

# Inquiries on Your Credit Report

Not all inquiries into your credit report are harmful. Reporting agencies discriminate between what's called hard inquiries and soft inquiries.

A **hard inquiry** takes place when a company has a legitimate business reason to look into your credit report. This usually occurs when you apply for credit and have initiated the process yourself. The company you request credit from needs to know if you're reliable enough to do business with. If your report shows that you have a past (particularly a recent past) of not paying bills on time, the company will be less likely to approve you for a loan or to give you a low interest rate.

You might be surprised to learn that companies can perform a hard inquiry on your credit even if you aren't applying for a loan. For instance, a bank might choose to run a hard inquiry if you try to open a savings account with them [source: LendingTree]. Or, a phone company might be able to perform such an inquiry when you get an account with them. Even cable and Internet companies may pull a hard inquiry when you request their services.

Hard inquiries hurt your credit score. Specifically, one can knock about five points off your score, which you can earn back after six months pass [source: LendingTree]. This isn't to say you should avoid hard inquiries completely. Some loan applications (or bank or utility accounts, as the case may be) are worth the points you lose. But most credit experts recommend applying for credit only when you really need it. In other words, don't get a new store credit card every month, especially when you want to apply for a truly important loan (such as a mortgage) in the near future.

When you're looking for a loan and wish to shop around by applying to a few different lending institutions, make sure to conduct all applications in a span of about two weeks. That's because multiple inquiries can count as a single inquiry if they're all performed around the same time. This span of time can be 14 or 45 days depending on the formula the agency uses; to be safe, try to keep your inquiries within 14 days [source: Lankford]

**Soft inquiries**, on the other hand, have no effect on your credit score. Your own inquiry into your credit report counts as one, but companies can conduct soft inquiries, too. Credit card companies who send you solicitations often do so after conducting one of these inquiries on you. Potential employers may pull one up when they're deciding whether to hire you. You don't have to request a loan or an account for a company to conduct a soft inquiry into your credit report.

However, companies that conduct a soft inquiry don't see the same information that you do when you inquire. Companies performing soft inquiries for promotional purposes will see a very limited report and can see more information with a hard inquiry after they get your application for credit or your permission. However, companies are never entitled to see any soft inquiries conducted on your report. Only you can see who's performed soft inquiries and your own report in full (and a score, if you pay for it).

Regardless of who sees what, the important thing is that you should feel free to check your own report without fear of hurting your score. For much more on credit and how to improve your score, explore the links on the next page.

## Sources

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