TD&F
INVESTMENT GROUP

Business Credit Vol.2

Your Guide To 6 Figure Business Credit

A Product of TD&F Investment Group

What do you need?

If you are reading this e-book I am guessing you already understand the need for business credit. So to jump right in, what do you need to build business credit. Here the lender credibility checklist.

1. Registered Business Entity (LLC, S-Corp etc.) ✔
(full legal name including DBAs and match the name exactly as listed on the corporation records)

2. Business License ✔
(must have proper licensing as required for your industry and your state)

3. Business Bank Account ✔
(needs to be separate from personal, the age of your business is highly determined the moment you open a bank account)

4. Domain & Email Address ✔
(must have a professional business email address not an AOL, or Gmail)

5. Location ✔
(business needs its own physical address, do not use a home address, P.O. box, or UPS box, you can use a virtual address (see BUSINESS FUNDAMENTALS)

6. EIN Number ✔
(Employer Identification number filing must match your state filing exactly, this is your business SSN)

7. Business Phone Number & Fax Number & 411 Listing ✔
(business must have its own phone number that is a real business or VOIP number- not a mobile or home phone and a fax for when filling out applications)

8. Website ✔
(need a professional website that properly reflects your brand)

9. Public Records ✔
(cannot be any liens, judgments, or pending lawsuits against the business)

C,C,C

CCC or the Big 3 C's of Business Credit:

CREDIT:

First, you can obtain business credit without using your own personal credit. This is not to say that you should not develop good habits and build good personal credit.

It's a good rule of thumb to maximize your personal credit so that when building your business credit you have the best options available and are not forced to settle.

You should work to raise your personal credit to at least a 720 (see All About Credit) if you wish to score the best business credit opportunities.

CASHFLOW:

This means the flow of money in and out of your business. Cash coming in your business is from customers/clients who are paying for your products/services. If customers don't pay at the time of purchase, cash flow is comes in the form of collections of accounts receivable.

Cash going out of your business is in the form of payments for expenses, like rent or a mortgage, in monthly loan payments, and payments for taxes and other accounts payable.

Keeping business cashflow strong can position you to get approved for other types of business credit that doesn't require good personal or business credit.

A general rule for strong cashflow is considered to be $10,000+/month in inbound sales consistently for at least 3 months.

COLLATERAL:

Collateral is an asset that a lender accepts as security for extending a loan. If the borrower defaults on his or her loan payments, the lender may seize the collateral and sell it in as an effort to recoup his losses. Collateral can take the form of real estate or other valuable assets, depending on use of loan.

When offering you a loan, lenders seek to limit their risk as much as possible and ensure they get their return. That's where collateral comes in.

When you offer collateral for a loan, in some cases lenders will give you a lower annual percentage rate, or APR, than they otherwise would (this may differ for a mortgage or an auto loan). That's because a secured loan is usually viewd a lower risky. If you default (fail to pay), they still have a way to recoup costs through the collateral. Getting a lower interest rate could also cut down on the total cost of the loan and save you money.

4 Components of Business Credit

Building strong business credit is not as scary and complicated as it seem and the sooner you start to build it the sooner your scores will raise. Understanding the 4 components of building business credit will not only well-position you to not only get approved for business credit, but also get great terms:

Business Credibility
Vendor Credit
Retail Credit
Cash Credit

Business Credibility:

As a business you trying to build a new credit profile is much the same as a consumer does. The business starts without a credit profile and one must be established. 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. Thus a positive business credit profile is established. As the business continues using the credit and pays bills timely it will qualify for more credit.

The perception lenders, vendors, and creditors have of your business is critical to your ability to build strong business credit. Before applying for business credit a business must insure it meets or exceeds all lender credibility standards and there are over 20 credibility points that are necessary for a business to have a strong, credible foundation.

**The main points you need to focus on are listed above at the beginning of this e-book

Vendor Credit:

This is credit offered by vendors to business owners that reports to the business credit reporting agencies. It's important to note that over 90% of trade credit, or vendor credit, reports to the reporting agencies. So it's essential that you verify with the source that they do report before applying.

<u>So here are 7 steps on applying for Vendor Credit:</u>

1. Locate around 3-5 vendors who report to the business credit reporting agencies, preferably ones that report to either Duns & Bradstreet/Experian.

2. Apply for credit with them WITHOUT supplying your personal SSN. They may ask for this, but having some buying history or credit with them in most cases can get approved without supplying your SSN.

3. Purchase products, or submit a few orders first through the source paying out-of-pocket first, then keep trying to apply for their vendor credit line. Some sources will give you 30 day net terms if you just buy their product, others might not approve you until you've submitted three orders with them and paid out-of-pocket first .

4. Use your newly approved credit line(s) to buy items from that particular vendor priced $50 or more.

5. Pay your bill ON TIME, preferably early. Your business credit scores will mostly likely reflect how you pay the bill, early or late. The earlier in a billing cycle you pay the bill, the higher your scores will be. So pay your bills as soon as are received.

6. Check your reports to insure new accounts are reporting. D&B states this can take between 1-3 reporting cycle (30-90 days). So monitor your reports until you verify your new items are reported.

