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CHECK IT OUT HERE

How I went from **\$0** business credit to over **\$300,000**

ONE WOMAN'S PERSONAL STORY

*A step by step guide
to getting the money you
need for your business*



M.U.Sylvester



How I Went from \$0 Business Credit to Over \$300,000

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Introduction

It is estimated that approximately 250,000 people start businesses every year in the United States. Financing is often thought of as the real stumbling block for many entrepreneurs.

So the million dollar question becomes: How will I get the money to start my business?

Awareness is the key to start you off on your journey toward a solution. Knowing the questions you will be asked, understanding the obstacles that will be thrown down like gauntlets, challenging your every move, and being armed with information will provide you with the ammunition to succeed. I will “walk” you through the process I’ve learned from others and a few courses I charted myself.

I’ve read many interesting stories about people bootstrapping their business by using their personal credit cards. I’m sure you have heard or know someone who has done the same thing as well.

Using only your personal credit to finance a business can be risky business. If you max out your credit cards and some unforeseen event take place which requires obtaining additional finances, you will be rejected everywhere you go. You’re considered high risk and banks don’t lend to high risk Entrepreneurs, period. In addition, you don’t want to have to ask Vito, Luigi’s cousin, for a loan!

Short of having an armed associate accompanying me, the protective shield of a corporation was necessary. Without the benefits of a corporation, business owners are literally saying to their creditors, “If my business cannot pay its bills, please come after my home, bank accounts, car, jewelry, furniture, and all other personal assets to satisfy the debt.”

The legal services for arranging my corporation was relatively inexpensive. The tax ID and corporation registration cost less than \$300.00. Indeed, it was also preferable to hiring someone named “Luigi”.

I had never heard of business credit and once I did I began to take baby steps toward building a powerful business credit score. While working on my business idea I also worked full time consulting. It was challenging, the road filled with potholes and blind alleys, so fortunately I made the decision to keep a salary coming in as I pursued my business dream.

Don't quit your day job just yet! After all, building business credit requires you to spend money, and depending upon your business model, perhaps lots of it. You will need to make purchases that your business needs and the vendors will report your payment history to the business bureaus, thereby establishing your business credit history.

It is important to start strong, pay invoices on time, and develop good relationships right from the get go.

Finally, if you have someone named "Luigi" in your entourage, I would strongly suggest a corporation for protection.

Starting from scratch

I remember it as clearly as today. It was a cold winter evening in January 2005 when the idea hit me like a ray of light penetrating the dark skies.

I was at a friend's house for a very brief visit; the idea had come from her. By the time I walked about seven blocks back to my home, I knew I was going to start a business working from home. My step picked up as I affirmed to no one in particular or perhaps to everyone: "I am going to start my own business!" I also realized that I would be working from my own home and therefore needed to arrange my life accordingly.

My thoughts when I awoke the next morning were well ahead of me. I had visions of customers lined up on the internet anxious to purchase my product. I pictured me carting tons of money to the bank or overloading my PayPal account. All of this was fun; even a dyed in the wool New Yorker can see a rainbow once in a while. Thus I made it through the day by putting my big dreams aside as I answered the telephone in my soon-to- be-history day job.

Of course, my dreams were at this point very private. Anyone seeing the enormous smile on my face probably thought I was thinking about an exciting evening out on the town. New Yorkers like that type of entertainment, followed by a show. We attend the first nighters and still go out in spite of the variety of programs on television.

My experience with raising finances for my business has completely reshaped my outlook on life. It was a journey through unknown waters with many rocks, rapids and periods of drought. Sometimes the current carried me along and at other times I had to paddle like hell just to stay afloat. The good news is that I didn't drown! I would like through this book to offer you a life jacket in the form of my experiences. Truly, each of us has our stopping point. You know, that "last straw" moment when you want to just "throw in the towel." I have experienced those moments and I have pushed hard and traveled through them.

Please read on and gather strength from my encounters with red tape, unanswered questions, and dead ends.

Along the way you may stop and ask yourself; “Is it worth it?” Or, Do I really need business credit? If you do not have a definite affirmative answer to that question, this is the time to put our book down. True entrepreneurs have a need to be independent and will overcome any obstacle to achieve their success. History is filled with stories of the ones who failed and began again. Rarely do you read about the ones who gave up. I didn’t; will you?

Because you will be tested and your will must be forged in iron! Owning your own business is not for the weak, indecisive, or faint of heart. It is the hardest work you will ever do, but also the most rewarding and satisfying. And if you think it is risky and insecure owning your own business, then I invite you to observe the unemployment lines filled with those who thought they had secure life-long corporate jobs.

I have worked at numerous jobs over the years, from secretarial and customer service to collections. Little did I realize that these positions and my present one at the time (telephone sales rep) were simply providing me with the experience I needed to become Executive Director of my company. They were a part of a business plan I had not even conceived yet. Talk about being prepared, I had spent years in training, sort of on bivouac, for this major achievement.

Every job you have, including volunteer work and managing your home and family life, adds to your base of knowledge and experience. It is all valuable. Making your family budget, doing your personal taxes, balancing your check book, arranging travel, organizing tasks, are all skills that translate into the business world. Don't diminish your experience or downplay your skills.

In August of 2005 I became incorporated and received my documents in the mail. That very same month I handed in my resignation letter to my boss. Even without a hat to toss up in the air, I felt much like Mary Tyler Moore in her sitcom days, cheering myself on. "You're gonna make it girl!"

Honestly, I had always thought that I would one day resign with the presentation of silver ear phones at least. But, I got a pizza party instead.

Initially, I had anticipated that my business would be up and running in about three or four months after quitting my job, which turned out to be a too rosy scenario. Several months passed by and I was still working on my business plan. It took me much longer to get launched than I had anticipated. Getting that ship in the water required getting my feet wet. I needed a navigation chart, wind in my sails, and I wanted a life boat or two on my journey. But it was turning out to be choppier waters than I had predicted.

Since that was the case, about six months after quitting my job, I went searching and eventually found consulting work. For me, it was perfect, with no long term commitments and I could leave that job whenever I wanted.

My ultimate aim was to work full time in my own business.

A CREDIT FORUM

One evening while surfing the internet, I bumped into a website devoted exclusively to building business credit! The site was fascinating. Entrepreneurs would share their experiences applying for business credit. I began to look forward to logging onto this web site every evening, after work. The stories were absorbing as well as enlightening.

At the time, a lot of people were trying to get approved for Citibank business credit cards. This was in the year of 2005. Many reported that they had applied online and were instantly approved for \$25,000. Wow! I couldn't wait to give it a go.

After arriving home from work one evening, I went to the site to login as usual, but for some reason this time around I was not able to login. Many days went by and I still could not login. Days turned into weeks, and later I learned that the server had crashed and that they were working to have the server restored. Every week I would check to see if the server had been restored. This particular forum never came back up.

