



# Establishing Business Credit

A presentation to LWC Joseph Club

July 26, 2018

# What is Business Credit and How Does it Work

- ❖ Business Credit is credit that is obtained in a BUSINESS NAME
- ❖ With business credit a credit profile and score is established and built for the BUSINESS, not the business owner
- ❖ Once the credit profile is built the business can start qualifying for credit and financing

# Business Credit

- ❖ The credit is in the business name and based on the business's ability to pay, not the business owners
- ❖ This credit is linked to the business EIN number not the owner's SSN
- ❖ Since the business qualifies for the credit, in most cases there is no personal credit check required from the business owner

# Business Credit

- ❖ The business can use its credit to qualify for revolving store credit cards like Staples, Lowes, Sam's Club, Costco, BP, Walmart, Best Buy, even MasterCard, Visa and AMEX (cash credit)
- ❖ The Business can also qualify for credit lines, loans, auto vehicle, leasing, commercial real estate purchase, and much more.

# Business Credit Benefits

- ❖ Has no effect on your personal credit
  - ❖ Not based on consumer credit quality
  - ❖ No inquiries when applying
  - ❖ Utilization doesn't matter
- ❖ No personal guarantee /liability
- ❖ Anyone can see your business card reports
- ❖ Go to [WWW.NAV.COM](http://WWW.NAV.COM) to pull business credit profile for FREE



# Business Credit Benefits

- ❖ Can be built fast because the main business credit scores are based on payment history only
- ❖ You can have both consumer, and business credit at the same places
- ❖ Credit limits are 10-100 times higher than with consumer limits\_
- ❖ No collateral requirements
- ❖ No cash flow requirements



# Business Credit Benefits

- ❖ Good credit isn't required
- ❖ No financials or bank statements are needed for approval
- ❖ Easier access to funding
- ❖ Better terms on funding

# SBA on Importance of Business Credit

[www.sba.gov/blogs/importance-building-business-credit](http://www.sba.gov/blogs/importance-building-business-credit)



Importance of  
Building Business Credit



# Business Credit Building

- ❖ A business starts building a brand new credit profile much the same as a consumer does
  - ❖ The business starts with no credit profile
  - ❖ The business gets approved for new credit that reports to the business credit reporting agencies
  - ❖ The business uses the credit and pays the bill timely
    - ❖ A positive business credit profile is established
    - ❖ As the business continue using the credit and pays bills timely it will qualify for more credit

# Step 1: Business Credit Building

- ❖ When you start building credit, you won't have any credit established yet...
  - ❖ ...And you won't be supplying your SSN
- ❖ So this means the only thing credit issuers can use to determine your approval is your credit *APPLICATION*
- ❖ Because of this, everything on your application must reflect you have a **creditable business**

# Step 1: Building Business Credit

- ❖ You must first setup an entity for your company
- ❖ Many entities by default make you personally liable\_ because they are set up as you and the business being one-and-the-same
- ❖ So you want to avoid Sole Propriership and Partnership
- ❖ Instead you want to choose a LLC or corporation

# Step 1: Building Business Credit

- ❖ With a LLC corporation, you and the business are separate from each other ...and you liability can also be separated
- ❖ You can choose either a “S” or “C” corporation
- ❖ The main difference between these two is that for a S corporation the profits/loss roll-over to your personal taxes... so you aren't paying both personal and business taxes
- ❖ With a “C” corporation no of it rolls over to your personal taxes

“CONSULT with a CPA for which structure is best for your business”

# Step 1: Building Business Credit

- ❖ You must setup an EIN number...which is free to get:
- ❖ <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>

# Step 1: Building Business Credit

- ❖ You must set up an EIN number...which is free to get:
- ❖ <https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online>
- ❖ Setup a Business Bank Account
- ❖ Setup your business address
- ❖ It has to be a physical address...not a P.O. or UPS Box
- ❖ You can use a virtual address...Check out Regus as an example
- ❖ You can't use the address of another business or your home address because business credit is linked to an EIN number and business address

# Step 1: Building Business Credit

- ❖ Setup a business phone number
- ❖ You cannot use a home or cell phone
- ❖ You can use a virtual phone number...example RingCentral
- ❖ Get a fax number setup as well
- ❖ Get a toll free number setup
- ❖ Must get your phone listed with 411 (there is a cost approx. \$300 annually List yourself as an example)
- ❖ Setup your website (Do it yourself: GoDaddy or pay to do it: [www.Fiveer.com](http://www.Fiveer.com))
- ❖ Setup your professional email address
- ❖ Make sure you have your licensing that's is required for your industry, county and state
- ❖ Check and setup your business listings