7. Establish three payment experiences. This is the reporting of an account to one reporting agency. For example, if a new account reports to two agencies, that would qualify as two payment experiences.

PRO-TIP: In order to get approved for store credit you'll need a total of 5 payment experiences.

Retail Credit:

Perhaps, one of the greatest benefits of having business credit is that you can use it to get approved for real revolving credit at most major stores; (Best Buy, Amazon, Walmart, Target), and most other major retailers all offer business credit that's linked to your EIN.

The first step to getting approved is to have an established business credit profile and score (vendor credit). Once this is done, you will have reported payment experiences, an established score, and an established profile you can use to start to get revolving business credit.

Listed on the next page are the 10 steps you need to start building revolving credit.

1. Establish five payment experiences reporting to the business credit reporting agencies.

2. Have an established business credit profile & score with at least D&B and Experian.

3. Locate stores in which you want to obtain credit with.

4. Contact prospective stores by phone, or check their website. Find out how to apply for business credit.

5. Research and ask each source the requirements for approval . Many will require that you have an established business credit profile and good score for approval.

6. Complete the credit application, but DO NOT put your SSN on the application. In general, they all will ask for your SSN, but with an established credit profile they'll pull your EIN credit instead, if requirements are met they'll approve you .

7. Purchase their products using your newly established credit.

8. Pay your bill(s) on TIME, preferably early. Your business credit scores reflect how you pay the bill, early or late.

9. Monitor credit reports to ensure new accounts are reporting. D&B states this can take between 1-3 reporting cycles (30-90 days).

10. Establish a total of about 10 payment experiences, including vendor and revolving credit. Remember, a payment experience is the reporting of an account to one reporting agency. So if your new account reports to two agencies, that would qualify as two payment experiences.

Cash Credit

One of the main goals and perks of establishing good business credit is that once established you can use, it to get cash credit on the 4 major cards. Although possible-- in some cases-- it's extremely unlikely. For this reason, it is extremely important to work to maximize your personal credit score. Once you've followed the previous per steps it's common to be able to have access to $5,000, $10,000, or even higher individual credit cards for your business, cards you can use just about anywhere, plus you can earn cash and other rewards for your spending.

Check out this Checklist:

- 10 payment experiences reporting to the business credit reporting agencies and/or 720+ personal credit.
- At least one of your reported accounts has a limit of at LEAST $10,000.
- An established business credit profile & score with at D&B and Experian.

- Seek out the cash credit you want to gain credit with. These kind of accounts tend to not be readily available, so you'll have to do some research to find out who can give you cash credit for your EIN that's NOT linked to your SSN.

- Contact phone, or website, and find out how to apply.

- Research, even ask each source for their approval requirements.

- Complete the application, and leave your SSN off of the application. P

- Congrats! your new credit is ready for use.

- Pay your bill(s) on TIME, preferably early. Your business credit scores reflect how you pay the bill, early or late.

- Monitor credit reports to ensure new accounts are reporting. D&B states this can take between 1-3 reporting cycles (30-90 days).

Reports & Scores:

Unlike your consumer credit, which is mainly reported by the 3 major credit bureaus, business credit is reported by Experian, Duns and Bradstreet, and Equifax Business. Check the SIC or NAICS code listed on your credit report for accuracy. If there are errors, your business may have trouble obtaining financing.

Business Reports:
Learn to read and fully understand your business credit report.

Public Record(s):
Information obtained through "public record" sources such as courthouses.

Account History:
The key section of your credit report. Accounts listed here are being reported by financial institutions/ other companies. It can include payment history for a variety of accounts, such as business loans, credit cards, and supplier accounts. You'll usually see information detailing payment history and balances..

Business Loan

Getting your first business loan from a bank can seem like a difficult and complicated task. Majority of business loan applications get declined because banks have tighten their restrictions in recent times.

Having a business loan can provide a powerful impact to building your business credit fast. When going to apply for a business bank it needs to be in the exact name of your business. It should be under your Federal EIN and report to the business credit reporting agencies, most importantly Equifax Small Business and Experian Business.

Here's how to do this?

Secure a business loan with a certificate of deposit (CD) at the bank that is extending the business loan. The CD will appear on your business credit report like any other loan. It will be no note in your file, or on your business reports, that show it's "secured". It will make your business credit report stand out to other banks and lenders who obviously know how hard it is to for businesses to obtain a bank loan.

Here's how this works:

Make a deposit into the CD with selected institution and use the CD to secure a loan. By following this, you insure there is no risk to the bank since you are putting up the CD as collateral for the loan.

Receive the business loan for 100% of the value of the CD. This process works very well and works every time so long as your personal credit is at least in the 700+ range. Although, the bank is not basing your business loan on your personal credit, if your FICO® scores are in the low 500 range they may not do this deal for you. If your scores are low it is best to try small business banks and speak with an individual banker first.

You can start with as little as $5,000 for a deposit. There are various ways to obtain the money needed for the bank CD deposit; you have to decide which works best for you.