How disappointing it was not having access to this forum any longer. I felt like I had lost touch with friends and had suddenly been shut out of some inside circle of information, back into the dark. This was the beginning of my education regarding the process of building business credit. Initially, I was aiming for about \$50,000 financing for my business.

But with the assistance of that site my vision had been broaden.

Eventually, 50k seems like small potatoes to aim for and I started to think in terms of greater financial goals. I was thinking big time!

CHOOSING A CORPORATION OR AN LLC -

First, decide upon a name for your business. Put some serious thought into marketing, meet with a logo designer, do an online search to make sure the domain name is not taken. The name should be unique, memorable, and should clearly indicate what the business is about. Calling your business "Smith Brothers" doesn't tell anyone what you do. "Smith Brothers Furniture" does.

Secondly, you ask why you can't just be a "sole proprietor" or partner with your brother-in-law. Here's why: Unless you don the protective cover of a corporation (which is a separate legal entity from you personally) or an LLC (limited liability company), you are putting all of your personal assets (your car, your home, your savings, your first born child) at risk in the event of a law suit.

Which entity you choose will be based upon your own criteria, style of doing business, type of business, etc. There are many things to consider and you should do as much research as it takes to feel comfortable with your choice. This is important and should not be undertaken lightly.

C Corporation (or Standard Corporation): You will pay corporate income taxes and the reporting rules are stringent. What's worse is that monies left over and paid to you, as salary for example, will be taxed again when you file your personal income tax. You gotta love the government!

S Corporation: Income "passes through" the corporation to you and will be reported on your personal income tax, thereby bypassing the corporate income taxes. Reporting rules are formal and similar to a C Corp.

Example: You own a print shop. You do some research and find that a typical print shop manager should earn \$35,000 and so you pay yourself accordingly. Your company's total earnings for the year are \$60,000: \$35,000 paid in salary and the remaining \$25,000 paid as a distribution from the S corp. Your total employment tax would be \$5,355 (15.3% of \$35,000).

In this example, if you were the proud owner of an LLC, you would be required to pay employment tax on the entire \$60,000, which would be a staggering \$9,180. In this case, having an S corporation provides a savings of \$3,825 in employment tax.

LLC: You are considered self-employed with an LLC. You can distribute profits any way you see fit.

Example: Let's say you and a business partner form an LLC. Your partner put \$100,000 into the company for capital. You only contributed \$25,000 but you perform 90% of the work. The two of you decide that you will share the profits equally, 50/50. As an LLC you could do that, but with the more stringent and formal regulations governing the operation of an S corporation, you could only take 25% of the profits while your partner would take the other 75%.

You can see how there are pros and cons in forming both types of legal entities.

Compared side-by-side:

	<u>S Corporation</u>	<u>Limited Liability Company (LLC)</u>
Liability Shield	Yes	Yes
Operating Control	Officers-Board of Director	Manager or member managed
Federal Taxes	Pass thru	Pass thru
Employment Taxes	Payroll taxes on salary but not on dividends to shareholders	Self-employment tax only on total net income
Ease of Operating	Difficult-Legal formalities & rules For record keeping	Easy
Profit Sharing	No	Yes
Who can own	Restrictions	No restrictions

There is no one good answer, so do consult with a CPA or corporate attorney. Chances are very good, however, that an LLC will work just as well for you and not unduly complicate your life!

A BUSINESS PLAN

If you haven't already done so, now would be a good time to write a business plan. If not for use in gaining business credit, then you will find it useful for providing a clear vision – Blueprint - that will keep you on track as you grow your business.

I had spent months working on a business plan. It really helped in planning my day to day activities, and in clarifying where I was going and how I was going to get there. And secondly, to use as a tool to get a business loan or Line of credit, or so I had thought. I've read many articles on the importance of preparing a business plan to get financing. So I complied.

However, nobody ever asked to see it. It turned out to be a tool strictly for my own use. I applied to five banks for loans or LOC. Most likely, 48k, 50k or 60k is considered small change, to lenders, especially when compared to the "big boys" requesting \$500,000 or more from banks. Donald Trump had the right idea:

Go big. Be bold.

COMING UP NEXT

Would admitting that you're a home-base business interfere
with your receiving business loans or Line of Credit?

Or

Will there be a limitation on the dollar amount lenders will approve your business since
you work from home.

Straight forward answers next

Moving Forward

HOME SWEET HOME

A word here about home-based businesses, which are growing by leaps and bounds daily, not only in sheer numbers, but in credibility. Home-based businesses are gaining in popularity and are being widely recognized for their contributions to the national productivity picture. No longer thought of as part-time, hobbyist, or unprofessional, home-based businesses are now on the cutting edge of the business landscape.

My business is home-based and I have never tried to hide that fact. Even when Dun & Bradstreet called me for an interview to gain information about my company. I told them that I worked from a home office.

Let me stress the small distinction that I just made:

I don't WORK FROM HOME, which sounds like a hobby.

I operate my BUSINESS from a HOME OFFICE, which is professional, well equipped, and operate like any business, just in a more convenient, cost efficient, and pleasant environment.

Some entrepreneurs think that you will appear just too "small time" if you work from home and nobody is going to loan you a cent because of it, or what they will approve your business for will be miniscule. This has not been my experience. I have never had any problem acquiring credit because my business is home-based.

Your business credit, length of time in business, personal credit history, your yearly sales volume, and overall professionalism go a lot farther than your location.

Still, some entrepreneurs think they need to get a rental space or a suite number, etc, to try to fool lenders into believing that their business is not home-based. Folks, it's not necessary.

To get started building your business credit,

Here's what you need to do:

1. Apply for your Corporation or LLC, this can be done online inexpensively
2. Apply for your Tax ID
3. Get your business telephone number
4. Call Verizon Foreign listing and have your number listed in directory service, also get listed with:
5. Listyourself – allows you to publish your toll free 800 number, your VOIP or your cell phone number)
6. Call 411 to verify your business is located in directory service
7. Open your business checking account
8. Create a professional looking website and set up the company email address

You're done for now. Don't get too comfortable. There are lots more ahead.

COMING UP NEXT

Getting a DUNS number

Credit Builders - A service that can swiftly build your business credit

Dun & Bradstreet

A CONVERSATION WITH DUN & BRADSTREET

After leaving work one day in January 2006, I called Dun & Bradstreet to make a purchase for a DUNS number. The customer service representative told me that my file would be incomplete with only the purchase of the DUNS number, and that I needed to purchase Credit Builders to complete my file. At the time, feeling that it was an unnecessary expense I decided against purchasing the service.

The charge for the DUNS number only was \$99. After providing him with my credit card information, right then and there he gave me my number.

