

Foolproof business credit

I would like to start out by answering one of the most frequently asked questions today, is it still possible to build business credit in this economy? The answer to this question is definitely yes. The difference between a few years ago and today is, there's just not as much money available to lend these days. This puts most new small business start-ups between a rock and a hard place. With so many so called "business credit gurus" popping up on the internet everyday scamming or confusing those who aspire to control their own destiny it becomes increasingly difficult to acquire the correct and much needed information. This guide is designed to to give you the proper insight on how to establish business credit the correct way.

These days the old method of building business credit isn't as effective anymore. Most seek the business credit option because they are interested in investing in real estate. little do they realize the real estate market crash is one of the main reasons why the economy is in the shape it's in. This means when it comes to real estate loans, a tougher level of scrutiny is now involved and makes the process much harder. This manual will only guide as far as your first cash card, It will also explain how to build a solid foundation with the bank for future loans. While at the same time nurturing both aspects simultaneously, and blending them into a perfect balance. Since the banking side of business credit is perhaps the toughest leg of the journey, it must be set in motion as early on as possible. When I say "banking side", I'm referring to unsecured bank loans. If there is one thing all so called credit guru's agree with is the fact that the best way to build credit is through secured loans. This is the reason you see so many high

interest card companies catering specifically to individuals with bad credit. The whole point of this is to create a credit history showing a trend of timely payments that are reported to the credit bureaus. A serious mixture of department store, net accounts, revolving accounts, gas cards, as well as certain types of loans and financing is what is required to achieve a harmonious balance that will be friendly to the credit bureaus algorithm. Other factors such as how much you have spent based on what your limit is is also important. So truthfully speaking, knowing the correct way to balance these variables can help you to emulate, or simulate them. This applies to personal credit as well as business credit.

The banking side

Trying to walk straight into a bank requesting a loan for your new company is every small business owner's dream. Unfortunately, without a thoroughly written business plan, a good personal credit score, check stubs, and even some type of collateral it is almost impossible. Lines of credit have always been the best alternative. A line of credit is similar to a credit card. The only requirement is to have a past payment history. The better the history, the higher the line of credit. Since you will be unknown to the bank, the best way to start this relationship would be to have some kind of collateral to use as security. One of the best forms of collateral is cash. If a stranger walked up to you and said he would give you \$100 up front if you would let him borrow \$100, plus he will pay you interest what would you say? It would seem like an unnecessary transaction, but when it comes to banks this is an exercise that shows how well you do with your own money before they trust you with theirs. This is a foolproof way to build a trusting, unsecured relationship with your bank. This also applies to personal credit. This is the easy part of building credit because it is only a matter of time before you receive an unsecured line.

Whether you initially secure it using a savings account, or a CD, after a few times repaying the credit and re-applying you will slowly be offered more and more unsecured credit as time goes on. It's only a matter of time. Now, all you need is a friendly bank that will be willing to grant secured loans backed by a CD or a savings account. This takes tremendous effort calling bank after bank in your area but don't get discouraged because there is always at least one. You also have online banking as an option.

This can be incorporated into your personal credit as well because the same applies. With personal credit there are much more options such as tribute, aspire, and capital one credit re-building cards. The interest is very high, but they report to all major credit bureaus to help bring your scores up. If you combine one of these cards with a secured line of credit from the bank, this will increase your score dramatically over the course of 90 days.

This will give your credit file (business or personal) two bank references and a revolving reference. Unfortunately, there are almost no secured credit cards like these for business so you must improvise by getting a secured credit card from your bank using the CD or savings account. The banking side is a must for all business owners and cannot be left out. It is better to start building that relationship now because it takes a lot longer to build trust with a bank. Once they consider you a customer they will hate to lose your business. Even if you have been blacklisted by chexsystems, there are still banks in your area that do not use chexsystems. All it takes is some searching and due diligence and you will find them in your state.

Once you have set your first bank in motion, I suggest repeating the process with at least one more bank. This keeps you from having all of your eggs in one basket while doubling your bank references.

Once you have put this in motion be sure to make your payments on time. Each time a loan is paid off, apply for another one asking for a little more each time. Be sure to use a checking account to make your payments. This creates a much needed record of all

your payments, and also starts a paper trail. These receipts can be used when you are ready to go to the car dealership.

The Cash Card Side

The revolving aspect of all of this is the easier of the two sides of business credit. Since it does not require check stubs, or a business plan. It simply requires a small amount of past history which is very easy to secure. The search for alternative resources for much needed seed capital has forced most business owners in this direction. Companies like staples, office depot, and sam's club just to name a few sell visa and amex gift cards that can be processed via point of sale machines for instant capital. This is why we were the first to bring this to aspiring business owners as an option for financing. Since it takes a lot less time to be approved for these accounts, they serve as a quick fix to help companies get off the ground. They also allow you to use the power of leverage or other people's money (OPM) to pyramid the secured loans from the bank. For example; \$3000 from staples gift cards could be deposited in a savings account for a secured loan of \$3000. This would look excellent on your credit report. Checks can then be written to pay back both, increasing your amount of verifiable documents of past payment history. To do this correctly would mean laying the proper groundwork so you can receive a high enough limit from these revolving account vendors to make things worth your while. This is the key for obtaining the cash cards such as amex plum, or Citibusiness without your personal credit score affecting your chances. But before we get to this point we must start at the bottom and work our way up. This begins with setting your business up to emulate what the big boys do. This is usually the stage where most individuals new to business credit, (or business for that matter) make their first mistakes. With the hype surrounding how easy it is to get business credit, some think it is an overnight process and fail to plan or lay any kind of foundation. They not only don't have

a business plan, but some don't even know what kind of business they want to start. This will only end in frustration. Coming into this without actually trying to start a business will not work out the way you want it to. There are too many watch dogs in place that can spot a scammer a mile away. Sometimes innocent business men and women get mistakingly labeled in this fashion by the bureaus and can cause them to be blackballed, or red flagged.

