



## How Credit Inquiries Affect Your Credit Score

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Have you noticed inquiries on your credit report? Not sure what they mean? Soft and hard



inquiries are the result of potential creditors assessing your credit report after you've applied for things such as a credit card, mortgage, or car loan. Hard and soft inquiries each affect your credit differently.

### **Soft inquiries**

Soft inquiries typically occur when your credit report is pulled for a background check. This can occur when you are applying for a new job, getting pre-approved for lending offers, and even when you check your own credit score.

While they will usually show up on your credit report, this isn't always the case. Plus, they won't affect your credit score, so you don't need to be concerned about them.

### **Hard inquiries**

Multiple hard inquiries in a short period of time can cause significant damage to your credit. When multiple hard inquiries come through at once, the credit bureaus assume you are desperate for credit or can't qualify for the credit you need. Any future creditors may also take this information and assume that you are a high-risk borrower, which will reduce your chances of getting the credit you need.

### **Disputing an unauthorized inquiry**

If a hard inquiry occurred without your permission, you may be able to dispute it. This can be done by

calling or writing the creditor and asking them to remove the unauthorized hard inquiry from your credit report. You can also dispute them directly with the credit bureau.

### **How inquiries affect your future**

As is the case with anything that negatively affects your credit score, inquiries can affect your ability to get good loan rates. More hard inquiries means a lower credit score, which means fewer credit options or a higher interest rate. This will ultimately mean you will pay more over the life of the loan.

### **How will your credit recover?**

The good news about a hard inquiry is that if you aren't doing them often, they aren't going to have a big effect on your credit. Factors such as payment history, credit history, and credit utilization rate are weighted much more heavily. Continue monitoring your credit every month to ensure there are no unauthorized hard inquiries or other issues so you can continue to maintain the highest score possible.

*Source: [www.dailyfinance.com](http://www.dailyfinance.com)*

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