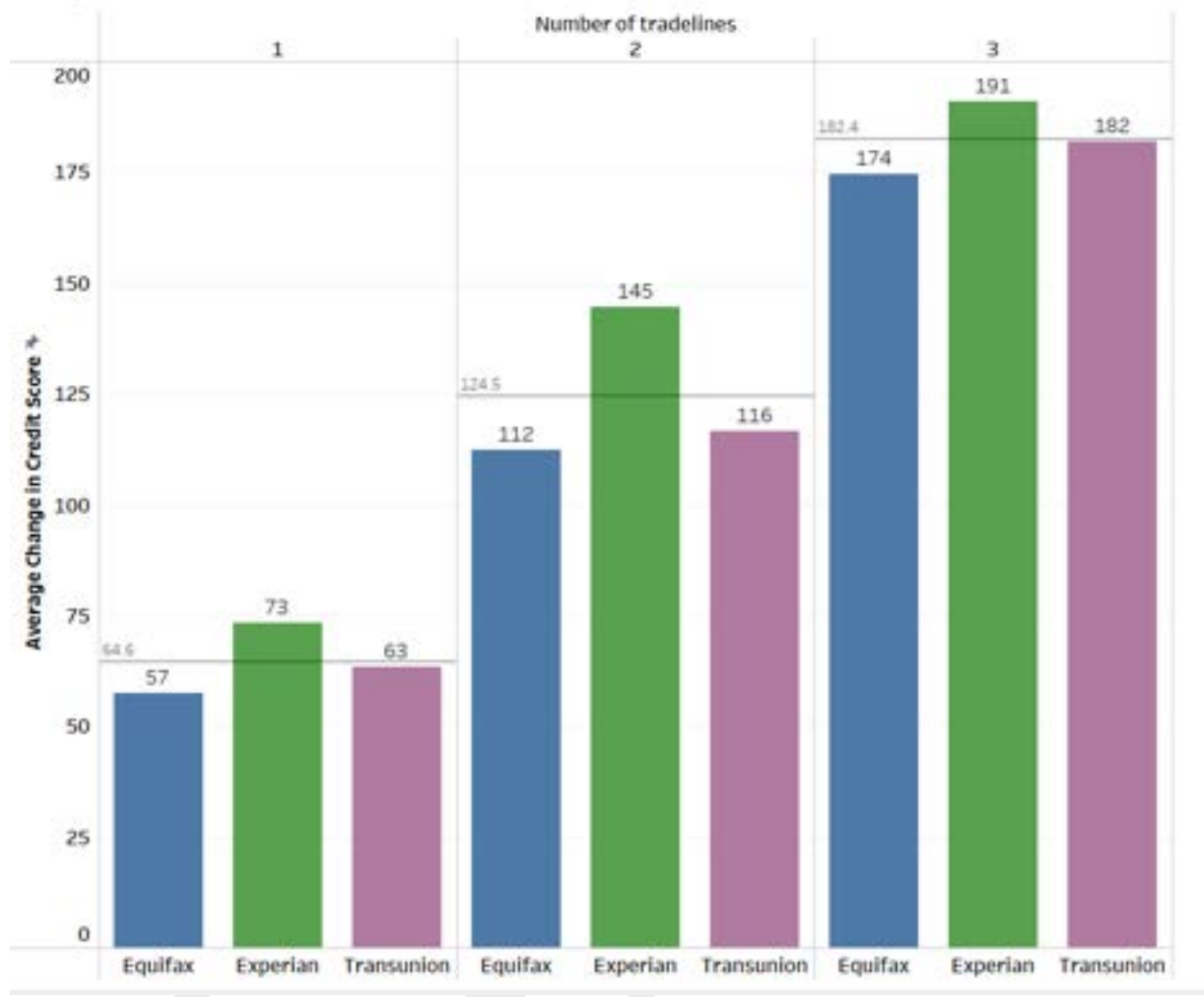
Analysis 4 found that adding one tradeline to an individual's file resulted in an average increase of 57 points to Equifax, 73 points to Experian, and 63 points to TransUnion. The addition of two authorized user tradelines resulted in an average 117-point increase to Equifax, 145 points increase to Experian, and 116-point increase to TransUnion. The average increase after three tradelines was 174-points for Equifax, 191-points for Experian, and the average increase for TransUnion was 182 points.

As you can see from the first graph below, the addition of multiple tradelines can have beneficial effects. The average score increase for the addition of one tradeline was 65 points, two tradelines resulted in an increase of 125 points, and three tradelines resulted in an increase of 182 points. However, it is not a linear progression, and there are diminishing returns on the credit score due to the addition of multiple tradelines. While many people believe that more tradelines will always result in a higher score, it is essential to note that the quality, not the quantity of tradelines, is critical. Once again, the impact of the tradeline will depend substantially on the information that is already on the credit reports.

The second analysis we ran on this situation shows that individuals assigned one tradeline generally have the highest average starting credit score, followed by those who were given two tradelines, then by those who were assigned three tradelines. The higher the starting credit score,

the more difficult it is to improve the credit score drastically. Because the participants who ordered three tradelines started with a lower average credit score, they would have more room for improvement to hit the same score as those given one tradeline. This is one potential reason that the participants who ordered three tradelines saw a more significant increase than those who ordered two. Another explanation for this change is because of the credit report analysis that was run prior to the addition of tradelines. If a participant needed to address a particular problem, like high utilization, they were assigned more tradelines. It should be noted that three tradelines will not necessarily be the best option for all people at all times. Additionally, it should be noted that while the addition of multiple tradelines can be beneficial for some individuals, the ending credit score for all individuals was within 10 points for Equifax, within 32 points for Experian, and within 23 points for TransUnion, despite how many tradelines were ordered. This implies a theoretical cap on the benefit that the tradelines can provide to a credit score. Because of this, an individual's specific situation should be considered when determining how many tradelines to add to their credit report.

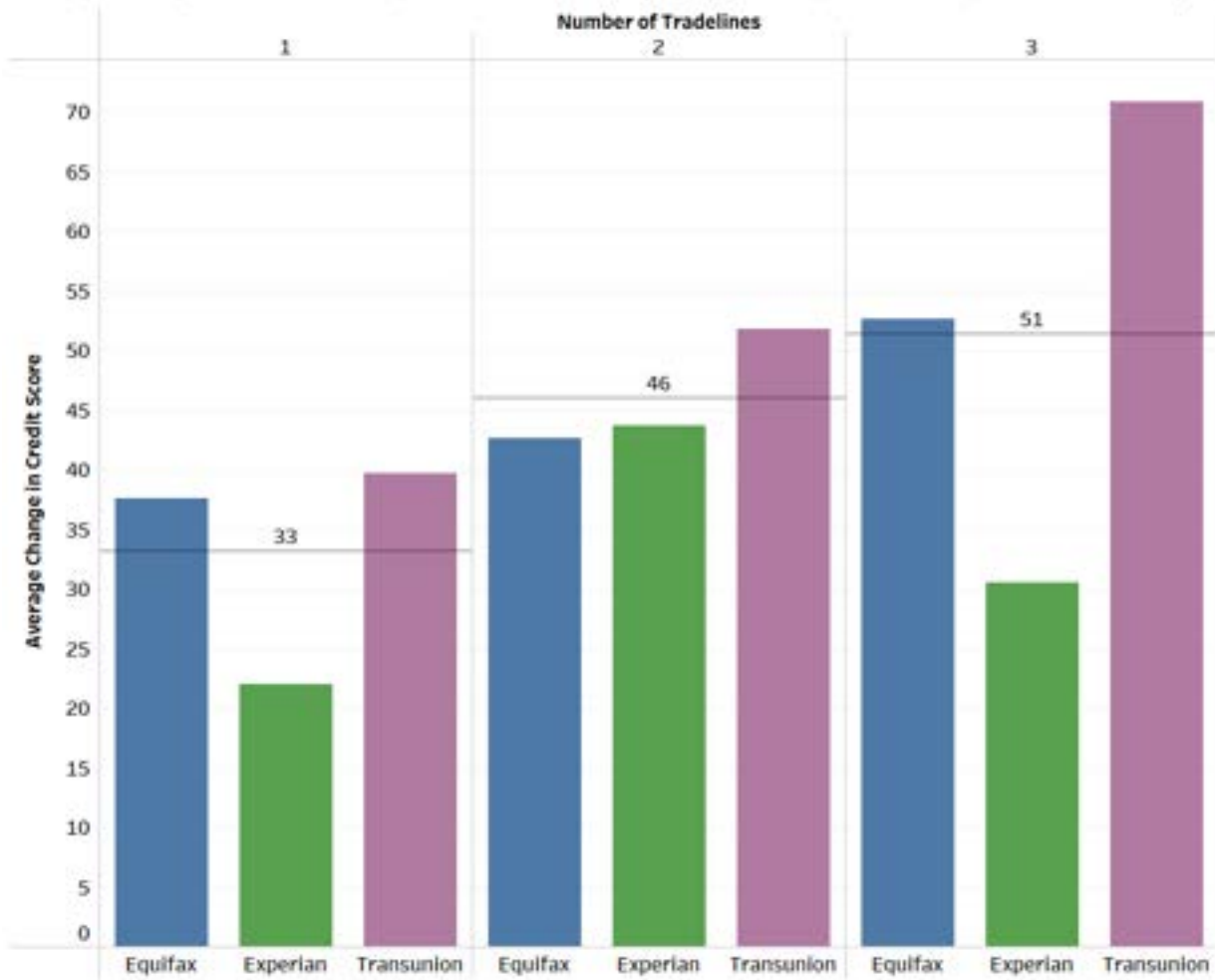
Change in Credit Score Per Tradeline Added



