

What is a credit inquiry?

A credit inquiry is a record on the bottom of your credit report of every time you, one of your creditors, or a potential creditor obtains a copy of your credit report. There are two types of credit inquiries: those that do not affect your score, or “soft” inquiries, and those that are included in your credit score, or “hard” inquiries. Examples of soft inquiries include: requests you make to the credit bureaus for copies of your credit report or score, use of credit information by existing lenders for account review purposes, use of credit information by lenders for “pre-approved” credit offers, inquiries used in making employment decisions, and inquiries for tenant screening (done by a landlord when you apply for housing). These inquiries are shown *only* on the credit report that you request directly from the credit bureaus, and will not be seen by potential creditors.

Hard inquiries are those you initiate, including mortgage and auto loan applications and credit card applications. These types of inquiries are included in the formula used to calculate credit scores; therefore, too many can result in a lowering of your score. Under the *Fair Credit Reporting Act*, these types of inquiries are the only ones authorized to appear on your credit report. Certain situations such as looking for a mortgage or auto loan may cause multiple lenders to request copies of your credit report. To compensate for this, the credit score counts multiple inquiries in any 14-day period as just one inquiry. In addition, many creditors disregard inquiries once they have been on your report six months or more, and all credit inquiries should come off your report after two years.

How much do credit inquiries affect my credit score?

Typically, inquiries have a very small impact on your credit score. In a credit scoring model, there are other stronger indicators of future payment performance, such as delinquencies and payment history, balances owed, and the length of time you have used credit. Inquiries usually carry the most weight if you have a limited credit history or if there are other existing issues such as late payments or high debt. Inquiries are rarely, if ever, the only reason for poor credit scores or being declined for credit. You should, however, limit the number of inquiries you authorize whenever possible.

Why do lenders and creditors even consider the number of inquiries on a report?

Inquiries can be a good indicator of credit risk. Studies have shown that the more inquiries that appear on a consumer’s file, the more likely it is that the consumer may not be able to pay his or her bills. Furthermore, too many credit inquiries may indicate to a creditor that the consumer is “credit hungry” and may be in financial trouble. Finally, and most significantly, the creditors may believe that many of the recent inquiries have resulted in actual lines of credit that have not yet appeared on the consumer’s credit report, leading the creditor to believe that the consumer’s debt-to-income ratio is much higher than actually reported.

What can I do if there are credit inquiries on my report that I did not authorize?

If in reviewing your credit report you find credit inquiries you did not authorize, there is a process you can go through to have these inquiries removed.

1. First, determine which credit inquiries you need to have removed. Identify only those credit inquiries which are shown to potential creditors (hard inquiries). You should recognize some

of these inquiries as places where you have applied for credit; however, others may be completely unfamiliar.

2. Find addresses for each of the credit inquirers that are unfamiliar to you. You cannot dispute inquiries to the credit bureau; they are not responsible for investigating inquiries and will not remove one unless instructed by a creditor. In looking for the addresses for credit inquirers, you may want to use an Experian report, since this is the only credit bureau that lists the addresses for you.
3. Prepare letters to each inquiring creditor asking them to remove their inquiry. You should send these letters directly to the creditors by certified or registered mail. Below is a sample letter you can use to have inquiries removed from your report.

Dear Creditor:

In a recent review of my Experian credit report, I discovered an inquiry from your company. I do not recall authorizing you to inquire about my credit. Under the Fair Credit Reporting Act, you must have my authorization to review my credit. Accordingly, I would like to be sent proof that I authorized you to review my credit. Please forward to me that proof as soon as possible.

If you are unable to provide me with proof of my authorization, please promptly remove the inquiry from my credit report and send me a written confirmation of the removal.

Thank you for your timely reply.

Sincerely,

Carrie Consumer

4. Review the responses you receive from each of the creditors. Some may provide documentation that a credit inquiry was authorized by you. Some may simply agree to delete the inquiry. Be sure to follow up and make sure that the creditor deletes the inquiry. Some creditors may simply ignore your request. If you do not receive a response within thirty days, contact the creditor directly and address the issue with them again.

For more information, please contact us.

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100 West Randolph Street
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