# Step 1: Building Business Credit

- ❖ One thing you must be sure of is that all company information you have out there is congruent. This means that your business essentials should be the same no matter where someone looks
- ❖ Some items you should insure are congruent include:
  - ❖ Your business name
  - ❖ Your business address
  - ❖ Your business fax and phone numbers
  - ❖ Your business website and email address
  - ❖ Licenses
  - ❖ EIN and DUNS numbers
  - ❖ Corporate documents



# Step 1: Building Business Credit

- ❖ Make sure you exist, and that your name is listed in as many places as you can get it online
  - ❖ 411
  - ❖ BBB
  - ❖ Super pages, Yellow Book, YP.com, YellowBot
  - ❖ Google, Yahoo, Bing
  - ❖ Yelp, Manta, Merchant Circle
  - ❖ Express Update, DexKnows
  - ❖ D&B Verified (for eterans it is free)

## Step 2: Building Business Credit

- ❖ Get and review your business credit reports ([www.nav.com](http://www.nav.com))
- ❖ Dun & Bradstreet, Experian, Equifax Business

# Step 3: Building Business Credit

# Step 3: Building Business Credit

- ❖ Now that you are credible in the credit issuers eyes...and that you have seen and corrected reports...you can start building business credit
- ❖ **"NO"** you cannot just walk into stores and your bank and start getting credit
- ❖ You have to start with trade lines before getting "store or cash credit"

# Step 3: Building Business Credit

- ❖ So you'll need to establish a credit profile and score FIRST...then you can start applying for store credit
- ❖ You do this through **VENDOR accounts**
- ❖ These are creditors who will give you initial credit when you have none now
- ❖ Their terms are Net 15 – Net 60 typically
- ❖ This means you must pay on what you charge within that time period

# Step 3: Building Business Credit

- ❖ Some vendors include:
  - ❖ Quill
  - ❖ Uline
  - ❖ Monopolize Your Marketplace
  - ❖ Gemplers

Most trade vendors do not report to business credit. So you have to check to see who the vendor reports to

# Step 3: Building Business Credit

- ❖ You must have 5 vendor accounts reporting to move on to store credit
- ❖ It will take 30 – 90 days for those accounts to report...60 days on average
- ❖ Do not apply for store credit without having 5 accounts

# Step 4: Building Business Credit

- ❖ After 5 accounts are reporting, then you can get store credit cards
- ❖ Almost all stores offer no PG business credit cards
  - ❖ Macys
  - ❖ ABC Supply Co. Inc.
  - ❖ Sherwin Williams
  - ❖ AutoZone
  - ❖ Lowe's Hardware
  - ❖ Staples
  - ❖ Tiger Direct
  - ❖ Amazon.com
  - ❖ Chevron and Texaco Business Card
  - ❖ BP Small Business Fleet
  - ❖ Sears Commercial Card
  - ❖ Dellamazon.com Revolving
  - ❖ Walmart
  - ❖ Home Depot Commercial Card
  - ❖ TSC Tractor Supply



# Step 4: Building Business Credit

- ❖ Keep in mind this store credit has **MASSIVE value** to our business
- ❖ Getting \$10,000 at Apple and Dell, \$6,000 at Amazon and Walmart, \$12,000 at Staples and Office Depot...can really help you grow
- ❖ Allow **60 days** for those accounts to report
- ❖ You'll need 10 total account reported to move to the next step

# Step 5: Building Business Credit

- ❖ With 10 accounts reporting you can start to get CASH credit
- ❖ This comes in the form of **VISA** and **MASTERCARD**
- ❖ You can also get AMEX... but they usually want lots of credit established or longer time-in-business
- ❖ Discover does offer business credit... but no longer with no PG
- ❖ Sam's Club and Home Depot offer these types of cards

# Step 5: Building Business Credit

- ❖ If you are willing to supply a PG...and if you do not have good personal credit or have a partner who does...
- ❖ Then you may consider Unsecured Business Financing
- ❖ With this program they WILL look at your personal credit... and it must be good for approval
- ❖ But you can get \$25,000 - \$150,000 in only 3 weeks or less

# Step 5: Building Business Credit

- ❖ If you follow these steps you can have an excellent business credit score within 60 days
- ❖ Then you'll start to get HIGH limit store credit
- ❖ And you can then get CASH credit within 120 days
- ❖ All without a personal guarantee... or a personal credit check
- ❖ And even as a startup... with no collateral... and no cash flow

# RESOURCES

- ❖ [www.nav.com](http://www.nav.com)

- ❖ FREE business credit report
- ❖ Help with building business credit
- ❖ Access to advisors
- ❖ Provide vendor, store, and cash credit sources

- ❖ [www.creditsuite.com](http://www.creditsuite.com)

- ❖ Help with building business credit
- ❖ Access to Business Advisors
- ❖ Provide vendor, store, and cash credit sources
- ❖ FREE D-U-N-S, Experian Smart Business, 411 listing

# Questions & Answers