

BUSINESS CREDIT



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CHAPTER 1

HOW TO CREATE AND DEVELOP YOUR BUSINESS CREDIT

Building business credit has many benefits for your small business. Certain finance options, business insurance policies, or supplier payment plans might be easier to obtain or more reasonably priced.

It could lead to even more lucrative contracts for your business. Here, we'll go through simple steps for establishing and improving company credit to help your small business grow.



Why Is Building Business Credit Important?



For your small business, establishing business credit offers many advantages. Obtaining certain financing choices, business insurance coverage, or supplier payment arrangements may be simpler (or less expensive). It can result in even more rewarding contracts for your company.

Here, we'll go over easy procedures for creating and enhancing business credit to support the expansion of your small firm.

Some loans, like bank loans and SBA loans, may need a personal guarantee. Does Your Business Care About Your Personal Credit?

If you own a small business, the importance of both your personal credit and the credit of your company cannot be overstated. Lenders frequently need personal credit checks before approving a loan for a small business. Although we'll focus on building corporate credit in this article, having solid personal credit is as crucial.

The good news is that you can initiate the process of building company credit even if your personal credit isn't all that stellar.

How to Improve Your Business Credit

Large commercial credit bureaus maintain up-to-date records of business credit. The keys to earning high business credit scores are dealing with companies that disclose their payment histories, paying bills on time, and maintaining manageable debt levels. It is feasible to make it that simple.

However, there are some nuances that can make the process for acquiring business credit a little difficult for some business owners, so we'll detail it here in step-by-step guidance.



HOW TO BUILD BUSINESS CREDIT IN 7 EASY STEPS

Create a solid foundation, register your firm, obtain a D-U-N-S number, and obtain accounts that report, open a business credit card, make on-time payments, and keep an eye on your credit.



✚ Lay the Foundation

Building your business properly will help you establish business credit. If your business is new, invest some effort into making a professional first impression on clients and lenders.

A business phone number should be obtained, and if possible, it should be listed in the phone directory. Get a corporate email address and use it. Choose and consistently use a corporate address, which might be your home address if you're just starting out or a P.O. Box. Why is this important? You should present a consistent, professional image because information about your firm can appear in this manner on your business credit reports.



✚ Publish Your Company

Most businesses should have official registration with their state. If you established a legitimate business entity—such as an LLC or S Corp—in your states, this phase should have been accomplished by now. Annual filings will probably be required. (If your company was founded in another state, you may also need to register it there if that's where your operations are. If you are a sole proprietorship or an independent contractor and you haven't registered your firm, you can still register a fake business name with your state. (Sometimes, this is also referred to as a "DBA").

In either case, you might need to get business or professional licenses. Verify the state's laws.

Why is this important? Information like this from the public record may be used by some business credit agencies to create your company's credit profile.



Obtain Your D-U-N-S Number

A DUNS number assigned by the credit reporting agency Dun & Bradstreet serves as your company's unique identification. If your business doesn't already have one, you should submit one (you can check for free). It's gratuitous

Due to the fact that each of Credit Safe, Equifax, and Experian has a specific identification number, you do not need to submit this type of request to them (a number that lets your company be found in their systems). An EIN is a company's equivalent of a Social Security number. The IRS requires an Employer Identification Number (EIN) for specific businesses, but creating business credit is not one of them. However, some business funding applications may require an EIN, and EINs may be made public in reports of corporate credit.



WHY IS THIS IMPORTANT? IT ENSURES THAT D&B CAN VIEW YOUR BUSINESS.

Get Reporting Accounts;

The most important part of any credit report is the data on your history of paying your bills on time. Your company's payment history can be used to

predict how likely it will be to make future payments on time. As a result, you need accounts even though not all of them report to corporate credit bureaus. You ought to open accounts with at least two to three reporting companies. More might be helpful if your business grows.

These could include: Vendors and suppliers Business finance and loans Credit building accounts Business credit cards

While certain suppliers and lenders are required to report to business credit, others are not. The major business credit bureaus may accept one or two of the applications. Some have reported but not others. If your goal is to develop business credit, you must choose accounts that report.

Why is this important? If you don't have any accounts with a payment history, you'll likely have no business credit history or a record with a low credit score.

Opening a credit card for business use that reports to the major commercial credit reporting bureaus is a wise move to establish firm credit. You can use one of these cards to build credit in addition to taking advantage of perks like cash back or travel rewards.