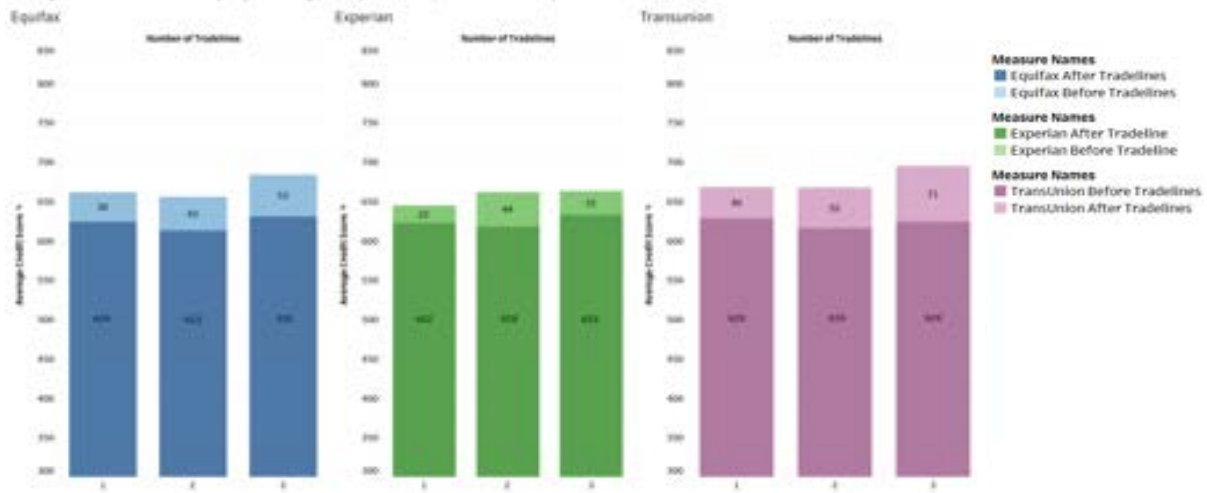
Due to the significant difference between individuals with credit scores prior to the addition of the tradelines and those without pre-existing credit scores, we analyzed those with starting credit scores separately from those without. We found that for those with prior credit scores, an addition of one tradeline resulted in an average increase of 33 points, two tradelines resulted in an average increase of 46 points, and three tradelines resulted in an average increase of 51 points. The diminishing returns for the credit score based on the number of tradelines is still evident in this analysis. Similarly, the average increase in the credit scores remained within 30 points, regardless of the number of tradelines added. This is similar to what we found in the analysis with all participants, though the change in score was significantly lower.

Interestingly, it can be seen that those who were added to three tradelines started with a higher credit score than those who were only added to two, which is different from what we saw in the previous analysis. This is likely due to the fact that individuals with starting credit scores had specific areas that they were trying to target with tradelines, like average age of accounts or utilization. These specific areas have varying levels of impact on the credit score, so the area that was addressed may not have as much of an impact on the credit score, leading to a higher starting score. It is also possible that individuals who ordered two tradelines specifically requested to have two tradelines added against our recommendations. Some individuals believe that they know what will help their credit the best, so they push for more tradelines, even if it is unnecessary. We saw this with multiple clients. It should also be noted that, on average, three tradelines still had the largest impact on credit score, but only barely. Finally, it is important to note that each bureau factors the authorized user tradelines in differently. While the bureaus reported the same information about the tradeline, each bureau likely factored the tradelines into their credit score in different ways, which would lead to each bureau having a different credit score after the tradeline reported.

Average Change in Credit Score by Number of Tradelines (only participants with a prior credit score)



Average Increase Per Tradeline (Only including participants with prior credit scores)



Analysis 5: Average distribution of FICO Scores

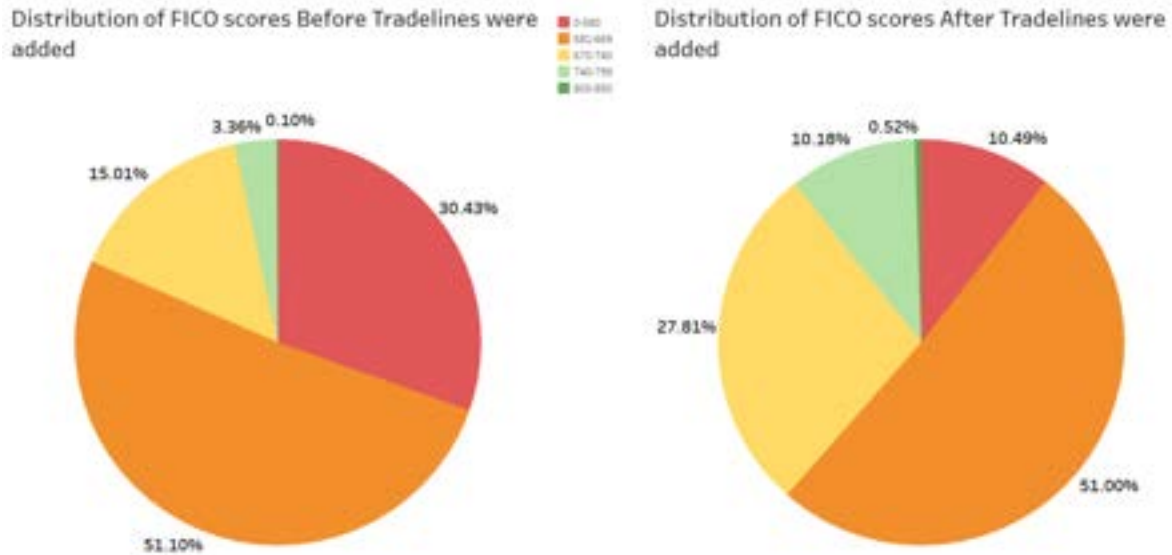
Most individuals do not need to get a specific credit score when moving forward with their financial goals. Instead, they need to fit into a general score range. FICO scores have five range categories. A Credit score lower than 580 is considered a “poor” score, from 581-669 is a “fair” score, 670-739 is a “good” score, 740-799 is a “very good” score, and 799+ is considered an “exceptional” score. The distribution both before and after the tradelines were added to their reports were recorded and analyzed. Many lenders average the credit scores from all three bureaus to determine the score range in which the participant’s score falls. This was emulated by comparing the average of the before and after scores for all bureaus together.

It was found that most participants started the study in the lower categories with 30.43% in the “poor” score category, 51.10% in the “fair” score category, 15.01% in the “good” score category, 3.36% were in the “very good” category, and 0.10% were in the “excellent” category. After the addition of the tradeline, most participants were in the middle to upper credit score ranges. Only 10.49% of participants remained in the “poor” credit score category, 51.00% were in the “fair” credit score category, 27.81% were in the “good” category, 10.18% were in the “very good” category, and 0.52% were in the “excellent” category.

This analysis shows that roughly 20% of the individuals with poor credit scores improved their credit score by adding authorized user tradelines. Additionally, the proportion of participants who had great or excellent credit scores increased from 3.46% to 10.70%. The percentage of participants with “poor” or “fair” credit decreased from 81.52% to 61.49%. Said another way, the size of the 670-740 tier almost doubled after the addition of tradelines, while the 740-799 tier almost tripled, while the below 580 tier has shrunk to a third its original size. This indicates that tradelines are helpful at improving your credit score enough to get into different scoring tiers.

Fitting into a higher credit score category can have many benefits on achieving lending. Higher rates of approval, larger limits granted, and lower interest rates are just a few reasons people try to improve their credit score before applying for funding. This finding implies that the

number of participants who qualified for higher credit score brackets increased after the addition of tradelines.



