Does the FICO® Score penalize for rate shopping?
FICO® scoring models use specialized logic that accounts for rate shopping for student, auto and mortgage loans. In general, student loan, auto and mortgage-related inquiries that occur 30 days prior to scoring have no effect at all on the FICO Score. Outside this 30-day period, student loan, auto and mortgage-related inquiries that occur within any 45-day period are treated as a single inquiry.

This inquiry logic applies to loans of the same type. In other words, if someone were shopping for a car loan and home loan during the same 45-day period time period, the auto loan inquiries would be counted as one inquiry, and the mortgage loan inquiries would be counted separately as another inquiry. This is because they represent two separate searches for credit. (Remember that all auto, mortgage, and student loan inquiries made within the last 30 days would not be counted at all.)

The best advice for consumers concerned about score impact is simply to do their rate shopping in a reasonably short period. That's easier if borrowers do their homework ahead of time to decide which companies to approach for quotes. Such planning also should make the loan rates easier to compare since the quotes will come only a few days apart.

Do all inquiries affect the score?
No, the only inquiries that count toward a FICO® Score are those that result from when a consumer actively applies for new credit. The FICO Score does NOT consider:

- Consumer disclosure inquiries — requests made by consumers to obtain a copy of their individual credit report in order to check it.
- Promotional inquiries — requests made by lenders in order to make pre-approved credit offers.
- Account review inquiries — requests made by lenders to review existing accounts with them.
- Employment inquiries — requests marked as coming from employers.
- Insurance inquiries — requests marked as coming from insurance companies.

How much does a credit inquiry impact a FICO® Score?

In general, inquiries have a small impact; typically, a single inquiry can lower a FICO® Score by less than five points. The precise impact will vary based on each person's unique credit history. Inquiries can have a greater impact if consumers have few accounts or a short credit history. Among the five data categories that make up the FICO® Score, inquiry characteristics fall into the "search for new credit" category, which accounts for only 10% of the score. Since inquiries only represent one type of characteristic in this category, they actually account for less than 10% of the score.

- 49% of consumers have no inquiries, 24% have 1 inquiry, and 27% have 2 or more inquiries.
- 57% of consumers score the maximum number of points for inquiries; that is, inquiries are not a factor for at least 57% of consumers.
- If an inquiry does impact a score, it's typically by a small amount—less than five points, on average.
- 89% of the time, inquiries are not even one of the top four greatest factors impacting the score.
- Only 0.4% of the time, inquiries are the score factor with the greatest impact.
- Only 14% of consumers lose more than 10 points because of inquiries. Only 4% of consumers lose more than 20 points because of inquiries.

Why does a credit inquiry affect the score?

Research consistently demonstrates that consumers who are seeking new credit accounts are riskier than consumers who are not seeking credit. Statistically, people with six or more inquiries on their credit reports can be up to eight times more likely to declare bankruptcy than people with no inquiries on their reports. While inquiries often can play a part in assessing risk, they play a minor part. Much more important factors for the score are how timely a consumer pays bills and his/her overall debt burden as indicated on the credit report.

For more information and advice to consumers, you can direct your customers to check out the credit inquiries page on myfico.com