Your eligibility for the majority of small business credit cards will be determined by your credit ratings and your yearly income from all sources. As a result, both new and established businesses can use them.

You should have at least one open business card if you match the requirements, but having more can be advantageous. Avoid overextending yourself, though, as this can harm your company's credit ratings.

If you are not qualified for a business credit card, you can skip this step and come back to it once your personal credit history has improved. Why is this important? Business credit cards, when used carefully, can aid in credit development.



Pay Promptly

Payment history is the most important factor in all credit ratings, but it is especially important for commercial credit. Days beyond Terms (DBT) is a word used in business credit reports to describe how many days passed after the due date before payment was received? For instance, the account will be recorded as 2 DBT if you pay on day 32 and the vendor's terms are "net-30." Yes, that

suggests that even a single day or two of late payment could affect your company's credit rating.

Pay as soon as possible if you can to hasten the improvement of your business credit score.

Why is this important? Payment history is the single most important factor in establishing company credit.



Check Your Credit

By carefully reviewing your company's credit history, you can keep track of your progress and spot mistakes. If you do find an error, be careful to file a dispute with the credit bureau reporting it.

If your accounts aren't raising your scores, you might want to consider adding more credit references. Check your credit reports and scores with several major credit reporting agencies to determine if your accounts are.

Why is this important? Monitoring your business credit allows you to identify problems and take additional action.



What Is The Time Frame For Establishing Business Credit?

It can take a few months before new accounts appear on your company credit reports. Once they do, you'll need to make payments on time for a number of months in order to establish a solid business credit score. Whether your firm is new or established, if you follow the above guidelines, you may build a strong business credit rating in a few months to a year.

CHAPTER 2

How to Clean a Report Properly

Just like you would clean and arrange your garage or closets, make sure your credit report is free of errors. Your credit history is the foundation of your financial existence. Based on the information in that report, your credit score is calculate

which affects whether you qualify for credit, how much you pay for credit, and even how much you pay for other things like insurance.

If you haven't looked at your report in a while, don't wait until you're about to make a large purchase before you investigate more. If you're in a rush to get a loan, you can regret not paying attention sooner because certain issues take time to fix. Keep an eye on your credit report.

Federal law mandates that you receive a free copy of your credit report from each of the three major credit reporting companies, Equifax, Experian, and TransUnion, once every 12 months. You can get a free copy of your credit report from each of the three bureaus at AnnualCreditReport.com. To check your credit, place one order at a time, spaced out over the course of the year, and report every few months.

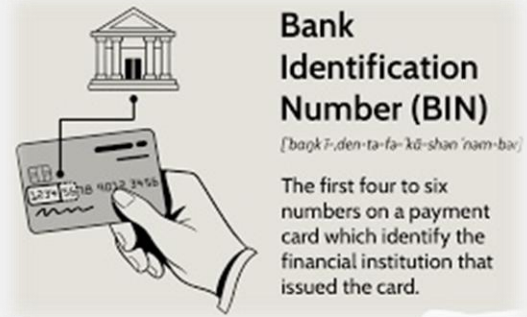
If you're learning about your credit history for the first time, you might choose to order all three at once. If you're turned down for a job or credit, or if you don't get the best interest rate on a loan, you have a legal right to a free credit report check. You can call the phone number on the letter giving you the option to learn more.



Check Your Identification Information

According to Natalie Lohrenz, strategic partner liaison at Green Path Financial Wellness in Santa Ana, California, the three pieces of information on your credit report that are most important are your name, address, and Social Security number. People worry about seemingly insignificant changes to their credit score, claims Lohrenz. However, they should focus on the issue of accuracy.

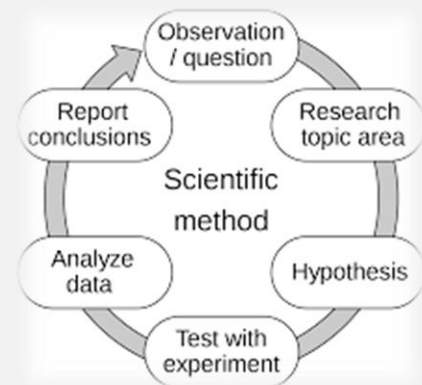
A critical error, like using the incorrect Social Security number, might have severe consequences and needs to be fixed straight soon. Verify all the identifying information, then look at the accounts to make sure they are all yours. Keep in mind that not all lenders, including those who provide store-branded credit cards, will go by the name that appears on the storefront.