The different levels of being red flagged

Most new business owners who start companies do so to make money. They already have a good idea of how they want to do it, and they put the plan into motion. Depending on their budget, they will usually use their own home phone or cell phone. they will order what they need out of their own pocket, and usually borrow what they don't have from a friend or relative. They often blend their personal credit with business needs, and co-mingle the money in a personal bank account. With some luck they may some way or another, wind up on the credit bureaus radar but usually not. They usually go through their experience never even hearing of dnb, or even purposely trying to build business credit.

Until they get ready to expand. Even in that example, the business owner will not have a problem because he will have some kind of verfiaable third party evidence of his income. He has lost valuable time that could have been used to independently build the company it's own credit. This is the average path that is normally taken by the individual new to business This is how things usually work. Bigger companies with seed capital go through lawyers, and accounts to handle these things. So when an accountant submits something, its pretty much what they are used to seeing and raises no flags. When an individual approaches dnb for a number, it immediately opens them up to solicitations from them. Becase of the way things normally go, they will assume someone guided you there. This makes you a target for their sales team. Even if you are already red flagged

from a previous defaulted business, they will still sell you their products and promise you that your past won't matter. This is not true! There are several ways you can become red flagged by the credit bureaus, and we will discuss a few of them now. If you have ever had a failed business and owed any company in the CITI circle (staples, sears, radioshack, office depot, homedepot, etc..) then you will be flagged when you apply to them. On your special events tab on your e-update it will eventually tie you to that past company in writing. It will not necessarily stop you from getting any credit at all, but it will take forever. Another way to get red flagged, is buying outrageous trade lines. Outrageous meaning, \$10,000+. The obvious problem with this is, you would need some kind of supporting documentation that is verifiable from a third party source. A company doing that kind of business would at least have a bank account among other things. They would at least have a website, stationary, business cards, and a landline phone number. I personally think the biggest mistake most make is coming into this for the money. Because it is kind of an art. A balance that once you figure it out, opens your eyes to everything. There must be some kind of legitimate plan to start an income producing company. If you are in it just to chase the money it will seem as if it will never come. So I always suggest planning the business first before planning the business credit. A new business owner may also be red flagged by checking their d&b eupdate too often. Changes are made on sundays. Usually around the second sunday of the month. As in the former example, your normal small business owner knows nothing of dnb, so if you are watching your file waiting for something to happen but have not spent any money with dnb, you will end up waiting longer. They will try to wait you out. It is a normal game of cat and mouse, where of course they are the cat. Their job is to catalog every business on this earth. If you run across the path of a company in their circle and do business with them, it will be noted and you will be assigned a file. This is simply how it works. When companies submit trades to dnb, Dun and Bradstreet catalogs the

ones they dont already have in their system. Why wouldnt they, they are a credit reporting agency and database. Since we have no choice in this matter, we must apply for a duns number and willingly become monitored by them. You can consider this a probationary period where they verify the information you have submitted and decide whether or not to keep a closer eye on you. Your number of employees, income, registrations status, projections, and many other factors determine are taken into consideration to decide if you are telling the truth or not. The numbers and accounts must all make sense or it will be rejected. You then become a victim of extortion as dnb begins to call and basically tell you to pay-to-play. To avoid this it is always good practice to stick to the foolproof method. It takes into account what credit bureaus look for in a legitimate company and helps you to emulate this in the shortest time possible frame. We will look at some of these factors and show you how to simulate what you dont already have in place.

Time in business- Credit bureaus use certain points of reference when determining how long a company has been in business. They primarily go by the date of incorporation, LLC, taxes, or sole proprietorship. They will also use the date your file was created, which ever comes first. As long as it can be verified by a third party source. Simulating this is not difficult. On the Ein application (form ss-4) it asks what date did the business start. This would be the very first place to start. You could always insert a date that is up to three years prior. Filing \$0.00 back taxes for up to three years will also accomplish this goal. This creates a third party that will automatically verify your company age. Even if your incorporation date stays the same.

Type of business- The type of business means alot as well. With money to lend being in short supply, banks are more picky about what types of companies they extend credit to. Because being a real estate investor or some type of consultant only requires a phone, lenders consider this very high risk. Which makes alot of sense. Attractive businesses have some kind of infrastructure. They produce goods, repair equipment, or build something tangible. The perfect industry requires some specific knowledge of

Number of existing accounts

Business location (home or office space)

Previous payment history

Ability to locate business easily

Proper licenses

Banking references

Number of employees

Projections

Taxes filed

Website

Government registrations

Stationary/business cards

411 listing

BBB/Chamber of commerce member

Accountant/lawyer