Analysis 6: Average increase based on limit

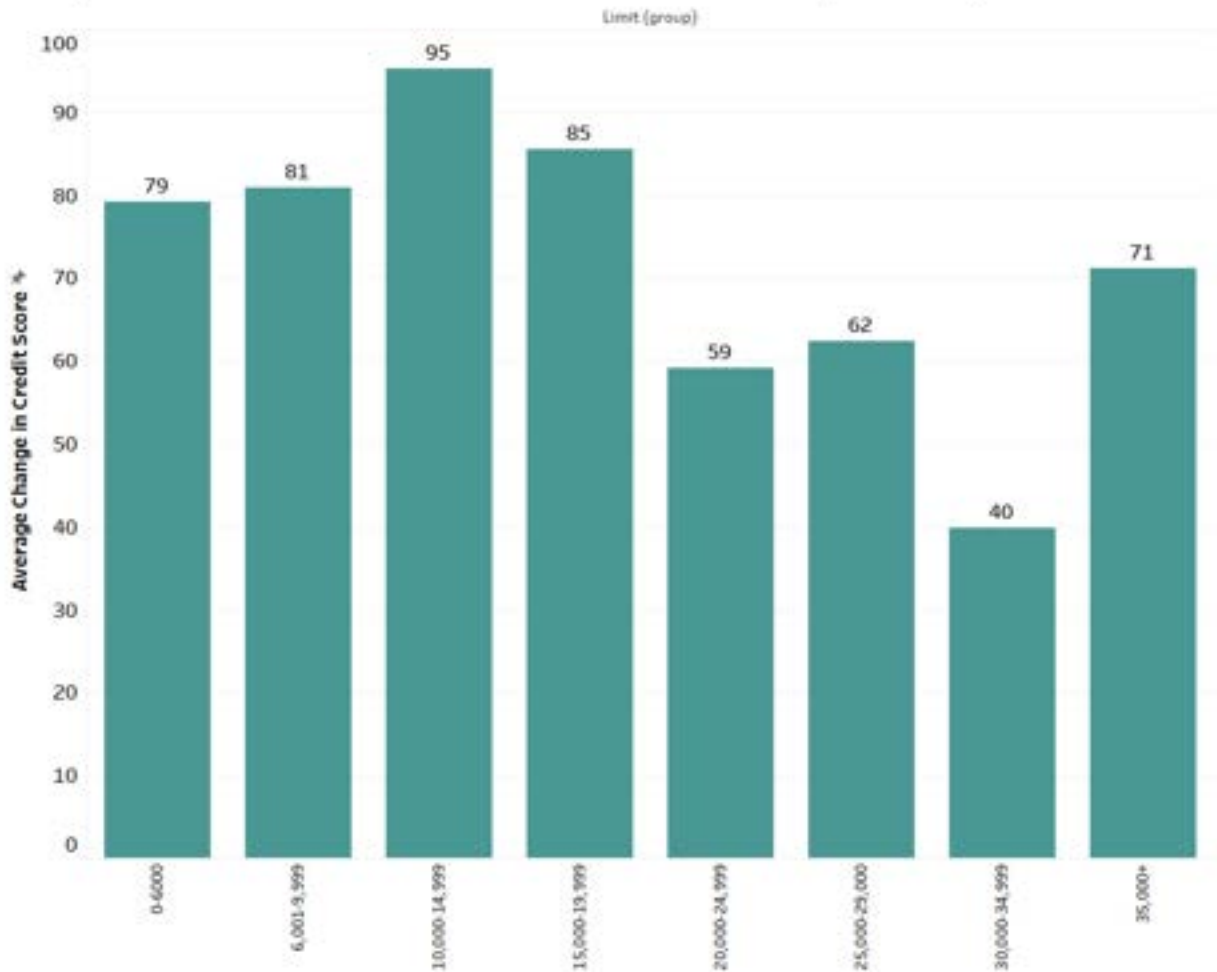
Many individuals who want authorized user tradelines want to add the biggest tradeline possible, believing that this will result in the maximum increase of their credit score. The study looked at the average change in credit score based on the tradeline's limit added to their reports to analyze this mentality's truth. There were 8 categories of the size of the tradelines: from \$0-\$6,000, from \$6,001-\$9,999, from \$10,000-\$14,999, \$15,000-\$19,999, \$20,000-\$24,999, \$25,000-\$29,999, \$30,000-\$34,999, and \$35,000+. Because many factors influence the change in credit score, it can be tricky to isolate one feature. Only participants who ordered one tradeline were included in this portion of the study to account for this. This ensured that there was no need to account for the limits of multiple tradelines. 924 of the participants were included in this analysis.

When reviewing the data from all sources, it was found that the addition of tradelines with limits up to \$10,000-\$14,999 had the highest average credit score increase. This group was followed closely by tradelines with limits from \$15,000-\$19,999, with 95- and 85-point increases, respectively. The next highest was \$6,001-\$9,999 with an increase of 81 points. The tradelines that typically resulted in the smallest increase were tradelines with limits from \$30,000-\$34,999, which resulted in an average increase of 40 points, followed by tradelines with limits from \$20,000-\$29,000. This is contrary to the popular belief that the larger tradelines always result in the largest increase in credit score.

These results are significant because they contradict the hypothesized outcome that a larger limit tradeline always has a more substantial contribution to the credit score than a smaller limit tradeline. The study indicates that while larger limit tradelines added to someone's credit report can have material impacts on the credit score, this is not always the case. Since many factors contribute to a credit score, it is important to fully consider all aspects of a tradeline when adding a tradeline to your reports, not just the tradeline limit.

It is important to note that the limit is not the only factor that impacts the score, so the change to the credit score is not solely due to the limit of the line that is added. While it is an essential factor, it cannot be thoroughly analyzed independent of the age of tradeline that is added. Finally, it should be noted that high limit tradelines were selected for a specific reason - primarily to counteract high utilization. These individuals likely started with lower credit scores and had more obstacles to overcome, which could be one reason why the credit score increase for those who were added to high limits lines was lower than those added to lower limit tradelines.

Change in Credit Score Points Based on Limit of Tradeline (in dollars)



Analysis 7: Average increase based on the age of tradeline

Another common belief is that the older the tradeline's age, the more significant the impact on the credit score. This is primarily because FICO strongly considers the average age of accounts on a credit report when determining a credit score. The tradeline's impact on the credit was analyzed based upon the tradeline's age to assess this belief. Because many factors influence the change in credit score, it can be tricky to isolate one feature. Only participants who ordered one tradeline were included in this portion of the study to account for this. This limited the need to account for the age of multiple tradelines. 924 participants were included in this analysis.

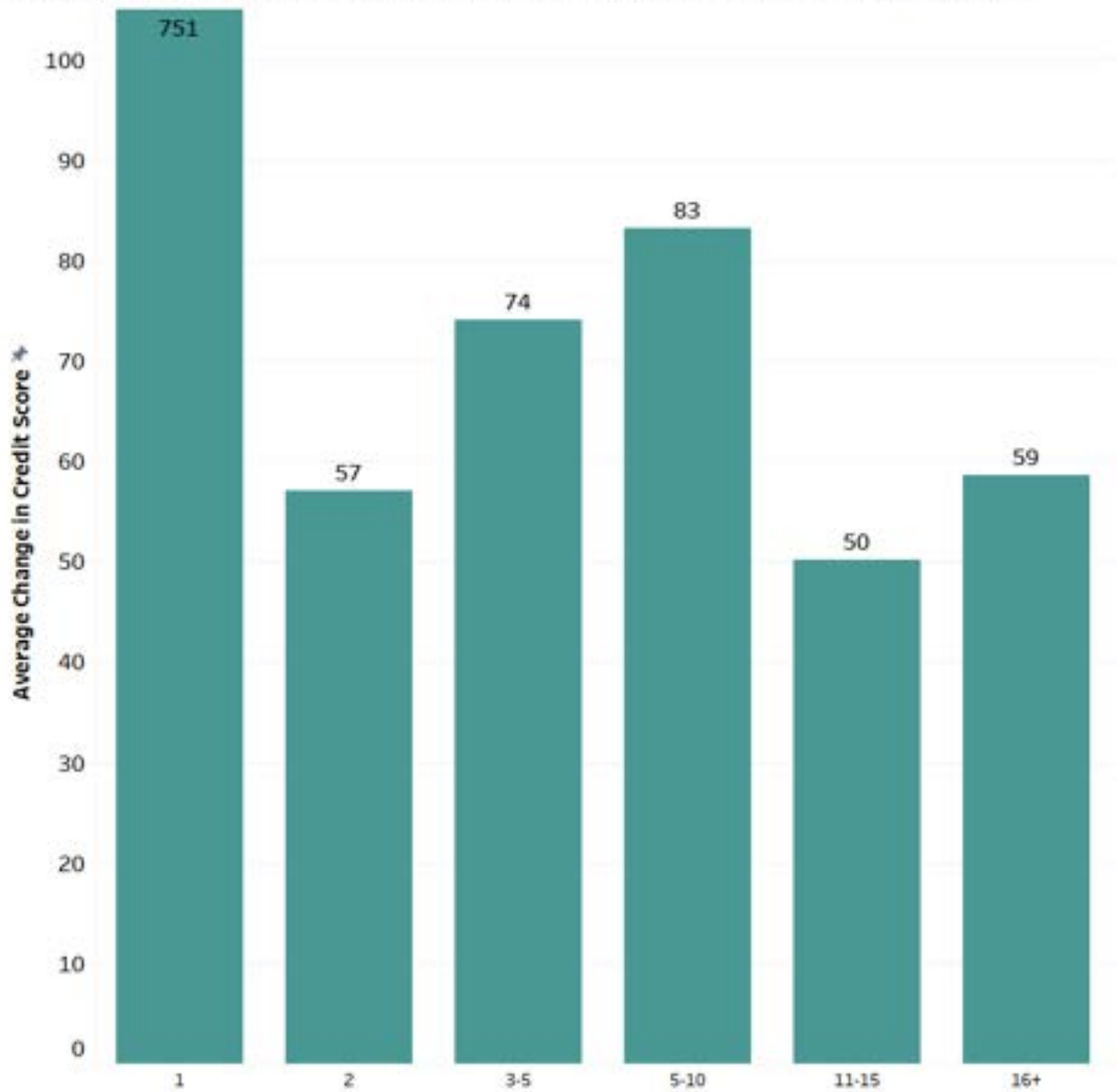
The average change in credit score was analyzed based on the tradeline age added. There were six age ranges specified in this study: 0-1 years, 2 years, 3-5 years, 6-10 years, 11-15 years,

and 16+ years. When reviewing data from all sources, it was found that the age range that resulted in the highest credit score increase was the 0-1 year old age range with an average increase of 751 points. This large increase was due to the fact that the participants that were added to tradelines with 0-1 years of history had no prior credit score, so they saw incredible increases in their score. The next highest increase in the credit score came from the tradelines with ages from 5-10 years old with an average increase of 83 points. Interestingly, the high age tradelines had some of the lowest impact on the credit score.