➤ **Verify Your Report For Inconsistencies**

Watch out for accounts you're unfamiliar with, and confirm that any accounts that include negative material are actually yours. It's possible that erroneous information about someone else's account is present in your credit report. Another red flag to watch out for is an account with a balance that is much higher than what you carry. This can indicate identity theft or a case of mistaken identity.

According to Jessica Cecere, who worked with Cred Ability (now Clear Point Credit Counseling Solutions) for over 25 years, a typical credit-report issue is the presence of old bad information that should have been taken off the person's record. Although the majority of negative information is only retained on a credit record for seven years, Chapter 7 bankruptcies are kept on for ten years.



➤ **Dispute Errors The Correct Way**

Get copies of your credit report from each of the three credit reporting agencies if you find a big error to check if it just impacts one report. Choose whether to take your issue up with the lender or the credit reporting agency after that. If you notice information in your report that belongs to someone else or if accounts are mentioned that you aren't acquainted with, get in touch with the credit bureau. All three bureaus offer online dispute forms so you may quickly fix errors in your credit report.

Making a complaint to the bureau is simpler since they have a single established methodology, claims author and personal finance expert Steve Bucci. Each creditor you speak with on the phone will sound a little bit different, but there is a dispute process in place that allows you to challenge each account in the same way. Not as organized and simple.

If there is any bad information that is more than seven years old or a payment that has been fully paid, get in touch with the lender immediately.

➤ ***Keep Track of Everything:***

Once a dispute has been filed, it should not be ignored. Make a note on your calendar to follow up on the situation, and store any supporting documents in a safe place. It is crucially important to keep track of everything since, if a negative or erroneous item on your credit report is very old, the creditor may have been acquired, either merged with another company or ceased operations altogether.

Depending on the people you speak with at the lending institutions and credit reporting agencies. The moment you spoke with them and the deadline for taking any necessary corrective action should be noted. Check your credit report after that day to see if their work was finished. The three credit bureaus electronically "talk" to one another, so any changes made to one report should also be reflected in the others. Make a list.



Advantages of Cleaning Up Your Credit Report

By carefully reviewing your credit report and disputing any errors or out-of-date information, you may be able to improve your score and increase your appeal as a borrower to lenders. Examine each of your reports carefully to quickly identify any errors that might later prove costly. Your credit score increases your chances of receiving new credit or lower interest rates.

CHAPETR 3

Facts, Law, and 6 Basic Dispute Resolution Procedures

The Detailed Methodology

The Factual Dispute Methodology is a critical distinction for credit repair companies who use the Fair Credit Reporting Act (FCRA) to contest incorrect information and try to assist clients reclaim their status. Approximately 80% of US credit reports have errors that need to be fixed. That sum is staggering. The Factual Dispute Methodology is built on the process of reviewing a client's credit report to find these inaccuracies and creating a strategy to challenge them.

Numerous unfavorable items, such as inquiries, late payments, collections, bankruptcies, foreclosures, repossessions, judgements, and charge-offs, may be shown in a consumer's credit report. Verifying that each piece of information in a credit report satisfies the following criteria is the first step in examining one:



- ***Is It Correct?***

The other information is true according to the customer's own records. Check to see if the data in the credit reports from all three bureaus that you have obtained is the same. Check that all account details, such as account types, dates, statuses, and account numbers, are accurate.

- ***Is it finished?***

There shouldn't be any missing dates, account numbers, balances, or other information. This is one of the most typical errors on a credit report.

- ***Can It Be Verified?***

As required by law, each item contained on a credit report must be backed up by evidence. If the information is untrue, the item should be completely removed. The data is unclear? Do you have the client's signature here?

After you have marked up the credit report with the information that is inaccurate, incomplete, or unverifiable, prioritize the issues that you will challenge first.

6 PRINCIPLES OF DISPUTE METHODS

Avoid Coercion and Distancing

This is a great place to start. What should be done instead of these instances of things to avoid doing? We know from experience that without a plan, conflict grows and easily spirals out of control. Here are a few simple tips to help you resolve disputes amicably without using force or distance.

Offer a contribution

Be the one to get things going and show that you are in some manner working toward harmony and restoration. Apologize, take responsibility for the problem, express regret, or be kind to the other person to demonstrate that you want a change. Yes, this makes us vulnerable to attack, but it also sets the stage for a surprising development.

