



How Do Inquiries Affect My Credit Score?

You have probably had people caution you that anytime someone checks your credit score it will negatively impact your credit. While this issue is more complicated than it seems, there is some truth to this advice. Your credit score is affected in part by the number of inquiries made into your credit history, but there are different categories of inquiries and some count while others do not. The credit bureaus that collect and score your credit call these two types hard and soft inquiries.

Soft Inquiries

Soft credit inquiries are when you personally check your credit score, or when a business pulls your credit report in order to verify your information before offering you a service or product. These types of credit inquiries do not affect your credit score at all. If you are pulling your credit yourself, the credit bureaus assume that you are using the information for your own personal use and it does not reflect a desperate need for credit sources on your part. You can obtain a copy of your credit report for free from each of the three credit reporting agencies once a year. You can check it more often, but you will have to pay a small fee.

A credit card company or other business might pull a copy of your credit report in order to confirm your identity before sending you a new credit card invitation in the mail. These are also considered soft credit inquiries because they are the result of others trying to solicit your business. You probably had no knowledge of the company's action and the credit pull does not indicate that you were seeking more credit lines. So there is no need to worry about these types of credit inquiries.

Hard Inquiries

Hard inquiries, on the other hand, are the kind that do have the power to bring down your credit score. Hard inquiries occur when you are in the process of applying for credit with some business. Most commonly you will have hard pulls, when you are looking for a new mortgage loan, auto loan, or credit card accounts. These businesses will pull your credit report to see if they judge your history worthy of their funding. Credit bureaus will ding your score for these inquiries because they reflect a greater need for credit.

Fortunately, just one inquiry will not have a significant negative impact on your score. One hard pull will likely bring your score down by 5 points for the following six months. There is some debate about how many credit inquiries you can have in a certain amount of time. Some sources say that when you are shopping around for loan, if you have several lenders pull your credit within a short amount of time, they will all only count as one hard pull on your score. Other sources are convinced that every inquiry counts individually. No matter who is right, when you are shopping around for a loan you are going to have to let several businesses check your credit, so your credit score will suffer a little from the process. Yet since a hard inquiry is only worth about 5 points, your score should be able to survive the ordeal just fine.

Knowing the difference between soft and hard credit inquiries will hopefully give you some peace of mind when it comes to your credit score. In any case, your credit is an extremely valuable possession and you should do your best to be educated about credit scoring and how



to protect your score!