# Credit inquiries

Will my FICO score drop if I apply for new credit?

If it does, it probably won't drop much. If you apply for several credit cards within a short period of time, multiple inquiries will appear on your report. Looking for new credit can equate with higher risk, but most credit scores are not affected by multiple inquiries from auto, mortgage or student loan lenders within a short period of time. Typically, these are treated as a single inquiry and will have little impact on the credit score.

**The Basics**

**What is an "inquiry"?**

When you apply for credit, you authorize those lenders to ask or "inquire" for a copy of your credit report from a credit bureau. When you later check your credit report, you may notice that their credit inquiries are listed. You may also see listed there inquiries by businesses that you don't know. But the only inquiries that count toward your FICO score are the ones that result from your applications for new credit.

**Does applying for credit affect my FICO score?**

Fair Isaac's research shows that opening several credit accounts in a short period of time represents greater credit risk. When the information on your credit report indicates that you have been applying for multiple new credit lines in a short period of time (as opposed to rate shopping for a single loan, which is handled differently as discussed below), your FICO score can be lower as a result.

**How much will credit inquiries affect my score?**

The impact from applying for credit will vary from person to person based on their unique credit histories. In general, credit inquiries have a small impact on one's FICO score. For most people, one additional credit inquiry will take less than five points off their FICO score. For perspective, the full range for FICO scores is 300-850®. Inquiries can have a greater impact if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk. Statistically, people with six inquiries or more on their credit reports can be up to eight times more likely to declare bankruptcy than people with no inquiries on their reports. While inquiries often can play a part in assessing risk, they play a minor part. Much more important factors for your score are how timely you pay your bills and your overall debt burden as indicated on your credit report.

**Does the formula treat all credit inquiries the same?**

No. Research has indicated that the FICO score is more predictive when it treats loans that commonly involve rate-shopping, such as mortgage, auto and student loans, in a different way. For these types of loans, the FICO score ignores inquiries made in the 30 days prior to scoring. So, if you find a loan within 30 days, the inquiries won't affect your score while you're rate shopping. In addition, the score looks on your credit report for rate-shopping inquiries older than 30 days. If it finds some, it counts those inquiries that fall in a typical shopping period as just one inquiry when determining your score. For FICO scores calculated from older versions of the scoring formula, this shopping period is any 14 day span. For FICO scores calculated from the newest versions of the scoring formula, this shopping period is any 45 day span. Each lender chooses which version of the FICO scoring formula it wants the credit reporting agency to use to calculate your FICO score.

**What to know about "rate shopping."**

Looking for a mortgage, auto or student loan may cause multiple lenders to request your credit report, even though you are only looking for one loan. To compensate for this, the score ignores mortgage, auto, and student loan inquiries made in the 30 days prior to scoring. So, if you find a loan within 30 days, the inquiries won't affect your score while you're rate shopping. In addition, the score looks on your credit report for mortgage, auto, and student loan inquiries older than 30 days. If it finds some, it counts those inquiries that fall in a typical shopping period as just one inquiry when determining your score. For FICO scores calculated from older versions of the scoring formula, this shopping period is any 14 day span. For FICO scores calculated from the newest versions of the scoring formula, this shopping period is any 45 day span. Each lender chooses which version of the FICO scoring formula it wants the credit reporting agency to use to calculate your FICO score.

**Improving your FICO score.**

If you need a loan, do your rate shopping within a focused period of time, such as 30 days. FICO scores distinguish between a search for a single loan and a search for many new credit lines, in part by the length of time over which inquiries occur.

Generally, people with high FICO scores consistently:

- Pay bills on time.
- Keep balances low on credit cards and other revolving credit products.
- Apply for and open new credit accounts only as needed.

Also, here are some good credit management practices that can help to raise your FICO score over time.

- Re-establish your credit history if you have had problems. Opening new accounts responsibly and paying them on time will raise your FICO score over the long term.
- Check your own credit reports regularly, before applying for new credit, to be sure they are accurate and up-to-date. As long as you order your credit reports through an organization authorized to provide credit reports to consumers, such as myFICO, your own inquiries will not affect your FICO score.