These results disagree with the hypothesis that the higher age tradelines would have the most significant impact on the credit score. The study indicates that higher age tradelines do not always have a more significant effect on the credit score than a younger tradeline. This finding is important because it implies that more factors than just the tradeline's age should be considered when determining which tradeline should be added to a credit report.

Once again, it is essential to note that the tradeline's age is not the only factor that impacts the score, so the change to the credit score is not solely due to the age of the tradeline that is added. While it is an essential factor, it cannot be thoroughly analyzed independently of the tradeline limit that is added.

Change in Credit Score Points Based on Age of Tradeline (in years)



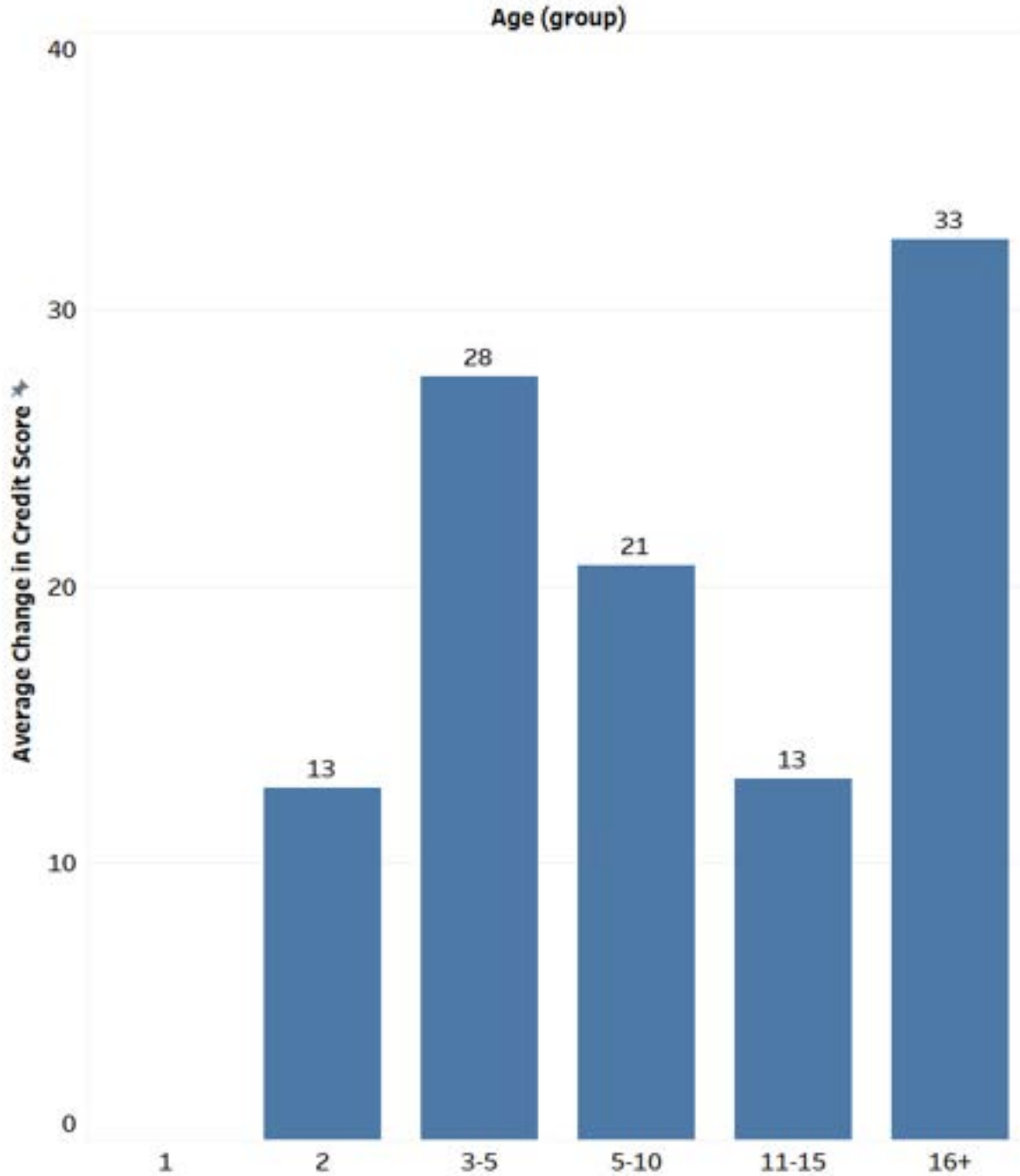
The information on credit reports greatly impacts the effectiveness on the tradeline. For this reason, we separated the participants that had prior credit scores from those that had no prior score and only analyzed those with a starting credit score.

When we rerun the analysis, we found that tradelines with 16+ years of age had the highest impact on credit scores. This implies that high age can be incredibly beneficial for individuals that already have a credit score due to the fact that high age tradelines will have the largest impact on the average age of accounts. However, the group with the next highest impact

on credit score were tradelines with 3-5 years of age. This implies that while high age can be beneficial, it is not always the right solution for everyone. There were no participants that were added to tradelines with 1 year of history that already had a credit score, which is why there is no data in that column. Adding a tradeline with limited history to those who already have a credit file will decrease the average age of accounts, so these tradelines were not selected for those with prior credit score.

Draft

Average Change in Credit Score (by age of tradeline)



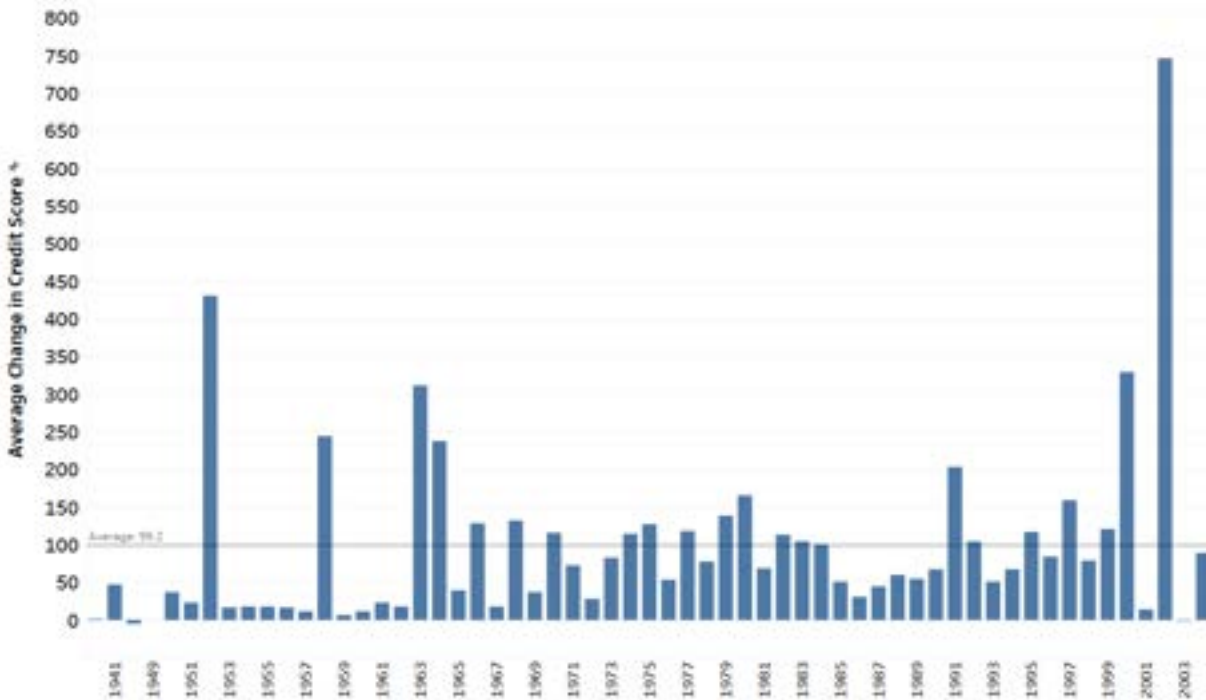
Analysis 8: Change based upon the age of individual:

The study included participants that ranged in age from 18-74 years old. The average change in credit score was analyzed based upon the participant's age to determine if age had any