As the end of January 2006 approached, I rushed out and made my first purchase, setting up a net 30 account with U-line, which is a shipping supplies company.

In February, I made purchases with Nebs, Quill and Fedex-kinkos. U-line reported very fast and was the first trade line to appear on my business reports.

Net 30 accounts, by the way, are considered your 'no Personal Guarantees' accounts or no "PG" accounts that must be paid in full within 30 days. These accounts are usually your very first business trade lines, and are critical to establishing long term credit accounts and relationships. Manage them wisely!

After observing for a couple of months that I only had one trade line reporting on my Dun & Bradstreet business report, I decided to call back Dun & Bradstreet to purchase Credit Builders. I thought that the accounts that I had already made purchases with, my Office Depot card, Nebs, Quill, Fedex-kinkos, could be used as credit references for the Credit Builders service.

The representative told me that my assumptions were wrong; these accounts automatically report to Dun & Bradstreet, every month. (After a couple of months some of these accounts were not reporting).

“You need to provide me with references who normally do not report to Dun & Bradstreet, and those references must have a DUNS number as well,” she explained. “For example, your accountant, your attorney, an equipment leasing company, subscriptions service, your landlord, advertisers, etc.”

Four months later, I received a Paydex 80 with four trade lines reporting. Then shortly after verifying payment history with the other references that I had submitted to Dun & Bradstreet for the Credit Builders service, about three weeks later, D&B completed their investigation of the four accounts that I had provided to them and my business credit report was updated, now showing 8 positive trade lines.

It has been observed that businesses with 5 accounts or less reporting, is considered having light business credit. What you want to do – your goal - is to eventually build up your business reports with between 7 to 10 accounts, with at least three of them showing over 90 days of positive payment history. This should be accomplished BEFORE applying for business credit cards.

If your Dun & Bradstreet business report is “light” with only a handful of accounts, like mine was showing only four accounts, the Credit Builders service can beef up your business reports by adding additional trade lines to your account. They can also add "age" by reporting the date when you first began service with the vendors, thereby making your company appear stronger and better established.

Now, please understand that there are entrepreneurs who have received their Paydex score without the need to purchase Credit Builders. Some will tell you that you can do it yourself because they have done it themselves. They will suggest that you “save yourself some money” and don’t purchase the Credit Builders service. And of course you can do it yourself. You can also make your own clothes, pull your own teeth, and repair your own automobile....get my drift? When a service that will save you tons of time and effort is very reasonably priced and professional, why not take advantage of it? If you’re looking to speed things up and you have trade references that normally don’t report to Dun & Bradstreet, then paying for the Credit Builders service is well worth it, in my humble opinion.

For example: You have advertise with someone (let’s say a newspaper) for over a year and have paid them \$2,000. However, the advertiser doesn’t report to Dun & Bradstreet and the company does have a DUNS number. This would be an excellent account for Credit Builders.

They would post the one year payment history to your Duns & Bradstreet business report which gives you age of a year and the high credit limit of \$2,000.

This will only help your company get approval for higher lines of credit down the road.

Note: You're already spending money with a person or company for products or services, however, that particular person or company doesn't report to the business bureaus. In these instances it is in your best interest to have it reported by purchasing Credit Builders.

However, if you don't have any trade references to provide to Dun & Bradstreet, then there is no benefit in purchasing Credit Builders. Doing it yourself is the only way to go.

OVERVIEW

You have established your Corporation or LLC. You also have your business Tax I.D or EIN (Employer Identification Number). Your business telephone number is listed in 411 directory service and finally you have opened a business checking account.

Let's move on. You're good to go.

HERE'S WHAT TO DO NEXT

- Call Dun & Bradstreet and pay for a DUNS number
Some will tell you to say you're a contractor for the government in order to get it for free. Do the right thing. If you're not a government contractor pay for the number. This is small stuff.
- If you have trade references that don't report to Dun & Bradstreet this is the time to purchase Credit Builders
- Apply for four net 30 accounts.

At this point it's a waiting game.

You have to give your net 30 accounts time to age. Unfortunately, you will age too, but hopefully like a fine wine, not a stodgy old account!

Basically, what you will do is make a purchase with all four of your chosen net 30 accounts each month and then pay the invoice in full at least 10 days before the due date each month. This is establishing your track record. A mistake here can be rectified, but it will set you back months in terms of establishing credit.

You will continue this the second, third and into your fourth month as well.

After the second month check all three of your business reports, Dun & Bradstreet, Experian and Equifax to make sure your net 30 accounts are reporting your positive payment history. Follow up as necessary to make sure this payment history is accurately reported. Anytime around your third, fourth sometimes the fifth month, you should receive a Paydex 80 from Dun & Bradstreet.

Everybody celebrates once reaching this important milestone. Champagne, anyone?

BELOW IS A LIST OF NET 30 ACCOUNTS OR TRADE ACCOUNTS (NO PG ACCOUNTS)

To get you started.

1. Uline – Shipping supplies company. www.uline.com ---1800 295-5510
2. Reliable – Office supplies company. www.reliable.com 800 735 - 4000
3. Tech Depot – www.techdepot.com ---800 625-9866
4. Sears commercial- www.sears.com
5. Franklin Covey –www.franklincovey.com 800 819-1812
6. Rapid forms-www.rapidforms.com 800 257-8357
7. Grainger-Industrial supplies – www.grainger.com 800 323 - 0620
8. Gempler – Outdoors products – www.gempler.com 800 382-8473
9. Aramark uniform – Uniforms service – www.Aramark-uniform.com 800-3883300
11. Mens Wearhouse – Mens apparel – www.menswearhouse.com 800-851-6744
12. Intersate Batteries – www.interstatebatteries.com 866 842-5368
13. Deluxe checks – www.deluxechecks.com 800 328 0304
14. DHL- shipping - www.dhl-usa.com – 800 225-5345
15. Circuit city – www.circuitcity.com 800 - the city
16. Ready to work – posters shop www.readytowork.com
17. Global computers- hard & software - www.globalcomputers.com 800 446-9662
18. Quill – Office supplies company. www.quill.com 800 982 - 3400
19. Global Industrial-industrial supplies – www.globalindustrial.com 888 978-7759

Even though I had only been operating for a few months in business and had therefore built up only a few months of business credit history, I decided to jump in the water, you know, at least get my feet wet, and apply for a Citibank business credit card online. I was inspired to do this because of a business credit forum I'd been studying for several weeks. Many entrepreneurs were talking about how they gained instant approval for \$25,000. I thought: Since I now have my Paydex 80, with four accounts reporting positive payment history, maybe I can get approved as well!

So, online I went. As I turned to my PC and feels a rush of adrenalin watching my computer screen saying "processing please wait", I was hoping for an instant approval too. Instead, I got a message that stated: You will receive a letter in the mail in 7 to10 business days. Ugh!