Rating:

Bank credit is the full amount of borrowing capacity that a business can get solely from the banking system. Business credit represents the full and complete amount of money a business can get from creditors. That means not only the banking system, but it also means credit card companies, credit unions, suppliers (what's called trade credit or vendor credit or trade lines), and leasing companies.

Here is a brief explanation of how this is all related, and what you can do to maximize your bank rating.

A bank rating is the average minimum balance a business maintains in a business bank account over a 3-month period. A business can get more business credit fast, if it has at least one bank reference and an average daily account balance of at least $10,000 for the most recent 3-month period.

A balance of $10,000 will rate as a low-5, a balance of $5,000 will rate as a mid-4, and a balance of $999 will rate as a high-3, etc. The main goal of a business should always be to maintain a minimum low5 bank rating for at least 3 months, this means on average a balance of $10,000. This is because, without at least a low-5 rating, the majority of banks will operate under the assumption that a business has little to no ability to repay a loan or a business line of credit.

Bank Rating	Account Balance
Low 4	$1,000-$3,999
Mid 4	$4,000-$6,999
High 4	$7,000-$9,999
Low 5	**$10,000-$39,999**
Mid 5	$40,000-$69,999
High 5	$70,000-$99,999

You will never actually see these rating numbers, but there are 5 rules you should remember f you want to build a strong bank rating that gets you approved.

RULE #1:
Reach & Maintain Minimum Balance

The idea behind bank credit scores is to show proof that a business can pay back its financial obligations and quickly. Therefore, a business will need to maintain a minimum balance for at least 3 months. Every cycle is based on the balance rating during the previous 3-month period, and $10,000 or more should be every business owner's goal.

RULE #2:
Manange Account Responsibly.

Your business need to be able to handle your account in a responsible manner. This means that the company should avoid writing non-sufficient funds (NSF) checks at all costs, as this destroys bank ratings.

NSF's checks are something in which no business can afford to let happen. I suggest every business add overdraft protection to a it's bank account as soon as possible. This will avoid NSFs as well as any bank charges.

RULE #3:
Positive Cash Flow

For a business to have a good bank credit score, it will have to show a proof of positive cash flow. The flow of money coming into and leaving the business bank account should show more funds coming in than there are leaving. A positive free cash flow is the net amount of revenue left over after a company has paid all of its expenses. It is a measurement of a company's financial performance and health.

When the business account shows a positive cash flow it means that the business is generating more revenue than is used to run the company. And in turn, that means a bank will conclude that it can pay its bills and can pay back any loan.

RULE 4:
Make Deposits Consistently

Remeber, banks are highly eagerto lend to a business which has consistent deposits. As a business owner you must make regular deposits in order to maintain a positive bank rating.

The business owner is going to have to make a lot of consistent deposits. And they have to be more than the withdrawals they are making, in order to have and maintain a good bank rating. If they can do these things, then the business will have a good bank credit score. And, in turn, a good bank credit score means a company is far more likely to get business loans.

Here are 4 ways that will enable you to build a strong business credit report. You can use these strategies for maximum impact and results.

1) Report Business Utility & Telecom Payments

With eCredable, you can link up to 8 eligible account types such as power, water, gas, mobile phone, cable TV, satellite TV, internet, and landline phone to your eCredable profile. After you link your utility and telecom accounts to your eCredable profile, they securely download up to 24 months of payment history directly from your provider's website.

Afterwards on monthly basis, they automatically report your payments to the credit reporting agencies. This is an automatic way to build your business credit reports and scores.

They currently report to Experian Commercial, Ansonia and CreditSafe and D&B.

The majority of credit cards labeled as "business credit cards' report to personal credit.

If you have good personal credit (720+ on all 3 bureaus), you can leverage that to your advantage and get access to cash credit that builds your business credit reports.

2) Unsecured Business Credit Reporting Cards

By now you know a business credit card is a great tool for tracking business purchases while keeping personal and business credit separate. Unfortunately, not all business credit cards report to a major business credit reporting agency.

3) Merchant processor that reports processing fees

If you accept credit cards as a form of payment from customers you need a merchant processor. This makes accepting credit card payments possible.There can be a list of fees associated with credit card processing, depending on what company you work with to handle these transactions. What your business pays in processing fees dependant upon a different number of factors.

These fees you pay can be reported as positive payment activity on your business credit reports and strengthen your bank deposits (cashflow). This can only be accomplished if you use a merchant processor that reports to a business credit reporting agency.

4) Secured Business Credit Card

If your personal credit scores are below 700 than you should consider a secured business card. These can be a great ways to establish a relationship with a bank card issuer while building your business credit.

Here are some banks that offer secured business credit cards:

1. Fidelity
2. Wells Fargo
3. BBVA
4. Captial One
5. Chase

Business Reporting Bureaus

1. Ansonia
2. Cortera
3. Credit.net
4. Credit Safe
5. Duns & Bradstreet
6. Equifax Small Business
7. Experian Commercial
8. Fico Small Business
9. Global Credit Services
10. LexisNexis accurint
11. Lumnermen
12. National Assc. of Credit Managers
13. Paynet
14. Seafax
15. Tarnell