

When Does A Hard Inquiry On Your Credit Score Occur?

It's important to keep an eye on your credit report so that you're alerted to any significant fluctuations of your credit score. Many people worry that when lenders make what is known as a hard inquiry to check their credit it could have a negative impact on their score. However, that's not necessarily the case.

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What is a hard inquiry?

Hard inquiries (also called "hard pulls" or "hard credit checks") happen when a financial institution, such as a lender or credit card issuer, checks your credit when making a lending decision. They may evaluate several factors such as payment history, the age of your credit, and your debt-to-credit ratio.

A hard inquiry could lower your credit score by a few points, or it may have a negligible effect. In general, a hard inquiry shouldn't impact whether you're approved for a new credit card or loan. Any change in your credit score usually decreases or disappears even before the inquiry drops off your credit report for good (hard credit checks generally stay on your report for about two years).

Conversely, a soft inquiry occurs when you check your own credit or when a lender or credit card company checks your credit to preapprove you for an offer. Soft inquiries do not impact your credit score.

When does a hard inquiry occur?

A hard inquiry typically occurs when you apply for a mortgage, loan, or credit card. You usually are asked to give verbal or written authorization before the lender makes the inquiry. Here are several instances where you can expect a hard inquiry to occur:

Credit card – This is one of the most common examples of when a hard inquiry occurs because people frequently apply for credit cards. However, applying for a handful of credit cards at the same time—or even within the span of a few months—can negatively impact your score.

Car loan – When you apply for a car loan, the dealership will typically check your credit to determine what they'll offer you in terms of an interest rate percentage. Since people generally don't apply for a car loan very often, the effect of the inquiry is usually negligible.

Car lease – Similar to applying for a loan, applying for a car lease will lead to a hard inquiry. However, applying for a lease signals to the lender that you intend to have the car for a shorter time period than if you purchased the vehicle. This could lead to increased scrutiny of your payment history and age of your credit.

Mortgage – Most people only apply for a couple of mortgages to purchase a house or dwelling in their lifetime. As a result, this is one of the least common examples of when a hard inquiry occurs, but lenders

will generally evaluate all factors and details included on your credit report before making a decision.

If you're concerned about how hard inquiries may be impacting your credit score, it pays to routinely review your report. There are online tools available that allow you to check your credit at no cost to you. If you discover a hard inquiry that looks out of place, it's important that you contact the credit bureau reporting the inquiry (TransUnion, Experian, or Equifax) and investigate to determine its validity.

Can I have too many hard inquiries?

Having a lot of hard inquiries within a short time frame will likely have a greater impact on your score. This is because lenders look at multiple credit applications in a short amount of time as a sign of risk. It might also suggest that you are short on cash or getting ready to rack up debt.

While every hard inquiry isn't necessarily damaging to your credit, limiting the number of them is an important part of successfully managing your credit score. To learn more about how PlainsCapital Bank can help you maintain good credit, call us at 866.303.0557 or visit your local bank branch today.