Well, that definitely was no "instant approval." It appeared that I was declined. The adrenaline seeped away, a reverse surge that left me feeling frustrated. A couple of weeks later, I received the "decline" letter in the mail. Shucks!

Back to the drawing board . . .



They had pulled my Experian personal credit report showing that I'd had two late payments that were several years old. That was apparently the reason for the decline. Some members on the credit forum said that their personal credit report was not accessed.

Why had mine been? I thought, Oh! Well. I'll just press forward with my plans.

In retrospect, I think my personal credit report was access because of the newness of my business. In addition, I only had four trade lines reporting credit history of \$50 here, \$72 there, \$120 there, \$68 there. This is a small time payment history, not impressive at all, and to top it off, under five months of age.

If I had looked objectively at the age of each account, I would have probably seen that two of these trade lines has a one-month payment history, another one had two months payment history, and the last one had three months of payment history.

No wonder they pulled my personal credit report.

Stepping over stumbling blocks

About six months after being decline for a Citibank business credit card, I decided to try again. By that time I had eight positive trade lines reporting on my business reports, and over a year of business history, so I thought that I might be approved, based on my positive business credit. Once more they pulled my personal Experian credit report showing those old late payments.

Oh! Brother! Another Experian ding.

It was around this time that I began to imagine a personal vendetta between Experian and my business.

My business credit reports were never looked at. I had been wishing and hoping that if they did pulled a personal report again, that this time around they would pull Transunion or Equifax, which is blemish free.

No such luck.

AN EAGER BEAVER

Many of us when starting out are eager beavers. We want everything, now! Now! Right now! So did I, when I first started out. After being declined for a Citibank business credit card for the second time around, I had the gumption to immediately go and apply for American Express "Business Line of credit". And guess what happened? Yep! I was declined, and guess the reason why? Yep! Two old late payments. Guess what credit report they pulled? Right again: Experian.

"Thank you for your recent application for the American Express Business Line of Credit: We do value your desire to establish a relationship with us. We regret that we are unable to approve your request for the following reason(s):

Your consumer credit bureau score from Experian is too low
Your American Express Acquisition Risk Score is too high

Still, there was no stopping me; somebody is going to approve me. I then went ahead and apply for an MBNA Loan. (This loan is no longer available) and guess what happen?.....

This is foolish, just blindly applying for credit, ignoring the fact that you do have a problem with one of your credit reports. Building up unnecessary inquiries. STOP! Get it fixed, before going further.

COMING UP NEXT

Can you really get 250k or more in business credit with bad personal credit?

I'll answer that based on my personal experience

CAN YOU REALLY GET UP TO 250K OR MORE IN BUSINESS CREDIT WITH BAD PERSONAL CREDIT?

I've read a great deal about companies saying how you can get up to 250k or more in business credit regardless of your personal credit.

This may be true with net 30 accounts and business store cards: Computer equipment companies, such as Dell, and other equipment companies, as well as certain leasing situations, and some entrepreneurs have gotten cars using their business credit only. All very possible. So the answer is yes!

However, as far as getting cash, my personal credit reports were always accessed before a decision was rendered for approval. With the exception of two business credit cards, one of which is the Home Depot Mastercard, and the other is Key Bank Mastercard, which at the time I had applied did not check your personal credit reports. They only pulled your business credit reports and approved or declined you based on it.

Getting cash money dollar peso is a different animal. You would need at least two out of three of your personal credit reports to be in tip-top shape. We're talking about at least 700, 720 and 750 would be ideal.

Beyond that information, your **Debt to income ratio** and **Credit Utilization** are factors taken into consideration before a decision is rendered. Be careful; we are paddling into the white water rapids. This will require careful maneuvering.

The next business credit card I had apply for was Home Depot Mastercard, I'd had my Paydex 80 for a few months with about eight accounts reporting, with 3 of those accounts having a payment history of over 90 days. I was approved over the telephone for six thousand dollars, after speaking with an underwriter.

Three months later I applied for the Home Depot business card and was approved for 4k. Several months later I called in for a credit line increase for my Home Depot business card and they asked me what I wanted. I told them 3k more; she left the phone briefly and came back and said she could give me an additional 6k, making my total credit line now \$10,000.

This was magnificent, as they provided me with more than what I had asked for. Also, this would now be my largest trade line reporting on my business credit reports. I can only get larger amounts of credit from there!

It was terrific that I now had a substantial \$10,000 limit now reporting on my business reports. I immediately went and purchased some tax deductible items for my home office. And, most importantly, I diligently made sure that I paid more than the minimum payment and well before the due date every month.

About a year of having my Home Depot Mastercard, I tried to get a credit line increase but was declined. The underwriter stated that she saw I had been only paying down debt, not making any purchases for the past several months. They wanted me to continue incurring debt and paying it off responsibly. I was advised to call back in three months. So, I went shopping!

COMING UP NEXT

Authorized user accounts, and how they can help boost your personal credit score

AUTHORIZED USER ACCOUNTS

A couple of times previously when I had applied for personal credit, one of the main reasons for the decline were because of limited personal credit history. If you're in your thirties or forties and have a personal credit history of less than five years, that is considered light credit and your credit score will reflect that.

So to remedy this, my husband had a personal Sears card with over 10 years of perfect payment history. I asked him to add me to his Sears account as an authorized user; he obliged and added me to his card as an authorized user. Once the Sears account hit my personal credit reports with the 10 years of age, my credit score jumped between 30 to 50 points on all three reports. This is a common practice, and I have learned that many parents add their children onto their accounts helping them to build a strong credit history.

Over the last few years, there has been a lot of discussion about authorized user accounts. You had many businesses pop up offering you a way to purchase someone else's good credit history as an authorized user. FICO got involved and said that they were creating a new model where authorized user accounts will have little effect on one's personal credit score. As of this writing July 2009, authorized user accounts are still valid.

My personal credit score was roughly 670, 682, 690. After the authorized user account was added to my personal reports, all my scores jumped to the 700's.

I decided to go on an application spree, applying for four different business credit cards all at the same time, one behind the other, online.

I applied for US Airways business card online and was instantly approved for 9k.

I applied for Quicken business card and was instantly approved online for 9k.

Chase business card approved me for 10k over the telephone.

Bank of America approved for 10k over the telephone

And finally, I applied with Advanta and was decline due to too many inquiries.

I had three inquiries on my Experian credit report at the time.

All in all though, a very successful day!



I had accumulated \$38,000 in about 60 minutes, not bad.

For your information, after six months of using previous business credit cards and paying promptly to enlarge my “paying field”. I had zero balances and decided to call each company and request credit line increases.

Key Bank approved me for an additional \$5,000, making my total line \$9,000.

Discover business card services approved me for an additional \$6,000, upgrading my credit line to \$15,000.

