



Vehicle ownership can be vital to maintaining a job, attending school and caring for one's family. Having good credit can help consumers purchase more reliable cars from more reputable dealers at less predatory interest rates. Purchasing and owning a car can also impact your credit.

Does Credit Impact Access to Vehicle Ownership?

Financing Options. One's credit score determines what financing alternatives are available. Individuals with low or no credit scores have few options and usually turn to Buy-Here-Pay-Here dealers where both the vehicle and the financing cost more than they would at traditional dealers. Buy-Here Pay-Here dealers check customers' credit before showing them vehicles and use credit information to determine the "Opportunity Price" which includes financing and is based more on what the client can afford each month than the value of the car!

How Do Vehicle Lenders Use Credit Scores? Many lenders use an Auto Industry Option score instead of or in addition to a standard credit scores to set terms for their borrowers. The Auto Industry Option score has a greater emphasis on auto credit-related activities such as late car payments and vehicle repossessions. Some dealers pull both scores and use the lower one to set terms.

Will an Auto Loan Help Build Credit?

If monthly payments are within the capacity of the borrower and are reported, then yes. However, very often lenders/dealers offering credit for the purchase of pre-owned vehicles do not report auto loan payment history to the credit bureaus each month. Buy-Here Pay-Here operations are especially unlikely to report this activity, though they almost always report severe delinquencies, defaults and repossessions. It's a good idea to ask the dealer if the loan repayment activity will be reported monthly, especially if you hope that on-time payments will boost your score and help you re-finance.



Credit unions often offer favorable loan products as well as relationships with pre-owned car dealers to help ensure that borrowers pay the right price for the car, and then finance it with a competitively priced loan. Most credit unions report loan payments to credit bureaus.

Does Shopping for a Vehicle Affect Credit?

Loan Inquiries. When a consumer is shopping for an auto loan and applies either online or at a dealership, a "hard inquiry" is made to the credit bureau. Many inquiries in a 12-month period can have a small negative impact on a credit rating. However, credit bureaus allow (and encourage) "shopping around" for the best rate. All car loan inquiries within a 14-day or 30-day period (depending on the scoring model) will be counted as one inquiry. Therefore, when possible try to complete car loan shopping within a two-week period.

Test Driving. Some car dealer's will pull credit reports when a person requests a test drive. It's important to ask about a dealer's test driving policy.

Do Credit Scores Affect Car Insurance?

How Are Car Insurance Rates Affected by Credit Scores? The majority of vehicle insurance companies are now using an Insurance Score in addition to driving history when determining insurance rates. An insurance score combines a person's credit history with information on the number and value of insurance claims and the value of the claims.

Do Driving Infractions Affect Credit Scores?

Driving infractions like accidents and tickets do not appear on the credit report. The only time an accident would impact a credit score is when it resulted in a driver owing money. For example, if the car owner was sued or failed to pay costs that their insurance company didn't cover, this could be reported on a credit report.