

# Staying on Top: 5 Tips for Maintaining a Strong Credit Score – Video Transcript

It's hard to imagine functioning in today's world without credit. Whether you're buying a car or purchasing a home, credit has become an integral part of our everyday lives.

Having access to credit goes hand in hand with maintaining a strong credit score, which is a numerical representation of your creditworthiness based on your past and present credit transactions.

Borrowers with a strong credit score are presumed to be more trustworthy and may find it easier to get a loan, often at a lower interest rate. Credit scores can even be a deciding factor when you rent an apartment or apply for a new job.

How is your credit score determined?

The three major credit reporting agencies (Experian, Equifax, and TransUnion) track your credit history and assign you a credit score, which they provide to lenders when you apply for a loan or credit card.

Credit scores typically range from 300 to 850. Individuals with scores of 700 or higher are generally eligible for the most favorable loan terms, while those with scores below 700 may have to pay more to borrow money. Individuals with scores below 620 may have trouble obtaining any credit at all.

Your credit score is generally based on these factors: 35% on your payment history, 30% on the amount you owe, 15% on the length of your credit history, 10% on new credit, and 10% on your credit mix.

Here are five tips you can follow to help maintain a strong credit score.

Pay your bills on time. Your payment history is a significant part of your credit score. Set up automatic payments or reminders to ensure you never miss a due date.

Keep your credit utilization low. The ratio of your credit card balances to credit limits should be kept below 30%. If possible, pay off your credit cards in full each month or keep your balance as low as you can.

Build a longer and more diversified credit history. While you may have good credit, you may not have a substantial credit history so you may need to build your credit before a lender deems you creditworthy. Having different types of credit, such as credit cards, mortgages, and auto loans, can also positively influence your credit score.

Limit new credit applications. Each new application results in a hard inquiry, which can temporarily lower your score. Only apply for new credit when necessary and space out applications to minimize the impact.

Correct errors on your credit report. Errors could make it difficult for a lender to accurately evaluate your creditworthiness and might result in a loan denial. So, it's a good idea to periodically check your report and correct any errors.

Follow these tips and you'll be on the path to a strong credit score and a more confident financial future.