American Express gave me an additional \$6,000, making my credit line \$15,000.

Another \$17,000 in under an hour.

YES!

COMING UP NEXT

Bumpage - What is it? And how you can use it to rid yourself of excessive inquiries

BUMPAGE

In early 2007, I stumble upon another business credit forum which is spectacular, named creditboards.com. A member of this credit forum was explaining that she had constantly checked her credit reports (on a daily basis) to see if changes that she was expecting were actually being made on her credit report. She said that she noticed that her inquiries from TransUnion and Equifax would fall off.

If you have three or more inquiries on your credit report, many financial institutions will reject you for credit because of the number of inquiries.

Pulling one's credit report daily in order to get the inquiries to fall off, is called Bumpage or "B". To use Bumpage or "B" you have to get a tri-merge credit report from a vendor who allows daily pulls of your credit report. Some do, others don't. I decided to be ambitious and applied for a tri-merge credit report with three different vendors for the purpose of Bumpage.

This only works with TransUnion and Equifax. I had ordered three tri-merged reports from three different vendors: American Express credit secure, Chase identity guard and Credit check total.

I began to pull each one once per day, that is three pulls daily. After about six weeks, I noticed that my TransUnion report that had four inquiries now had three, and Equifax that had five inquiries now had four inquiries. I continued to pull my credit reports until all the inquiries vanished. At which point I stop the daily pulls. This took about six weeks for me to accomplish.

After my mini-application spree resulting in 5 out of 6 approvals, I was content and done for now. I spent the next few weeks restarting Bumpage or "B" to get those excess inquiries off of my credit reports.

Equifax allows you to call them up on the phone and dispute the inquiries; they will do an investigation. Usually one or two days later the inquiries will be removed. Or while your doing "B" for transunion, it will also bump for Equifax.

Experian will not allow you to dispute any inquiries from your credit report, period. And there is no "Bumpage" with Experian.

Fortified by my success, I went ahead and applied for the Frontier business credit card. With my heart skipping a beat watching the computer screen saying “processing please wait” I was overjoyed with an instant approval online for 12k.

Frontier and US Airways are from the same bank, now you cannot apply for both cards. Only one. After using both cards for several months a customer service representative called me and told me that she was closing my Frontier business credit card. This was because their current policy allows business owners to have only one of their business cards.

OVERVIEW

At this point your business is established with at least a 90 to 120 days payment history with four or more accounts reporting. What you want to do is apply for 2 or 3 business store cards, but make sure that they are cards your business can use.

HERE'S WHAT TO DO NEXT

Apply for two or three business store cards

- Staples
- Home depot commercial
- Amazon
- Office depot
- Shell gas card

The five listed above are popular store cards. Choose the ones that will best meet your business needs, because you do need to use them.

Some Business store cards requires two years in business such as Best Buy, so make sure you check before applying.

Below is a list of business store cards to get started.

Office Depot – office supplies www.officedepot.com 800.go.depot

Staples – office supplies www.staples.com 800 378-2753

Amazon - online retail www.amazon.com 866 216-1072

Home Depot - www.homedepot.com 800 553-3199

Target - www.target.com 800 591-3869

Macy's - www.macys.com

Exxon - www.exxon.com 800 903 9966

Texaco Gas Card – www.texaco.com

Shell Gas Card – www.shell.com

Lowes – Lowes.com

Dell's computer equipment www.dell.com 800 www dell

Below requires two years in business before you can apply

Best buy – outlet center www.bestbuy.com 888 237-8289

I applied with Swift financial for a business line of credit and was decline due to their pulling my Experian personal credit report.

Reasons: Delinquent past or present credit obligations
credit not granted on terms requested.

I still needed to learn my lesson.

My business credit reports were impeccable, I had the two years of age in business that they had required as well. Jeez!



COMING UP NEXT

A security freeze – What is it? And how to use it to your advantage

A SECURITY FREEZE

After being decline for two late payments reporting on my personal Experian credit report four times and having being decline also for too many inquiries on my personal Experian credit report. I decided to “deep freeze” my Experian credit report.

I called Experian to find out how does one goes about a credit freeze. I was told this need to be done by certified or express mail. It cost \$10.00, depending on what state you’re in. I was sent a pin number to use whenever I decided to unfreeze my account. That will probably happen when “you know what” freezes over.

After the freeze took effect, I applied again with Advanta about six months after my first decline. For the second time, I was declined again.

However, this time the reason was that they were not able to access my Experian credit report.

So, with a credit freeze on your credit report and you apply for business credit one of two things will happen if they pull the report that has the security freeze on it.

One - They will pull one of the other two reports or
Secondly, they will outright decline your application for credit or ask you to unfreeze it to be considered.

HERE’S WHAT TO DO NEXT

- If one of your three credit reports is blemish and or have three or more inquiries, freeze that bad boy, until the negative items are removed.

IF YOURS IS A SPICK'N SPAN BRAND NEW BUSINESS, THEN A PERSONAL LOAN, INSTEAD OF A BUSINESS LOAN, MAY BE IN ORDER.

If your business is relatively new, only several months old or less, there is no point in going to the bank talking about business loans. One of the things they will do is access your business credit reports to see which creditors have already extended credit terms to you, your payment history, how long you've been in business, your highest trade line, etc. You haven't established a track record here yet. So, what's the point?

A better idea would be to take out a personal loan. However, only do this if your personal credit score is over 700, with no more than two inquiries on each report, and of course you need to show "income" that you are able to pay this loan back.

I've seen young businesses get approved for business loans because of their excellent personal credit.

One of the largest personal credit lines I've received was a personal line of credit from Citibank. That was before I had applied for their business loans. Online I was instantly approved for \$32,000. I nearly felled out of my chair in disbelief.

How ironic, I thought, I've been trying for months to get a Citibusiness credit card for 25k. Instead, I got approved for Citibank personal line of credit for even more. This probably explains why when I was subsequently approved for a Citibank business loan and two business credit cards the limit was very low. They see that big fat 32k sitting on my personal credit report, and all the other business debt I've accumulated.

The personal credit line, I've used exclusively for my business.

The other option would be for you to apply for several personal credit cards. Hopefully, this will be enough funds to get your business moving forward. Loan the funds to your business and make sure you pay yourself back.

Unstoppable

TO PG OR NOT TO PG

Personal guarantee is a promise entrepreneurs make to repay their company debts in the event of going out of business. Personal guarantees are a way for lenders to protect themselves; it is insurance for the lender and their depositors against unscrupulous business owners as well. It tells the bank that the business owner has a commitment to their business and a commitment to repaying their debts.

Without the guarantee, there is not much a lender can do if your business is unable to repay its obligations. A personal guarantee is the reality of life for most small businesses. Also, incorporation won't protect your assets if you sign a personal guarantee.