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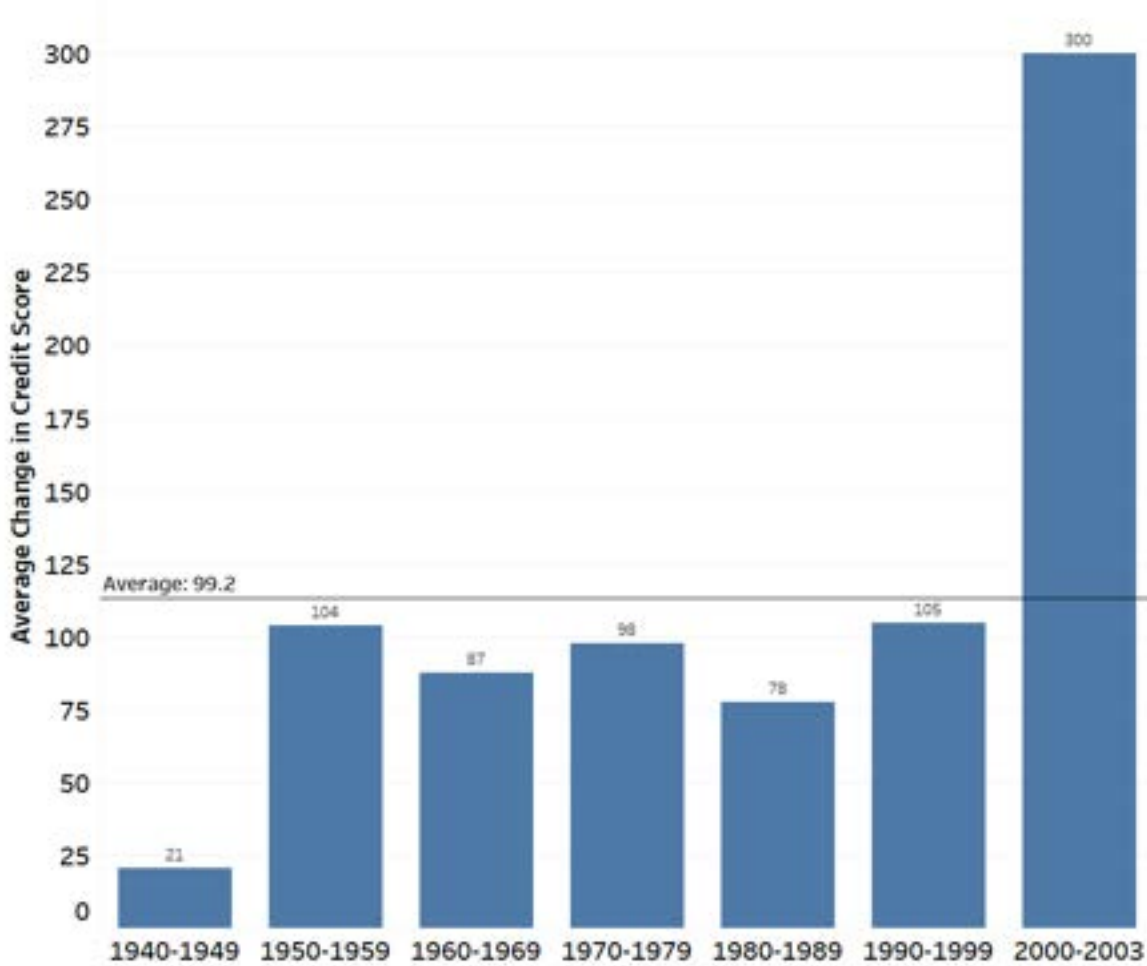
impact on the change experienced from the addition of the tradeline. It was found that the average increase in the credit score was roughly 99 points. These results indicate that authorized user tradelines can be beneficial to individuals of all ages.

Average Credit Score Increase by Birth Year of Participant



We then rearranged this data by decade. As shown by the group born after 2000, younger individuals tended to see significantly larger increases in their credit score. This is likely due to the fact that they had little information on their credit file, so the tradelines were able to help improve their score a lot by adding positive payment history and improving the average age of their accounts. The average improvement in credit score for those born before 2000 was an 82-point increase. While the size of one's credit file is not directly based upon age, those who are older tend to have more payment history and higher average age of accounts. In short, younger individuals tend to have more to gain from adding tradelines because their credit file is smaller, thus any change has a large impact. Individuals with more information on their credit reports tend to see less impact because the tradeline is one of many accounts, so it is not weighed as heavily in the credit score. Additionally, individuals with pre-existing credit might have pre-existing negative items that limit the benefit of the tradeline.

Birth Year of Participant (by Decade)



Analysis 9: Why a Decrease in Score?

Credit scores are based upon five primary factors from the credit report. While adding authorized user tradelines can be beneficial for most people, they do not always result in notable changes to the credit score. For participants with little to no change in the credit score or those who experienced a decrease in the credit score, the credit reports were reviewed to determine why the score did not change or why it decreased. Roughly 10.7% of the individuals in this study experienced a decrease in credit score.

The primary reasons that participants had no improvement in the credit score or had a decrease score were as follows: increased utilization of accounts, new collections were placed on the report, recent late payments, the addition of new inquiries, and the opening of new accounts.

The following chart shows the distribution of which factors were most prevalent when participants did not experience an increase in the credit score.

Given that the credit scores heavily factor in the accounts' utilization, an increase in utilization can dramatically, and negatively, impact the credit score. Since the participants were able to use their accounts throughout the study, this was the most prevalent factor that inhibited the participants from improving their credit score. Increased utilization accounted for almost a third of individuals that didn't experience a positive change in their credit score. Tradelines can help counter the high utilization, but this fix is temporary and the high utilization is the quickest way to decrease your credit score once the tradelines are removed from your report.

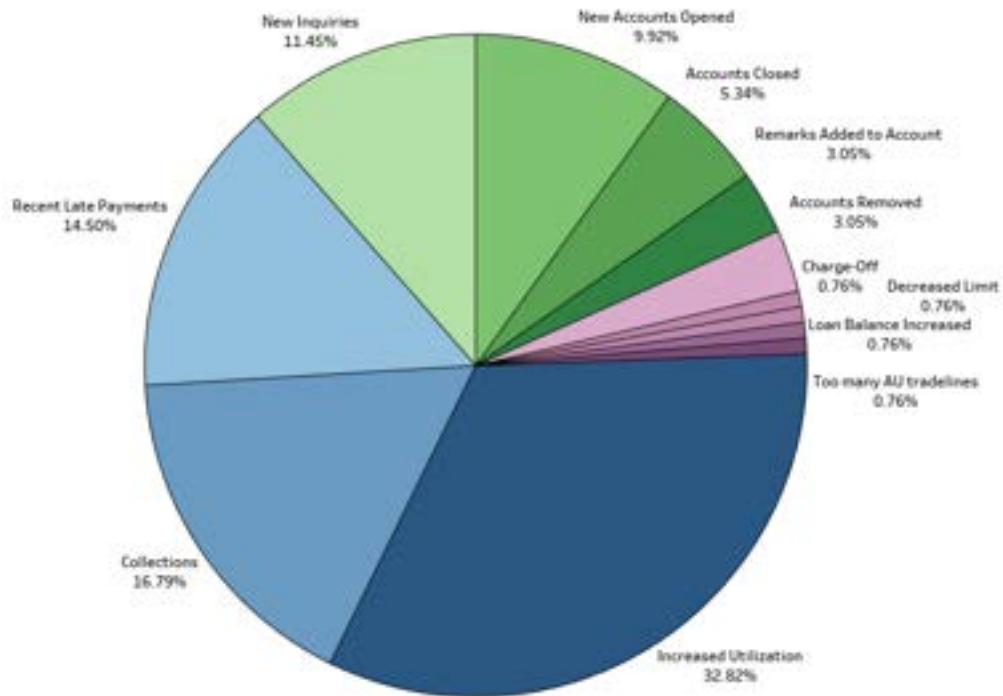
Following that, new collections were another factor that was quite common among individuals whose credit scores did not improve. Recent negative data, whether that is new collections or late payments, is weighed very heavily in your credit score. This accounted for about an eighth of the participants in this group. The third most prevalent negative factor that was observed was the presence of new late payments. Payment history is another factor that is heavily involved in determining the credit score, so a decrease in the payment history can significantly hurt the credit score. The more recent the late payment, the more it impacts your credit score.

There were many other factors that also inhibited the tradeline from having a positive impact on the credit file. The addition of inquiries and the opening of new accounts accounted for a combined 20% of individuals with no credit score increase. Inquiries decrease your credit score initially, but do not necessarily impact your creditworthiness, unless you have an abundance of recent inquiries, which indicates that you are seeking a lot of credit and may be a higher risk candidate to a lender. New accounts typically decrease the average age of your account, which is a large factor in your credit score. Closing accounts also has a similar effect when you close older accounts. Charge-offs, remarks, increased balance on loans all are negative items and if these are reported within the last 6 months, they can impact the effectiveness of tradelines.

Perhaps one of the most important things to note is that there were a few individuals who experienced a decrease in their credit score due to having too many tradelines. Adding too many

tradelines to your credit file can actually get your file flagged for authorized user abuse. If this happens, the authorized user tradelines will not be considered in your credit score or creditworthiness. If the tradelines were helping boost your credit score at one time, then they will not be factored in and your credit score could decrease. We recommend never adding more than three authorized user tradelines for this reason.

