

February 3, 2017

---

## Buying or Leasing a Car and Your Credit Score

**Q. Does buying or leasing a car have equal effect on your credit report? I need a new car but I'm also casually house shopping. Thinking the need for a car will increase well before I purchase a home I was wondering if there's any advantage to either strategy in this scenario.**

**-- Shopper**

**A.** It's smart to think about the impact your decisions will have on your credit score.

When it comes to purchasing a home, every credit score point is important and can help save you money by allowing you to secure the best available mortgage rate, said **Claudia Mott, a certified financial planner with Epona Financial Solutions in Basking Ridge.**

She said whether you choose to lease a new car or take out a loan to finance it, the result on your credit score will be about the same.

"Both are considered to be installment loans and will require a 'hard' inquiry into your credit report," Mott said. "A leased vehicle may only require one inquiry from the leasing company, while a financed purchase could involve queries from multiple potential lenders."

Mott said hard inquiries generally take place when you apply for a loan, credit card, mortgage or rent an apartment.

When the lender checks your report, the result may be a drop in your credit score of a few points, Mott said. The inquiry will typically remain on your credit report for a little as 12 months but no more than two years.

By comparison, a soft inquiry doesn't have a direct impact on a credit score, Mott said. When an employer does a background check or you are pre-approved for a credit card, a soft inquiry takes place.

Bear in mind that your credit score could be impacted by the addition of the new debt to what already exists on your report.

"If your credit utilization ratio or (CUR), which comprises 30 percent of a credit rating and compares the balances on revolving debt to the credit limit on the card reaches too high a level, your score could suffer," she said.

Email your questions to [ask@njmoneyhelp.com](mailto:ask@njmoneyhelp.com)