

May 2010 Newsletter Article

Shot Gunning your credit and the ramifications...

- New Credit / Inquiries 10% of one's credit score based on FICO:
FICO is the formula used to calculate a credit report. (Passed by Congress)

New credit is not always a bad thing. However, opening new accounts can hurt a credit score, particularly if a consumer applies for lots of credit in a short time and doesn't have a long credit history.

The score factors in the following:

- How many accounts the consumer applied for recently
- How many new accounts the consumer has opened
- How much time has passed since the consumer applied for credit
- How much time has passed since the consumer opened an account

The model looks for "rate shopping." Shopping for a **mortgage** or an **auto loan** may cause multiple lenders to request your credit report many times each, even though a person is only looking for one loan. **Auto dealers are notorious for running 3 to 15 credit reports.** This is called *shot gunning* the credit. Luckily, to compensate for this, the score counts multiple auto and mortgage specific inquiries in any 30-day period as just one inquiry:

True Story: *Here is a Testimonial of what happens and how it will affect you personally when willful negligence has taken place:*

Let's say that you are looking to buy a vehicle and you find that perfect vehicle from Bachman Auto Group out of Louisville, KY and that your only stipulation with their management was to have one credit inquiry pulled to determine your interest rate for that perfect vehicle after they requested an opportunity to control the financing. So you agree and both verbally and in writing on their online credit application stipulate only one authorized credit inquiry and then the auto dealer turns around and shot gunned your credit out on two different dates. Both 11-04-2009 twice and 11-05-2009 five more times, does this results in multiple inquiries and willful negligence?

Would it be considered willful negligence? If on 11/04/2009 after the 1st credit inquiry the finance manager calls you and says that you qualify for 8.33% and you then comment thanks but no thanks, please do not pull my credit any longer that your Friendly Banker will provide you 5% based on the same credit score pulled 11/04/2009 and that you will provide them a check for the agreed price of vehicle within the next 3 business days.

So my advice, be careful and ammunition yourselves against fraudulent and deceptive practices, we recommend maintaining good records, get a copy of all documentation or walk away if not acceptable with the business pulling your credit.

If not You just may find yourselves hearing something as extreme as we did, (It's Standard Auto Industry practices or If you knew that you were already qualified with your Local Banker at 5% why would you complete an application with Bachman in the first place).

More Proof:

Large numbers of inquiries also mean greater risk. According to **MyFico.com (owned operated by a national Credit Reporting Agency)**, 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.

Here is the Risk factor of what multiple inquiries can do:

Future creditors frown against future offers for this group of consumers whom get shot gunned and Merchants or Furnisher whom pull your credit do not identify its credit inquiry as a specific Auto or Mortgage Inquiry, so therefore how can it not count as multiple inquiries?

Arm your selves because the nonprofit advocacy groups and merchants do not care...this fight is not over.