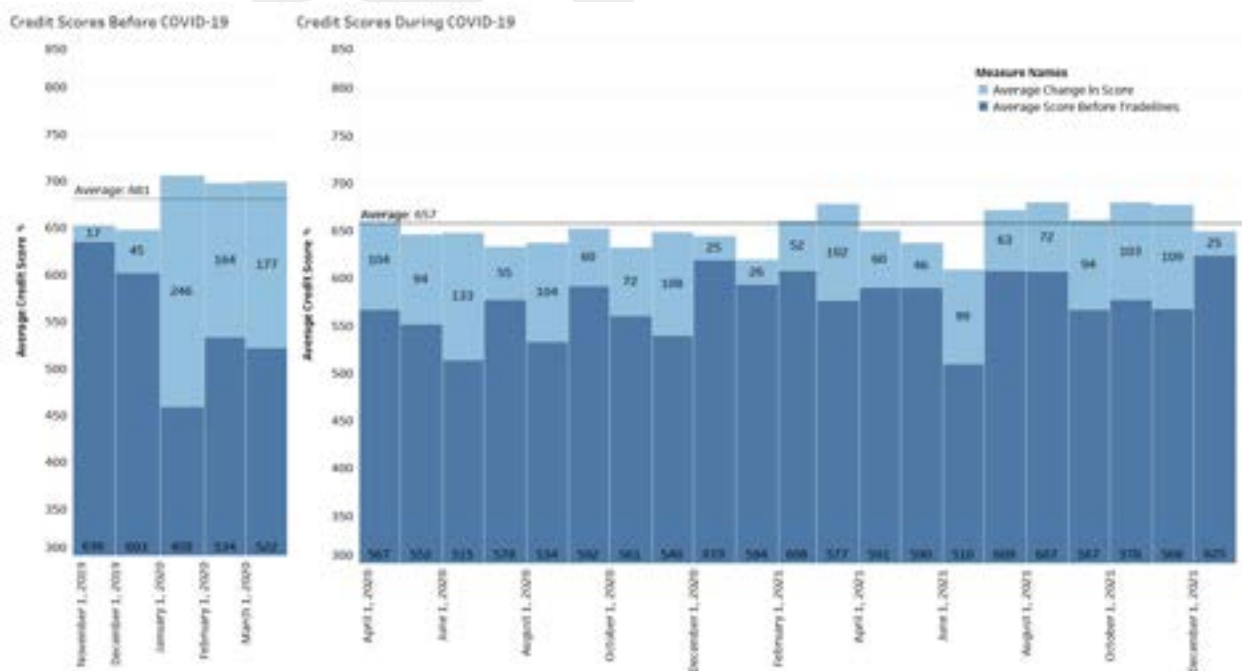
Negative Items Present on Credit Report That Lowered the Credit Score



Analysis 10: COVID-19 Analysis

2020 and 2021 were crazy years due to the COVID-19 pandemic. Businesses were closed and many people lost their jobs. Because of this, the government temporarily banned evictions and collections of payments for loans in some situations. We started collecting data at the end of 2019 and throughout the pandemic, so we analyzed to see if there have been any change in the effectiveness of tradelines over the past few years.

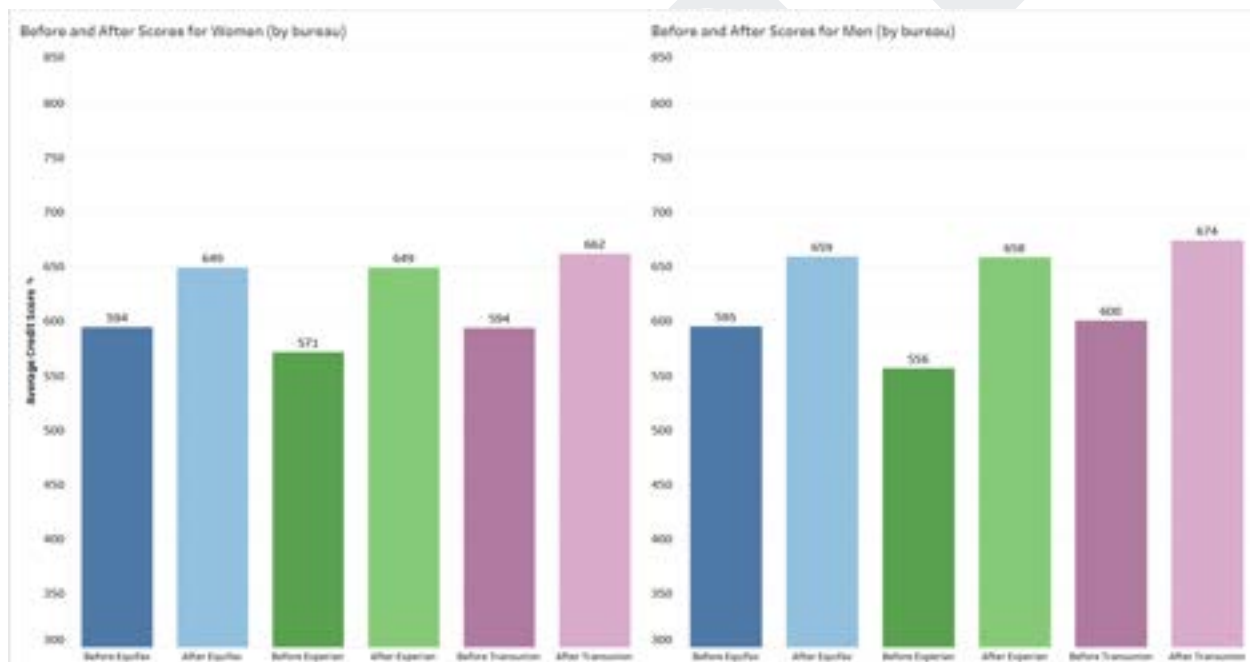
As shown below, the starting credit score for individuals after COVID-19 was announced is slightly higher than pre-COVID-19. However, the average credit score after the tradelines were added did decrease from 681 to 657. This 24 point difference could seem dramatic, but there are likely a lot of factors that went into this. First, we had significantly more data after COVID-19 was announced than we did from before. This could also be explained by the Autumn and Winter months of 2019 having uncharacteristically high average increases in the credit score. Additionally, the credit scoring models released a few different scoring changes over the course of this study. The online scoring models could have changed the weight that authorized user tradelines carry, limiting the impact they can have on the online credit score. Even if that is the case, it is still evident that authorized user tradelines can help improve your credit score after these scoring model changes.



Analysis 11: Gender

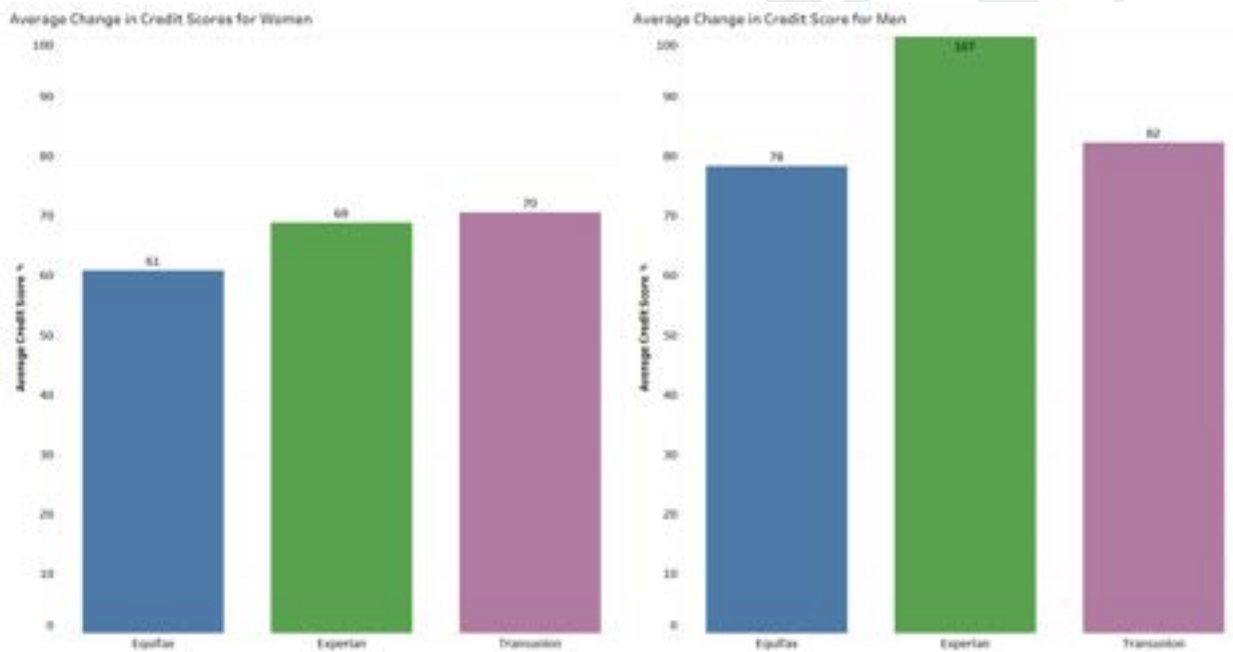
The consideration of authorized user tradelines in credit score found its origin from women who complained to the Federal Reserve Board that they could not get approved for new credit because joint accounts that were held in their husband's name were not considered when lenders reviewed their credit files. The Federal Reserve Board then took the view that "since some state laws hold one spouse liable for debts incurred by the other, a spouse should have the "benefit or burden" of the credit history of their spouse's accounts that they were authorized to use" (2). This applies both to joint accounts and to authorized user accounts.

In light of this, we studied the impact of the authorized user tradelines on men and women's accounts separately. We found that both men and women see a notable improvement in their credit scores after the addition of the tradeline. As shown in the diagram below, men and women both started in similar scoring tiers and ended in similar scoring tiers, on average.



However, we dug a little deeper to see what the average increase was for men compared to women. Women had an average increase in 67 points, while men saw an average increase in credit score of 89 points. While we do not have the reason for this difference, there are a few hypotheses. The first is that women were more likely to have authorized user accounts to begin with, so adding more accounts did not benefit them as much. This is

supported by the [study done by the Federal Reserve](#) that found that the “share of married women in the sample with authorized user tradelines was over 10 percentage points higher than the share of married men”. The second hypothesis is that “women are more than twice as likely as men to have authorized user tradelines constitute the majority of the tradelines on their reports” (2). Having too many authorized user tradelines can get your credit file flagged for authorized user abuse, and thus all authorized user tradelines are not factored into your credit score. Further, adding more than three tradelines was shown to have diminishing returned in Analysis 4. Thus adding more tradelines to a file that already had some might not have been as beneficial. To find the true cause of the difference in credit scores between men and women, further research must be done.