The draw back to personal guarantees is that even if a business owner is very responsible in paying their business debts, unexpected events can still prevent a business from making their debt payments. When the owner is unable to cover the debts personally, the bank will start to seize personal assets.

Defaulting on a loan, or credit cards, there is a good chance that the guarantor does not have significant assets to go after for a number of reasons. Some guarantors hide their assets in the name of their spouse or a trust to protect them from lenders, while others have little financial assets to go after, because they were spent trying to keep the business from going under.

A personal guarantee is in place as a reminder that you are responsible for loan repayment, credit cards payments, should your company become unable to do so. If your business loan was approved, it was most likely approved for reasons outside of your personal assets. More than likely, it's because you have great business and personal credit histories and scores.

Lenders may not approve small business loans without a personal guarantee, even if you have assets to offer. It is just a business practice for some lenders.

If your company defaults, your personal credit history will be affected.

A Dell catalog regularly arrives at my home office. I had a computer that worked just fine for a few years. However, it was noticeably slowing down, so I decided to give Dell a call to see if I could be approved for a purchase of a new computer set.

After speaking briefly with a sales representative, she informed me that my business was approved for \$25,000.

What? Excuse me? How much did you say I was approved for?"

"\$25,000, ma'am. What would you like to order today?"

Wow! I was astonished.

The approval was based strictly on my business credit reports. This was the largest tradeline I had ever received for my business. I had my Paydex 80 with 8 accounts showing positive payment history. And my highest trade line before this approval was 10k.

I was so pleasantly surprised I went and purchased about \$1600 in computer equipment.



OVERVIEW

At this point you should have your Paydex 80 with at least 6 trade lines reporting. You have at least a 90 days payment history with 3 or more accounts.

HERE'S WHAT TO DO NEXT

- Apply for 3 or 4 business credit cards
 - Key Bank MC
 - Discover
 - Frontier or US Airways
 - American Express

The four listed above are popular business credit cards.

A LIST OF BUSINESS CREDIT CARDS

1. Key Bank – keybank.com
2. Discover – discover.com
3. Chase – chase.com
4. Frontier Airlines – juniper.com
5. US Airways – usairways.com
6. American Express – americanexpress.com
7. Citibank – citibank.com
8. Bank of America - bankofamerica.com
9. Wells Fargo - wellsfargo.com
10. US Bank - usbank.com
11. Advanta – advanta.com

Still, life was not a bed of roses. There were some thorns to overcome! I decided to try again for GE capital business card, nearly 8 months after my first decline. There was a lot of drama surrounding my application the second time around. After completing an online application, and allowing a couple of weeks to pass without hearing any response, I decided to call requesting status information. Every time I called (usually once per week) to inquire about the status of my application, no one was able to find my application.

I continued to call every week to see if they had located my application. Nope. One rep told me to go back online and re-apply. What? You must be kidding, I thought to myself. I was wondering where all my personal information had gone. Disappeared into cyber-space? Right.

Nearly three months went by, and finally, somehow, I got connected with a lady who knew what she was doing and was able to find and forward my application to an underwriter. My patience and persistence was rewarded, as this time around my business was approved for \$5,000. Yaaaah!

OVERVIEW

Has your business reached the two-year mark? Some banks require two years in business before they will consider you for a business loan or line of credit. Other banks require three years. Just be patient. After all, this is your business, not a hobby, and you are in it for the long haul! Two years, even three, will fly by as you build your business, gain new customers, and establish your credit and payment history.

Stay diligent!

COMING UP NEXT

A strategy to acquire 100k cash within 21 days

Lenders are fully aware that new business start-ups are the riskiest investment around. They don't gamble. Or care if someone by the name of "Luigi" is on your team. Repayment of a loan with interest is their number one concern.

If you are a relatively new business with only one, two or three years of business history, I would not recommend applying for 50k loans, especially now in 2009's current climate of hyper-suspicion, skepticism, and credit crunch atmosphere.

A smiling bank representative will gladly hand you A 4506 T for your signage for sure.

Do you really want to sign that?

Some ground rules is in order before proceeding:

- ❖ First and foremost, if you are maxed out on any business or personal credit cards, please don't attempt this, because it won't work, period.
- ❖ If you debt to income ratio is over 40%, please don't try this, for goodness sake's.
- ❖ If your personal credit is below 680, please hold off until you raise your scores to 700 or above.

HERE'S WHAT TO DO NEXT

What I would do is open a business checking account depositing \$5,000, and apply for a 20k loan. At the same time, apply for a business credit card.

Then, I would take 5k from the first bank and go to a second bank and open a business checking account, depositing 5k, and apply for a 20k loan, and again apply for a business credit card at the same time. I would repeat this domino process with 4 or 5 banks. Go and apply all in the same week.

What you're essentially doing is killing two birds with one stone; applying for the loan and business credit card at the same time.

I'm sure you have heard the phrase "money talks". You're not walking into the bank empty-handed, asking for a loan. You have made a sizeable deposit which will encourage lenders to help you too. However, only if you have done your part, by making sure all your ducks are in order.

Once my business was slightly over two-years-old, I decided to apply for business loans with four banks. I had applied for a loan with Wachovia Bank, Bank of America, Chase Bank, and Sovereign Bank, online with the exception of Sovereign. I had requested 50k from Wachovia and Bank of America. I requested 60k from chase, and 40k from Sovereign.

I placed a follow-up call within a few days and spoke with a Wachovia representative who told me everything looked good. My Experian credit report was still chilling out on a freeze vacation. I knew my TransUnion report was at an all time high of 775 and my Equifax credit report has reach 799. Then a few days latter he called me back requesting that I fax over copies of my tax returns.

I asked him about the popular “no documentation” loans, I had heard so much about, and he said that is not something they did.

Needless-to-say, I did not fax them my tax returns, and so about three weeks later I received a "decline" letter from Wachovia.

A week passed.

I had not heard a word from Bank of America since applying for 50k loan, so I decided to place a follow-up call regarding my application.

Initially, I was told that I was being decline due to my business only earning \$26,000 for the year. I told the young lady on the phone that an error was made; It should have been \$260,000. I told her I probably made the error and left out one zero when filling out the application online.

She stated that I needed to clarify what my business's projected income was; \$26,000 was the figure placed on the application and that was what they had to go by.

After more clarification, she transferred me to an underwriter who told me he could not approve my application for 50k, only 48k. Great! Hurray! My very first business loan approval and I was so elated.



HERE'S WHAT TO DO NEXT

- In today's 2009 market climate, banks are fearful of lending; in fact, they're scared to death to lend. Even those with the greatest of credit scores are being decline for credit.

But remember: They **MUST LEND** because this is the business they're in.

Apply for Dell computers for equipment – However, do this only if you have your Paydex score of 80 or above and a DUNS rating, because you will **need both**.

