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Shopping For a Car Can Actually Lower Your Credit Score - Here's How to Avoid it

Q. I have 26 hard inquiries in my credit report -- ouch! I contacted the credit bureau and 15 of these were for a car loan. I explained to the credit bureau that I only authorized the car dealership to pull my credit. The bureau was unwilling to remove them because I authorized the dealership. Is this fair and most importantly, is it correct?

-- Borrower

A. Inquiries will have an impact on your credit report, but it's not the most important part of your report.

In the process of shopping for a car, auto dealers will submit your information to a number of lenders in order to find the lowest interest rate and the best loan terms, said **Claudia Mott**, a certified financial planner with **Epona Financial Solutions** in Basking Ridge.

This practice is known as "shotgunning."

The unfortunate side effect of the process is multiple hard inquiries on your credit report, which may have an impact on your score, Mott said.

These hard inquiries can remain on your credit report for up to two years.

But, Mott said, if these requests were all made within a period of 14 days, the credit bureaus will usually consider them as only one inquiry, thereby minimizing the effect on your credit score.

Mott said while a hard inquiry may cause a score to drop by five points or less, it is not the most important piece of the actual calculation of your number.

New credit comprises 10 percent of your overall credit score while your payment history and outstanding debt account for 65 percent of it, she said.

Staying current with payments and not acquiring too much debt are essential for maintaining a good credit rating.

"If you are intent on trying to get some of the inquiries removed, you will need to contact the automobile dealership and each of the lenders individually," Mott said. "They would need to initiate the process, but you may find that they are reluctant to do this given that you were shopping for a vehicle and signed an application authorizing them to secure a loan on your behalf."

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