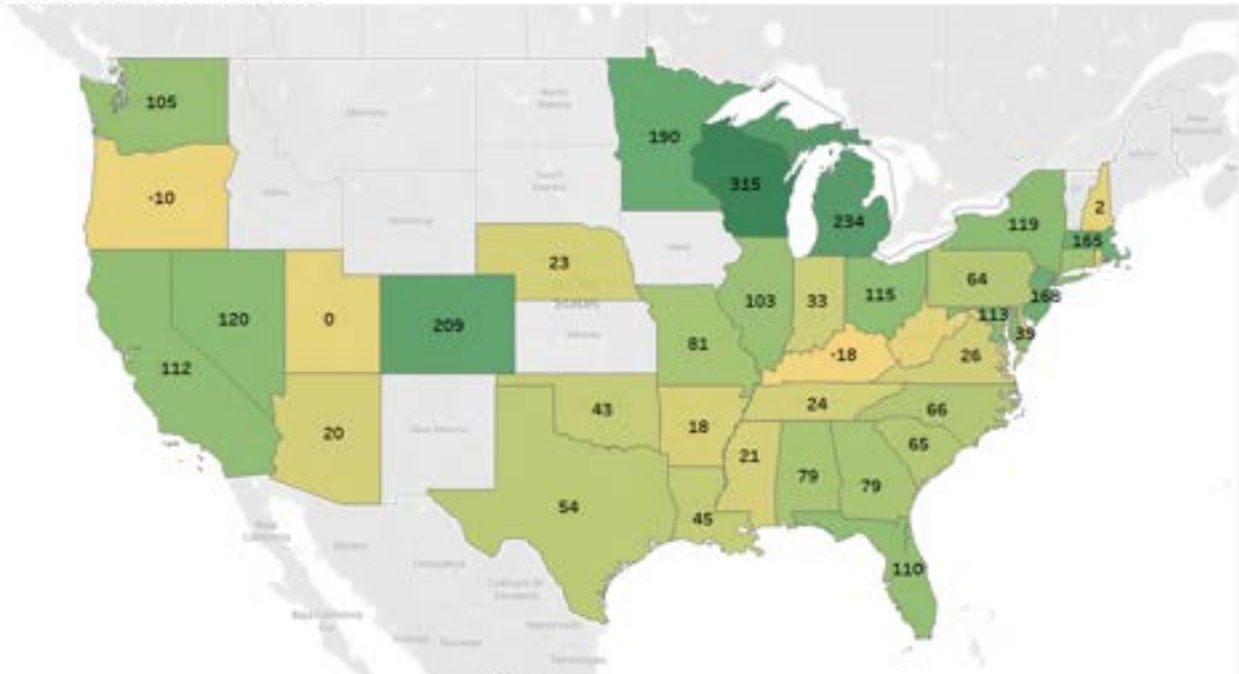


Analysis 12: Location

Different regions in the United States tend to have very different cultures and lifestyles. Spending, cost of living, house and auto prices, and local activities all impact one’s credit score. To determine if there was a correlation between the state that one lives in and the impact of the authorized user tradeline, we analyzed all participants based upon the state that they live in. The states that are grayed out indicate that we did not have any participants from those states.

In general, we found that there was no correlation between the state that an individual lives in and the improvement in their credit score due to authorized user tradelines. You can see a few states that had little improvement or actually experienced a decrease: Oregon, Utah, Kentucky, and New Hampshire. These states are scattered throughout the country, which implies that it was not the location that the participant's lived in that impacted their credit. More likely, it was the information that was already on their credit file.

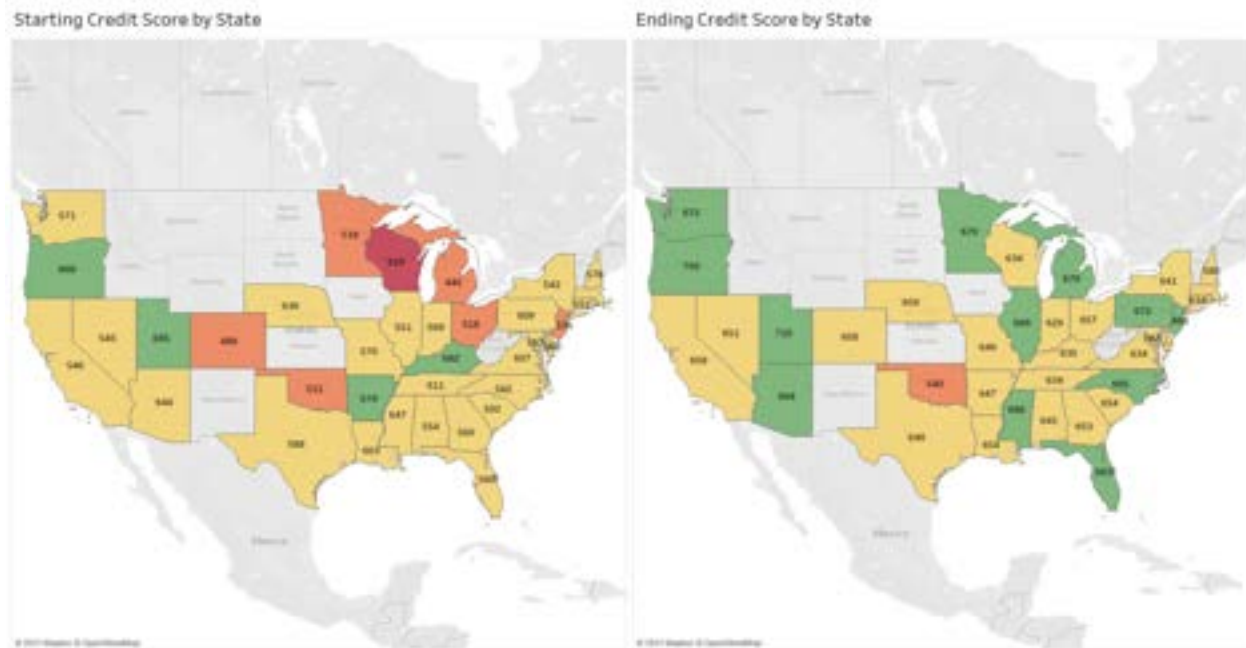
Average Change in Credzu Score



We also broke down the credit scores pre- and post-tradeline to see if the state had any impact. The colors indicate how credit worthy the participants were. Red indicates that the state had “poor” credit scores, followed by orange for “fair”. Yellow meant that they were in the “good” credit score range, while light green meant that they were in the “great” range. Dark green would imply that the average credit score for that state was “excellent”. As you can see from the graph below, the Great Lakes states started with the lowest credit scores, meaning that they would have the most to gain from adding tradelines. This explains why the average increase in score was highest for these states.

In general, you can see that the proportion of red/orange/yellow to green changed dramatically. There were no states that had “poor” average credit score after tradelines, and only one had “fair” the rest transitioned from orange to yellow, yellow to green, or stayed as well. There was no pattern that indicated that one region of the United States weighed tradelines

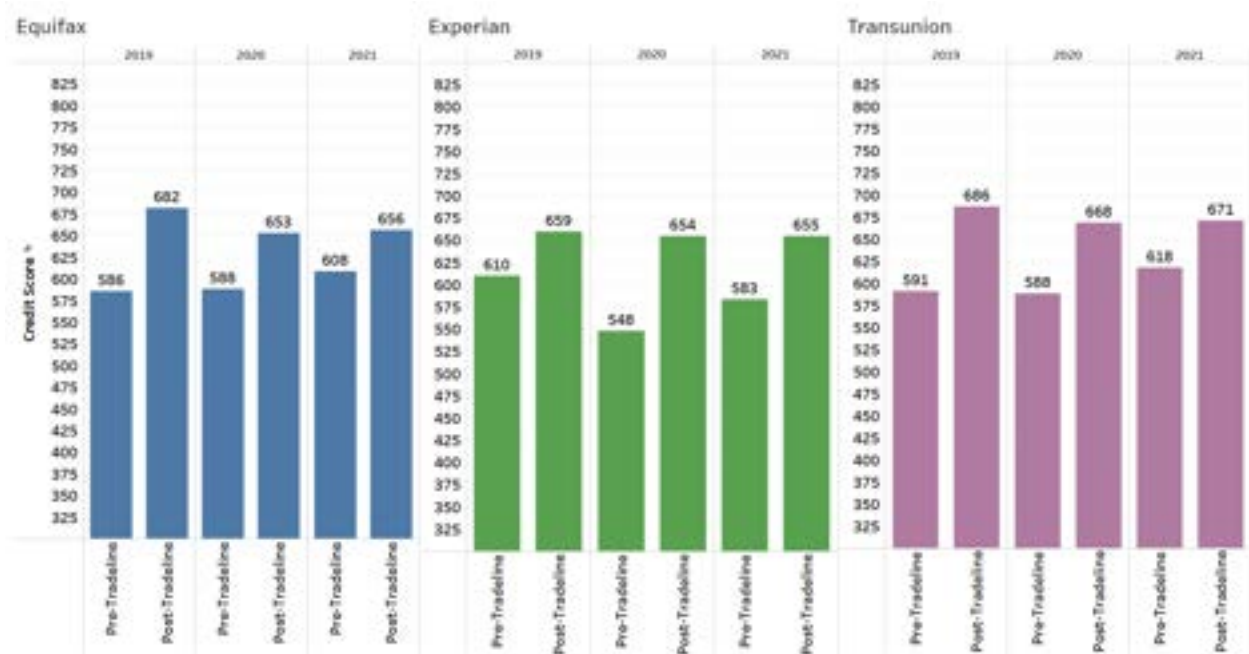
more heavily than another, which follows with the fact that the same credit scoring models are used by individuals in all states, rather than only applying to one or a couple states.