Do you hear what I hear

Someone from Chase Bank called! She told me that I was approved for exactly what I had applied for - 60k - and she promised that I would soon receive a call from a representative to set up an appointment to sign the loan documents. Sure enough, a week later, early January 2008, I got the promised call and subsequently signed the documents and opened a business checking account with a \$100 deposit.



COMING UP NEXT

The dreaded 4506 T form. What it is, and why you may not want to sign it.

4506 T FORM

One cold day in February 2008, I decided to apply for a 40k loan with Sovereign Bank. This is one of two banks I had actually personally gone to. I called first and spoke with a representative and made an appointment to see her. Old school, right?

I arrived for my appointment exactly on time. As I sat down, the representative immediately gave me a form to sign: a 4506-T. I really did not know what I was signing. Nobody else had ever given me this particular form. I checked my personal credit reports before applying, they were in awesome shape: TransUnion and Equifax, both showed credit scores well over 760 and showed only one recent inquiry on each.

And I also made sure that I paid my credit cards debt down before applying.

My business credit reports were outstanding, showing positive payment histories with 10 accounts.



I signed the 4506-T document, and left the bank. When I arrived home, the very same day, the representative called me in a very excited manner, and said that I was pre-approved for 40k.

Oh yeah! I thought, very good.

Then the next day she called me back apologizing, saying something about my prior tax returns, and that I was actually declined because of it.

Oh brother! I felt like I was on an emotional roller coaster. That was a real “gotcha” moment for me. The bank rep calling you excited telling you that “you’ve been pre-approve for 40k. The exact amount I had requested. The very next day she calls back apologizing. It’s a no! no!

The 4506-T form gives lenders permission to access your past tax returns. If your business didn’t turn a significant profit for the past year or two, there is no point in signing it.

PRE-APPROVALS

When the bank representative called me and spoke about pre-approval, I should have known to take that with a grain of salt. The key word here is “pre-approval”. How many times have you received an application in the mail stating your pre-approved for this or that credit card. You then fill it out and send it in and wait for your credit card to arrive in the mail, only to find out you were actually declined.

There are no guarantees with pre-approvals. Basically, it means that you have met their initial basic requirements and after digging deeper by pulling your personal credit report to see if you meet their specific criteria, you will receive a card in the mail, or a rejection letter is headed your way.

If you have bad credit, don't bother.

I've received a lot of pre-approvals for credit cards, I have never heard of pre-approvals for loans.

I decided to go ahead and apply for a business bank loan with Citibank. For the second time, I physically went to a local bank and applied in person. I opened a business checking account depositing \$1,100. After several weeks had passed and I hadn't heard anything about my loan application, I decided to go back to the office and personally inquire about my application. I was informed that I was approved for \$10,000, which was a bit disappointing since I had requested \$50,000.

Finally, the loan documentation arrived in the mail.

HERE'S WHAT TO DO NEXT

After six months of using your business credit cards and paying them off in full each month, call each one up and request a credit line increase.

Six months later, call again requesting another credit line increase.

COMING UP NEXT

Why your Debt to Income Ratio poses a serious threat
for business credit approvals if the ratio is high

DEBT TO INCOME RATIO

Your debt to income ratio (DIR) is a measure that compares the amount of money that you earn to the amount of money that you owe to your creditors. It is more simple than it sounds, although the math can sometimes be a challenge.

For lending purposes, the debt-to-income calculation is always based on your gross income. For you accounting novices, “gross” is not creamed spinach or pureed carrots, or sautéed okras, it is your income BEFORE expenses or deductions. Net income is what is left over after deductions. Got it? Now let’s move on...

The more encompassing measure is to include the total amount of money that you spend each month servicing debt. This includes all recurring debt.

What do the numbers reveal?

Your debt-to-income ratio tells you a lot about your financial health. Lower numbers equals less debt and is generally viewed positively. If you don't have a lot of debts to service, you will have more money available for spending. Conversely, a high debt to income ratio illustrates a lack of dollars at the end of the month. These numbers will affect your ability to grow your credit and your business.

What is a good debt to income ratio? Lenders generally prefer a 30% debt-to-income ratio. A debt-to-income ratio of 37- 45% is often viewed as a high limit. Not good.

If your DIR is more than 50%, you definitely have too much debt. That means, you're spending at least half your monthly income on debt. Between 37% and 49% are risky numbers. Ideally, you want to have a DIR that's under 30%. Which means you have a manageable debt load and money left over after making your debt payments.

Generally, there are two ways to lower your DIR. The ratio is two-sided income and debt - so you can attack either side of the equation.

First, you can increase your income. That could mean any number of things: working some overtime, taking on part-time employment, or starting a business. The more you can increase your monthly income (without simultaneously raising your debt payments) the lower your DIR will be.

The other way to lower your ratio is to pay off your debt. Once your debts are paid off, your debt-to-income ratio will drop dramatically. If your ratio is high and you're only making minimum payments, that's a big problem.

COMING UP NEXT

Credit utilization, why it can stop you dead in your tracks for obtaining additional credit

CREDIT UTILIZATION

A close cousin to Debt to Income Ratio is your **Credit Utilization**. If you are using 40% or more of your available credit, this is considered highly negative and maxed-out. This will lower your credit score and also make it almost impossible to obtain additional credit or credit line increases.

The Only solution to this problem is that you must pay down your debt. Even if you have five credit cards, with only one over 40% usage, this is considered max out, and your credit score will suffer accordingly.

Pay down and pay off your credit cards debt; that's the bottom line.

There's no other way around it.

HERE'S WHAT TO DO NEXT

- One of the things you can do to raise your personal credit score
Is this: You can transfer your personal credit cards debt that you have used for your business over to your business credit cards. This will automatically improve your personal credit scores by lowering your Credit Utilizations.

A WORD ABOUT BAD CREDIT

You hear people say, but... "I have bad credit"

Many people seem to have resigned themselves to living with their flawed or outright lousy credit. Don't do it. Bad credit is something you can do something about. It's not instantaneous; it's not even simple. But it is fixable.

If you have bad credit, what are you doing about it? You can sit back and do nothing or you can take actions to correct the situation. I just cannot understand it when people seem to be comfortable moving about with bad credit.

In six months or less a bad credit rating can be turned into a positive credit rating. Many people have done it and are doing it right now. They are inching forward toward good credit. What about you?

I was recently reading an article in the New York Times about how many people are being turned down for employment because of their bad credit. They describe a gentleman, who was interviewed and then shown his new office; he was even introduced to his co-workers. Naturally he thought he had the job. Wouldn't you? Only to find out that later the company pulled his personal credit report, which was bad, they had rescinded the offer of employment.

