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How to Boost Your Credit Score

JEN: Oh good.

CREDIT SQUIRREL: Yes?

JEN: Credit Squirrel! Hey! I need some help with building my credit score...

CREDIT SQUIRREL: Shhh shh shh. Yes of course. Come in.

JEN: Ummm, Okay...

CREDIT SQUIRREL: Right. Here are a seven ways to build and maintain good credit scores. Number one: pay your bills on time. Don't hide them and don't pretend they don't exist. Pay your statement balance in full each month.

JEN: That's simple enough.

Number two: part of your credit score is based on the length of your credit history. So if you're just starting out, open one credit card and use it for small, regular, manageable payments. Like a cell phone bill or gas.

JEN: Okay. Something I know I can pay off every month.

CREDIT SQUIRREL: Indeed. Three: keep your credit utilization low. This means using only a small portion of your available credit.

JEN: I don't think I understand.

CREDIT SQUIRREL: Example! If you have \$1000 of credit available and you're using almost all of it each month, it makes you look as though you rely heavily on that credit line. Keeping your utilization down to about 10% keeps your credit score in tip top shape.

JEN: 10% utilization. Got it!

CREDIT SQUIRREL: Four: don't open a large amount of credit cards in a short time. Lots of inquiries on your credit report within a short time frame makes your score drop. Five: to give your score an extra boost, have a variety of credit. A mix of credit cards, retail cards, utility bills and installment loans keeps your score balanced.

JEN: Nice!

CREDIT SQUIRREL: Six: try not to carry a balance. Pay off your statement balance every month.

JEN: What if I can't afford to do that?

CREDIT SQUIRREL: If you can't afford to pay something off in a month, you probably shouldn't be putting it on a credit card in the first place. A credit card shouldn't be treated like extra income. Budget wisely. Making only the minimum payments each month can get you in trouble very quickly with all the interest you have to pay.

JEN: Yikes!

CREDIT SQUIRREL: And finally, number seven: monitor your credit. There are free sites that you can use to get a good estimate of your credit score, as well as paid services to access the exact scores.

JEN: That's really great. Thank you so much, Credit Squirrel. Once again, you've been incredibly helpful! Oh! I was just getting advice from the Credit Squirrel. He lives in this tree and you know what? Never mind. Everybody can go away now.