

How Inquiries are factored into FICO (beacon) scores:

There are five types of information used to calculate a FICO score at any given point in time. Each type of information counts as a percentage of a total FICO score:

Payment history	= 35%
Amounts owed	= 30%
Length of credit history	= 15%
New credit	= 10%
Types of credit in use	= 10%

These percentages are based on the importance of the five categories for the general population. For particular groups, such as people with relatively short credit histories, the importance of the categories may differ. Inquiries are a subset of the "new credit" category shown above, which accounts for 10% of the total FICO score. Their importance depends on the overall information in your credit report. For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your score. What's important is the mix of information, which varies from person to person, and for any one person over time.

Inquiries may or may not affect your FICO score:

A FICO score takes into account only voluntary inquiries that result from your application for credit. The information about inquiries that can be factored into your FICO score includes:

- Number of recently opened accounts, and proportion of accounts that are recently opened, by type of account.
- Number of recent credit inquiries.
- Time since recent account opening(s), by type of account.
- Time since credit inquiry(ies).

A FICO score does not take into account any involuntary inquiries made by businesses with whom you did not apply for credit, inquiries from employers, or your own requests to see your credit report. For many people, one additional credit inquiry (voluntary and initiated by an application for credit) may not affect their FICO score at all. For others, one additional inquiry would take less than 5 points off their FICO score. Inquiries can have a greater impact, however, if you have few accounts or a short credit history. Large numbers of inquiries also mean greater risk: People with six inquiries or more on their credit reports are eight times more likely to declare bankruptcy than people with no inquiries on their reports.

What happens when you apply for credit:

When you apply for credit, you authorize the lender to ask for a copy of your credit report. This is how voluntary inquiries appear on your credit report. The inquiries section of your credit report contains a list of everyone who accessed your credit report within the last two years. The report you see lists both voluntary inquiries, spurred by your own requests for credit, and involuntary inquiries, such as when lenders order your credit report to offer you a pre-approved credit card.

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 or mortgage lenders within a short period of time. Typically, these are treated as a single inquiry and will have little impact on the credit score.

What to know about "rate shopping."

Looking for a mortgage or an auto loan may cause multiple lenders to request your credit report, even though you're only looking for one loan. To compensate for this, the score counts multiple auto or mortgage inquiries in any 14-day period as just one inquiry. In addition, the score ignores all mortgage and auto 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.