Analysis 13: Impact of Tradeline(s) by year

It is a common misconception that authorized user tradelines no longer work, or that they aren't considered in the updated FICO scoring model. To address this myth, we analyzed the data from over the last three years to find out if authorized user tradelines still impact credit scores even in 2021. We found that across all three bureaus, tradelines can still help improve your credit score by an average of 48 points for Equifax, 72 points for Experian, and 52 points for Transunion in 2021. Interestingly, we did see that the starting credit scores for all three bureaus in 2021 were higher than in previous years, which could be due to adjustments that scoring models made to account for the impact of COVID-19. Because the starting score was higher, the participants experienced less of a boost with the tradelines on average. However, this does not necessarily mean that tradelines are less effective, just that the participants had less room for improvement due to the higher starting credit score. It is also important to note that the average starting scores and average ending scores vary from bureau to bureau. This is because each bureau reports slightly different data. Since the tradeline interacts with the data

that is on the credit report, the impact of the tradeline, and thus the change in credit score, also varies between the bureaus.



Conclusion:

The addition of authorized user tradelines can be an effective way to improve a credit score. This effort tends to be particularly effective for individuals who have little to no credit history. For individuals with a starting credit score, authorized user tradelines can still be used to improve the credit score.

This study found that the average change in credit score for all 1250 participants was a 93-point increase to Experian, a 61-point increase to Equifax, and an 71-point increase to TransUnion. Such a significant increase in score was expected since many participants started with no credit score. These participants skewed the results to higher-than-normal means.

The average change in credit score across all three bureaus was a 714-point increase for participants who had no credit score. This supports our hypothesis because a jump from having no credit score (given a 0 score in this study) to even a bad score results in a 350-point increase since the lowest FICO score is 350. This finding is also in agreement with the study by the Federal Reserve (2). The average change in credit score across all three bureaus was a 33-point

increase for individuals who started the research with a credit score. This also makes sense because adding a tradeline to an existing score will dilute the impact since there are factors beyond just the tradeline taken into consideration when determining the score.

There was a positive correlation between the average increase in the credit score and the number of tradelines added to the credit file. This increase was not linear, which agreed with our hypothesis, but contradicted the common opinion that more tradelines will always improve credit score. Because the credit scores consider multiple factors, adding more tradelines can be beneficial, but will dilute each individual tradeline's impact. While this can still be beneficial overall, there are diminishing returns on each line. Thus, any tradeline beyond the third added to the credit report tends to be only marginally effective at improving the credit score, particularly for individuals who started the study with a credit score. Finally, the addition of too many authorized user tradelines can get a credit file flagged for authorized user abuse, after which the authorized user tradelines are no longer considered in determining creditworthiness.

During this study, there was a noticeable shift in the distribution of average FICO scores for each participant from the lower score categories to the middle and higher score categories. This agrees with our hypothesis that tradelines help improve credit scores in a practical way. This finding is also important because the score category that an individual is placed in impacts their interest rates and approval rates. Placement in a higher score category often results in lower interest rates and an increased likelihood of approval. Hence, the shift towards the higher groups implies that the tradelines can help the participants get approved for their financial goals or obtain better loan rates.

While it is commonly thought that tradelines with higher limits always have more significant impacts on the credit score, this was not what was observed in the study. While the tradelines with over \$35,000 had a significant average impact on the credit score, they were nowhere near the highest impact on average. The tradelines with the most impact with tradelines with limits from \$10,000-\$14,999, followed closely by \$15,000-\$19,999. These findings indicate that while the higher limit tradelines can be beneficial for some individuals, the limit is not the only factor that should be considered when selecting a tradeline. Additionally, there is no strong correlation between the size of the limit and the increase in the credit score. These findings also

indicate that choosing tradelines appropriate for your credit file could be more beneficial than choosing tradelines based on their limit. While there are situations where high limit lines are necessary, this is not the case for most individuals.

In a similar vein, it was hypothesized that the older the tradeline is, the more impact it would have on the credit score. This was also contrary to the results in the study. It was found that tradelines with 5-10 years of history had the highest average impact on the credit score. Interestingly, the highest age group had the third-lowest effect on the credit score, indicating that age is not the dominant factor in determining the tradeline's impact on the credit score. The tradelines with less than 1 year of age had a substantial impact on the credit score, but that is likely due to the fact that participants who were added to this tradeline had no pre-existing credit, so they had the most room for improvement in their score. Once again, this indicates that choosing tradelines that are appropriate for the credit file is incredibly important.

The impact of the tradeline for participants of varying ages was also analyzed. The study found a correlation between young participants and a large increase in their credit score due to the tradeline. Participants that were very young and had no credit file experienced the largest increase in credit score. This correlation was present for individuals with no pre-existing credit, but not for individuals who had pre-existing credit files. This implies that it is not the individual's age that matters, but rather the information on the individual's credit report that determines how much impact the tradelines have on the credit score.

Every situation in which the tradeline did not result in an increased credit score was analyzed. The tradeline is just one portion of the credit report, and there are many other factors on the report that can limit or negate the impact of the tradeline. The most common factors encountered when completing this study were increased utilization of the accounts, new collections, and new late payments. 35% of the FICO score is determined by the payment history and 30% by the utilization. Thus, it logically follows that poor payment history and high utilization can greatly impact credit score and inhibit the tradeline's positive effects. Our findings support this conclusion. Collections are also negative accounts that can hurt the credit score, which agrees that this was our second most common negative factor that inhibited the tradeline from providing benefits to the participant. Having recent negative information on the credit

report can seriously impede the tradeline from impacting the credit score. While these are the most common factors that inhibit the tradeline from providing benefits, it should be noted that only 10.7% of the participants in this study experienced no increase or a decrease in their credit score.

Over the last two years, our world has been turned upside down due to the COVID-19 pandemic. However, it seems that credit scores have benefitted from this and that individual's starting credit scores since the pandemic was announced have been higher on average than pre-COVID levels. However, the impact of the tradeline on the credit score was lower, leading to a lower average score after the addition of the tradelines. It is hypothesized that these results will return to normal in 2022 once the credit world reverts back to its original state.

When analyzed, it was found that both men and women experienced significant increases in their credit score, though men often experienced a larger increase in credit score than women did. However, even though the point value was higher for men, both men and women typically ended in the same credit-score tier, on average. Therefore, it can be deduced that the difference in credit score does not have a significant impact on acquisition of lending or lower interest rates.

The analysis of the average change in credit score by state did not yield substantial results, which indicated that the state that one resides in does not have a substantial impact on the credit score. However, the analysis did show that authorized user tradelines are an effective way at improving credit for individuals throughout the country.

Finally, we reviewed the average change in credit scores over the last three years to verify that tradelines still have an impact on credit scores. While individuals still see a notable increase in their credit score due to the addition of tradelines, the average increase in credit score has decreased over the last few years. This is likely due to the increased starting score that individuals are experiencing due to adjustments that the government has made during the COVID-19 pandemic. We anticipate that the starting credit score will decrease as agencies and lenders are able to collect debt again, and that authorized user tradelines will begin to have a larger impact on credit scores due to the decreased starting credit score in 2022 and going forward. This is due to the fact that mortgage and rental agencies are able to begin collecting their debts again in the coming months. We also expect to see a further decline in credit scores in

the summer of 2022, since lenders will be able to collect payments for student loans beginning on May 1. The delayed collection period has likely artificially increased the average credit score, so the restarting of collecting debts will likely be correlated with a decrease in credit score.

While this study found a correlation between the addition of authorized tradelines and an increase in the credit score, some caveats go along with this analysis. First, credit scores are constantly changing due to all the credit reports' factors and the ever-changing score models released by scoring companies like FICO. Because of this, isolating any one feature (age, limit, number of tradelines added, etc.) is next to impossible. There were correlations between the different aspects of the tradeline, but the relationship between the features analyzed and the change in the credit score should not be considered causative. Additionally, all of the seasoned tradelines used in this study are in good standing, meaning they have no late payments, consistent utilization of the account, and utilization below 30%. Since late payments and high utilization can have adverse effects on your credit report and credit score, it is crucial to only utilize tradelines in good standing to improve your credit score. This study did not analyze the impacts of tradelines that were not in good standing and cannot represent how tradelines with poor standing affect a credit score. Finally, all participants in this study were using their credit outside of our study. Since their credit was still being used, there were some uncontrollable changes in the reports that could factor into the credit score. The primary examples of these are the participant applying for new credit, making payments, or changing their credit utilization. These examples can alter the tradeline's impact on the credit score, either positively or negatively, depending on the situation. However, in general, it was found that authorized user tradelines can be used to substantially increase your credit score, if used correctly.

Sources:

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