Create Time

Prioritize the conversation. Find a time that's convenient for both of you and go with that.. Doing it when you or the other person is sleepy, hungry, or preoccupied is generally not a smart idea. Extremely intense moments do occasionally happen at work. Consider whether you can ensure that a conversation begins by waiting until the crunch has passed.

Focus on the problem

Describe the issue or problem in the shortest amount of words feasible. Focus on facts that can be independently verified; elaborate on any statements or actions that, in your judgment, may have contributed to the disagreement. Stating the outcomes of the actions could be helpful as well.

Listen

So that they can respond, let the other person speak first. Listening is not a natural skill, much like putting pressure on yourself and isolating yourself. While the other person is speaking, we frequently start formulating an answer, a defense, or a justification right away, which shows that we are not listening.

Make a Resolution

Explore options together. Look for solutions and future directions that both you and your partner can support. Find out what the other person wants. Think about what you need. This could imply that you both cave in or make a deal, and it surely suggests that you both need to change how you behave in the future

Letting Go

Nelson Mandela once said, "Resentment is like taking the poison and expecting it will kill your enemies." Wayne Dyer once said, "How you are treated by others is their karma; how you respond is your karma." Occasionally, we are unable to remedy the issue. We have no control over anyone. Only our own reactions are within our sphere of influence. We have the choice to act with kindness, integrity, and restraint no matter what occurs. If things don't go as we had hoped, we can choose to let them go.

To help ourselves and others navigate conflict in a healthy way, we must both learn to tolerate discomfort and restrain our natural urge to defend ourselves. We can stop the disagreement from getting worse and give ourselves the opportunity to fix the relationship and find a solution by being focused and using the aforementioned recommendations purposefully.

CHAPTER 4

Best Business Credit Cards For Spending On Products

In recent years, the limited liability company (LLC) has emerged as the most widely used legal structure for small firms looking for flexibility and protection against personal risk. Depending on how complicated your organizational structure is, forming an LLC is often a simple procedure that takes one to four hours to accomplish. The exact requirements, however, vary slightly between states.

Regardless of the state in which you live, these are the foundations. The limited liability company (LLC), which offers flexibility and protection from personal liability, has recently become the most popular legal structure for small businesses. Depending on how complicated your organizational structure is, forming an LLC is often a simple procedure that takes one to four hours to accomplish. The exact requirements, however, vary slightly between states.



Get a Copy of Your State's LLC Articles of Organization Form

This form is available online from your state's Secretary of State's office or website. When you contact the state (or county) where you will be establishing yourself, ask if they require you to publish a notice in the media. Additionally, find out whether there are any rules regarding company names.

➤ **Select a name for your company.**

You must choose a company name when incorporating an LLC that fits with the guidelines established by your state for LLC names. The main part of the business name is often very broad, even though each state has a list of words that are illegal, like "corporation," "incorporated," "insurance," and others. Your legal name must include a designation for an LLC, such as "Limited Liability Company," "LLC," etc. Also prohibited is using a name that is already registered as an LLC in the state where you are filing.

➤ **Please complete the LLC Articles of Organization form.**

Your LLC's name, business purpose, principal office address, the registered agent who will receive all legal documents, and the names of the founding members are the only details you need to provide to the state about it. Consequently, this process is often relatively simple. At this time, only the names of the members are needed; you are not required to provide information on the LLC's ownership or governance structure.

➤ **Post a Notice in the Community Newspaper**

Depending on the laws in your state and county when setting up an LLC (if needed by your state—don't waste the money otherwise), you could be required to publish a notice proclaiming your intention to form an LLC. This should be finished before submitting your articles of organization. Currently, only Nebraska, Arizona, and New York have this requirement. Verify with your state's secretary of state to be certain.

➤ **Send in your articles of incorporation form**

You must submit this form together with the necessary filing fee to your Secretary of State when incorporating an LLC. Some states may have a

corporate tax that is separate from the filing fee but that must be paid at the time of filing. For instance, California charges a \$70 filing fee in addition to an annual tax of \$800. 67 An LLC's Operating Agreement

Although you have met all legal requirements, the LLC operating agreement is a vital piece that is still missing. The operational agreement, however, is not typically required by the state and can be made once the formal paperwork is completed.

If you are the sole owner of the LLC, you probably don't need one right now. If there is even just one extra owner, it is preferable to draft a legal agreement defining the regulations.

