

Will Google bring good fortune to Credit Karma?

March 12 2014, by Michael Liedtke



Google is betting that good things will happen to Credit Karma, an online service that provides consumers with free copies of the credit scores that define their financial reputations.

Credit Karma is getting Google Inc.'s endorsement and expertise as part of an \$85 million investment announced Wednesday.

About half of the money is coming from Google Capital, the Internet company's recently created vehicle for investing in maturing startups. The remaining funds are being provided by Tiger Global and two of Credit Karma's earlier investors—Ribbit Capital and Susquehanna

Growth Equity.

With the latest infusion, Credit Karma has now raised \$118.5 million since the San Francisco startup launched its service in 2008.

Credit Karma plans to use the incoming money to more than double its current workforce of 110 employees and introduce more products "that are going to be disruptive," CEO Ken Lin said.

Without providing specifics, Lin said Credit Karma's next product will be unveiled in about two months and will offer free access to a service that consumers traditionally have had to pay to get.

Credit Karma already has made it easier to obtain a free snapshot of the personal [credit scores](#) that determine loan rates and borrowing limits. The scores, based on the loan-payment histories compiled by major credit-rating agencies, traditionally have been only provided when people apply for a loan or sign up for other financial services that eventually charge fees.

Everyone who sets up an account at Credit Karma can get free looks at their credit scores once a week. Credit Karma obtains its main credit score through TransUnion, one of the three major U.S. credit-rating agencies along with Experian and Equifax. The service also lists a score based on another formula used by all three agencies and another number that most auto and home insurers rely upon to evaluate how likely their prospective policyholders are to file a claim.

The free insights are attracting a steadily growing audience. Nearly 21 million people have set up free accounts on Credit Karma, up from about 9 million a year ago, Lin said.

Credit Karma doesn't store the Social Security numbers required to open

an account, but it does create financial profiles of its users to tailor the marketing pitches that bring in most of its revenue. Virtually all the ads are for credit cards, loans and other financial services.

Google also analyzes personal data to determine which ads to show users of its services, but Lin said Credit Karma isn't sharing any information about its members with Google.

Credit Karma plans to draw upon Google's knowledge about marketing and expanding online services to accommodate larger audiences. David Lawee, a Google Capital partner, is joining Credit Karma's board of directors.

This is Google Capital's third major investment in the past month. Online education service Renaissance Learning received \$40 million, and online real estate site Auctions.com got \$50 million. Last year, Google Capital was among the investors that backed online polling site SurveyMonkey and online loan broker LendingClub.

Google Capital is aiming to invest about \$300 million this year. It's an offshoot of Google Ventures, a fund that the company set up five years ago to invest in startups during their early stages. Google Ventures so far has invested in 225 companies, including home-device maker Nest Labs, which is now wholly owned by Google Inc. after being bought for \$3.2 billion earlier this year.

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