

HOW TO ESTABLISH BUSINESS CREDIT

**SEPARATING YOUR PERSONAL AND
BUSINESS FINANCES**

ABOUT THE PRESENTER

RICHARD BROOKS



ALTERNATIVE FUNDING SPECIALIST

- GCA CFO
- GBC Chief Credit Officer
- Owner of Progenex Financial Group
- University of Michigan MBA in Finance and Corporate Strategy
- State of Georgia employee for 7 years



Can lead to

- Improved cash flow
- Increased business loans or lines of credit (with no PG)
- Better terms with vendors
- Lower insurance premiums
- Lower interest rates

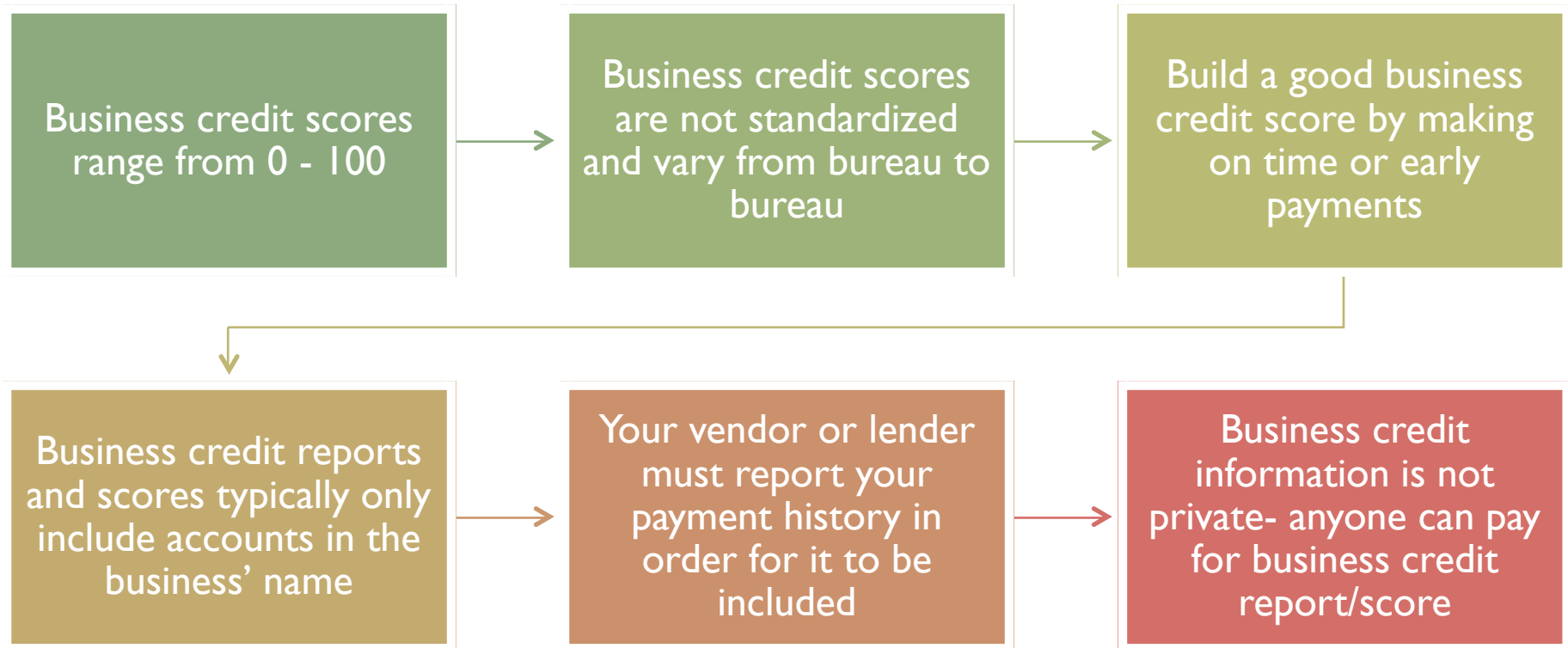
**WHY IS
BUSINESS
CREDIT
IMPORTANT?**

WHAT ORGANIZATIONS MAINTAIN BUSINESS CREDIT?

There are three major business credit bureaus

- Dun & Bradstreet: <https://businesscredit.dnb.com/>
- Equifax: <https://www.equifax.com/business/business-credit-reports-small-business/>
- Experian: <http://www.experian.com/small-business/business-credit-scores.jsp>

ABOUT BUSINESS SCORES



BUSINESS CREDIT SCORES

A numeric representation of your company's credit worthiness

Indicates how likely you are to make payments in a timely fashion

A higher score means your business has a history of paying bills on time

DUN & BRADSTREET

Paydex Score

- Range (0 – 100)
- Based on payment data reported either to the bureau or to data-gathering companies that partner with the bureau
- Requires DUNS number
- Payments history from at least four vendors

Commercial Credit Score

- Range (101 – 670)
- Predicts the likelihood of a delinquent payment on bills within the next year