➤ **Create An Operating Agreement For An LLC**

Ensure that your operating agreement spells out the financial and management rights and obligations of the LLC members, including who contributes what if the LLC requires additional funding, when and how business profits will be distributed, the circumstances under which members may leave the LLC, etc. Future problems in business and personal relationships, even (or perhaps especially) among friends and family, may result from not resolving these concerns. Put it in writing. 8. Make Sure Your Business Partners Understand You

Even though it's not legally required, you should usually work out the contents of the operating agreement before submitting the LLC's articles of formation. One of your potential business partners may decide they don't want to be engaged once they know the full story, or you may discover that you need to bring in someone else. Make a plan before you do anything.



➤ **Own up to it**

You can do this yourself and save a ton of money, which has suddenly become a crucial resource for your new firm, but only if your organization isn't particularly sophisticated. When you need help setting up an LLC, you may either employ an attorney or resort to well-known websites like LegalZoom.

➤ **Register your LLC in the state where your business is located.**

Unless there is a compelling reason to do otherwise, it is normally preferable for small businesses to establish themselves in the state where they will be conducting the majority of their business. However, registering in a certain state can have several financial and

administrative advantages. Although Wyoming, Nevada, and Delaware are popular states for out-of-state registration, if you're unsure, see an attorney and do further research first. To benefit from founding an LLC in one of these tax-friendly states, you often need to be quite wealthy. Where you now live and consider moving after you start making a lot of money is where you establish your LLC.

5 steps to register your business



CHAPTERS 5 AVOIDING THE NET 30S

WHY AVOID NET 30 PAYMENT TERMS FOR FREELANCERS?

The feeling of presenting a delicious invoice for a job well done is one that everyone enjoys. Those dollar signs are your dearest friends!

Is there anything in the law, though, that harms you more than it does well? If your payment terms are net 30, there can be.

Most independent contractors don't have much experience writing their initial contracts or invoices (myself included). Because they are aware that this payment period is customary in the business sector and they assume it will be successful, many people choose a net of 30 payments (again, guilty). But did you know that small businesses cannot employ this tactic?

Here you learn why net 30 isn't a freelancer's best friend because better learning results in improved performance. Stay away from it if at all possible.



What Do Payment Terms of Net 30 Mean?

The principles of Net 30 are rather simple. Giving your customers trade credit, commonly referred to as "net 30 terms of payment," means that the balance is due 30 days after the date of the invoice. Essentially, you are providing your clients with a month of interest-free credit.

Even though these payment terms are very lax, they may make it difficult for independent contractors and small businesses to manage their cash flow.

Reasons Freelancers Should Steer Clear of Net 30 Agreements

Thus, the client has a significant amount of time before needing to pay the invoice. Net terms may work well for more organized and well-established organizations, but offering independent contractors longer payment terms presents several difficulties.

When you next offer clients freelance services, keep the following in mind and steer clear of these credit terms: Cash Flow Issues

Net 30 phrases are frequently used in B2B agreements because of the way traditional organizations are structured. They usually labor under more unpredictable pay schedules after delivering their goods or services. This is acceptable because they have plenty of time to wait for the buyer to pay.

However, you're running a household and a freelance business at the same time. Freelancers often have smaller profit margins, shorter payment terms, and less cash on hand. Even an early payment that arrives three weeks after you invest your valuable time in a project can be too late depending on your bill due dates and business obligations.

➤ **Time For Issues To Surface**

Many things could happen within 30 days of the invoice date. Your client could be unable to pay you on time if their firm is experiencing difficulty. If the consumer changes their mind about the price they agreed upon, they may decide to play hardball. You will surely win the case once a contract has been signed, but no one wants to deal with the extra inconvenience. Additionally, your client may have cash flow problems.

The likelihood that something will go wrong decreases with the amount of time between the agreement being made and the payment becoming due. This period includes the time between the payment deadline and the due date on your invoice.

➤ **Long Delay for Consequences**

Even while I like to believe that everyone has good intentions, we all know that some clients sign contracts knowing they won't be able to afford to pay the bills on time. Even though we all expect to spot the warning indications and pick out those con artists rather than working for them, there is always a danger that you won't get paid in full.

If your contract contains net terms, you cannot even begin to take action to get the money until the end of the month. This is going after unpaid bills for collections and tacking interest onto past-due payments for the service provided. If they have explicitly refused to pay you before that 30 days have expired, you might be able to sue them in small claims court.