Financial Stress Score

- Range (1001 – 1610)
- Predicts the likelihood of business failure over the next 12 months

EQUIFAX

Payment Index (0 – 100)

- Based on payment history with vendors and creditors

Credit Risk Score (101 – 992)

- Indicator of likelihood of your business becoming severely delinquent on payments
- Factors company size, available credit, age of oldest account, evidence of nonfinancial transactions

Business Failure Score (1,000 to 1,610)

- Measures the likelihood of your business closing within a 12-month period
- Factors age of oldest account, credit usage, late payments, nonfinancial transactions

EXPERIAN

- Business Credit Scores (0 – 100)
- Take into account multiple factors, not just payment histories
 - Collecting credit information from your suppliers and lenders
 - Legal filings from local, county and state courts
 - Public records and collection agencies
- Even small businesses that use credit responsibly will be assigned medium-low risk, while well-established businesses with a solid credit history will have an easier time attaining the low-risk rating



REVIEW EXISTING BUSINESS CREDIT

Do you have a credit profile

How many trade lines reporting

Do you have a business credit score

Recent credit inquiries



STEP 1: ESTABLISH CREDIBILITY

1

Incorporate your business

2

Get a Federal Employee Identification Number (EIN)

3

Get a business bank account

4

Get a dedicated business phone line listed in business name

5

Get a DUNS number

6

Get a company email address

7

Get an office

8

Get a website

VERY IMPORTANT TIP

- Make sure that all your business information is consistent
 - Same name for all accounts and registrations
 - Same address
 - Same phone number
- Inconsistencies generate questions in the mind of lenders. verify that main agencies (State, IRS, Bank, and 411 national directory) have your business listed the same way and with your company's **Exact Legal Name**

BE STRATEGIC WHEN APPLYING FOR CREDIT

- Need four vendors or creditors reporting to D&B to get a Paydex score.
- Select vendors and creditors who report to credit bureaus
- Do not use your personal SS# when applying for business credit (although some vendors may request it)
- Similar to building personal credit- start small and build
 - Vendors you do business with on a regular basis
 - Vendor trade lines
 - Bank credit cards (your bank)

STEP 2: MONITOR YOUR REPORT(S)

- Each credit bureau offers monitoring services for business credit
 - Keep track of what is reporting to your report
 - Monitor your business credit score
 - Monitor recent inquiries
 - Check for errors in reporting
- D&B offers a credit monitoring product for \$49/month that provides unlimited access to your D&B reports

STEP 3: STARTER CREDIT- VENDOR LINES

- Most companies will not issue credit unless you already have an established credit profile
- Get your credit profile started with vendor credit (Net 30)
- A vendor line of credit is when a vendor extends a line of credit to your business on "Net 15, 30, 60 or 90" day terms.

– Reliable Office Supplies	www.reliable.com	1-800-359-5000
– Quill	www.quill.com	1-800-982-3400
– Uline	www.uline.com	1-800-295-5510
– Grainger	www.grainger.com	1-800-472-4643
– Strategic Network Solutions	www.stntsol.com	1-818-528-5393

STEP 4: REVOLVING CREDIT LINES


- Once you have 5 vendor lines reporting to your business credit profile, you can start pursuing retail credit cards.
- You'll need to verify that your first payments for products or services with the Starter Vendors show up on your business credit reports before applying
- Pick creditors who report your payment history
- Most retail stores offer business credit accounts even if they do not advertise them

COMPANIES TO TARGET


- Home Depot www.homedepot.com 1-866-875-5489
- OfficeMax www.officemax.com 1-888-462-5870
- Staples www.staples.com 1-800-333-3330
- Dell <https://dfs.dell.com/Pages/DFSHomePage.aspx> 1-866-413-3355
- Walmart www.Walmart.com 1-877-294-7548
- Chevron/Texaco www.chevrontexacobusinesscard.com 1-866-435-3201

STEP 5: VISA, MC AND AMEX


Once 10 accounts are reporting to your business credit profile, you can apply for VISA, MC, and AMEX credit cards



Approved amounts will be equivalent to the highest existing credit limit account



Essential to continue using your credit, keep applying for more credit, and request higher credit lines with existing creditors



Must maintain good payment history

Make payments earlier than terms given (at worst on time)

The better your payment history the higher your score will be

At least one account for \$10,000

Paydex score of 80 indicates low risk and on time payments

GUIDELINES

ALTERNATIVE FINANCING

- Good personal credit can provide additional options
 - Unsecured lines of credit programs allow one to qualify for business credit using personal credit history (must have 680 FICO to be considered)
 - High limit business credit cards that can be used for any purpose
 - Can obtain from \$30k to \$200k in business credit cards
 - Report as business credit and not as personal credit

GOVERNMENT CONTRACTORS ASSOCIATION

3190 Northeast Expressway

Suite 110

Atlanta, GA 30341

404-955-8080

www.GovAssociation.org

www.GovCademy.com