Unfortunately, this is happening to countless numbers of people who are well qualified for the jobs they seek. With competition being what it is you have one job opening and hundreds show up. The terrible thing about it is that they have you come in for an interview first, if they are interested in you, then afterwards they pull your credit report. Why? Because you must give them permission to check your credit report and you do that by signing the job application form. It's in that pesky small print no one bothers to read!

It doesn't even matter how knowledgeable you presented yourself. It doesn't matter how sharp you looked wearing your three piece suite, or how articulate and charming you were at the interview. Or how impressive your resume was. Nor the good vibes you felt between you and the interviewer. Your credit report is the final judge and jury. Bad credit reflects badly on your character and that's all the excuse they need not to hire you. Enough said.

Another thing that is happening: many small business owners has gone out of business and there is a steep raise in bankruptcies. Many of these former entrepreneurs will be going out looking for a J.O.B. too. And with their bad credit rating they will be hard press to find one. In many cases the only option will be to have their family or friends hire them.

The bottom line is this. Bad credit will place a limit on you. The vast majority of cash credit requires good credit. If you have collection accounts, pay up and have them delete the collections from your credit report. Make deleting the entry a condition of paying up, get it in writing, but pay up. Period.

HOW TO ADD POSITIVE TRADE LINES ON A BAD CREDIT REPORT

Secured personal Loans

To get some positive trade lines reporting on your personal credit report as soon as possible, go to your bank and speak with a representative. Tell them that you are trying to build your personal credit and that you want to take out a secured loan.

Find out if they report to the three major credit bureaus. If yes, deposit \$1,000 into your savings account for the secure loan. Once you're given the secured loan, deposit the money right back into your savings account. Make sure you make your monthly payments before the due date.

Secured Mastercard or Visa

If your budget allows, you can also get a personal secured Mastercard or Visa. Inquire within your bank. Verify that they do report to the three major credit agencies. Make your deposit. Make sure your monthly payment is received before the due date.

These two techniques will throw some current positive trade lines onto your personal credit reports, thereby increasing your credit scores in about three months.

Of course, at the same time you must work on eliminating the negatives.

Now that I was approved for a business loan with Citibank, I decided to try again for a business credit card. I had previously applied twice and was decline twice due to my personal Experian report. Now that my Experian is chilling out on a freeze, I was very curious as to what the outcome would be this time around. I went forward and applied again, this time I was approved for a business card, however, the limit was low compared to my other business credit cards. Only \$4000.

Closing thoughts

A couple of months later I decided to apply for another Citibank card hoping that my limit will be far greater than what I had already received, of 4k. This time around I was approved again, however, only for \$2500. The limits kept getting lower and lower. I am sure because of a lot of relatively new credit is the reason for the small limit.

I went online and apply for a SAMS Club membership. Shortly thereafter I applied for a Business LOC with Sams Club. After impatiently waiting a couple of weeks, I placed a follow up call an spoke to an underwriter, he said he can approve me for \$10,000.

I asked him if he can approve me for \$25,000. He left the phone for a brief minute and when he return he said if I wanted more money, I would have to fax over my tax returns.

Not anxious to do that, I thanked him and happily accepted the 10k.

Another step forward!



HERE'S WHAT TO DO NEXT?

- Taking stock of your progress may be in order at this point. How many business credit cards were you approve for? How many business loans or Line of credit? Is this sufficient funds to grow your business? If the answer is yes to the last question then stop applying for credit.

If not, consider the suggestions below.

- Business credit cards are still the easiest credit to get. Maybe in your situation you would be better serve by applying for two or three additional business credit cards, especially if your personal credit score is under 700, but not below 680, then business credit cards is the way to go.
- If your personal credit is below 680 than hold off applying until you raise your scores. Sure you can get a business credit card with scores below 680, however, the limit will be very low. Who wants a \$500 to \$1000 business credit card. Not me.

Think about...

What's on your three major business reports? How many trade lines? Do you need additional trade lines to make your business reports more powerful? My recommendation would be between 8 to 10 trade lines. This is not too little or too much.

How is your personal credit? Have you recently order a tri-merge credit report to clearly see what is on your three major credit reports?.

What are you going to do to improve your personal credit scores?. Do you have a strategy? And yes! You will need to have good personal credit to be approve for business loans and business line of credit, and most business credit cards. I'm talking about cash, money honey.

Strive to get your personal credit reports to 750, especially now in 2009.

What have you accomplished so far?

If you applied for a business credit card and was decline it is important for you to stop and analyze why you was turn down. There is no point in applying for any additional credit without first fixing the reason for your decline. That applies to business loans and lines of credit as well. Don't operate in the dark!

When I started out in 2005, before receiving one penny in business credit it was necessary to spend money I had on hand to build business credit. And it will be the same for you too. It's important not to bite off more than you can chew! If you cannot afford to make purchases with four trade lines then start with three, I know of people who have received a Paydex score with only three trade lines, so it is possible. If three is too much for you to handle than start with one. No matter how you look at it you are taking on debt and you must not overextend yourself.

Lay down the foundation first and foremost by becoming Incorporated or an LLC. Getting your tax id and then your business telephone number, then have that number listed with directory service. Then open a business bank account depositing money into it.

From there you begin to make purchases with Net 30 accounts, also known as trade accounts, every month, purchasing and paying in full before the due date. The point is, an income is necessary to pay for all of this. You may need to keep your "day" job until your business becomes financially stable with an income that you can depend on.

Here I was paddling my canoe forward cautiously toward my waterfall of over \$300,000. Small strokes kept me above the waves.

After several months you will be rewarded with a Paydex score from Dun & Bradstreet. Your prompt payment will also be reported to Experian and Equifax as well. Which will also give your business a score.

It is important that you use caution and not pile up too much debt in the name of establishing business credit. It is easy to just keep applying and applying for more. I have witnessed business "Newbie" pile up a lot of debt in the name of establishing their business credit. Then, having a limited cash flow, many cannot keep up their monthly payments and they fall behind. With a plethora of unpaid cards and a lot of debt weighing them down, they put themselves out of business. They drown, in debt that is.

If you have bad personal credit, this is the time to be working on clearing it up. You work on your business credit and your personal credit, both at the same time.

Along the way I develop a clear action plan to get my business credit to a dynamic level, for me that was between 8 to 10 trade lines. I wanted to get my credit to a point where it spoke for me. And no one would give me a second thought when I requested credit.

How about you?

I also, at the same time, worked on my personal credit scores with an action plan to raise it to over 700. Both I have accomplished in a grand way. It took months of planning and patiently watching the results accumulate, waiting for the right time to execute the next steps of my plan. I only applied for business loans and lines of credit after my personal credit reports were well into the 700's and my business had reach the two-year anniversary mark.

What is your action plan?

During my last several requests for business financing, it was noticeable that the approval amounts kept getting smaller and smaller. I guess a little something is better than nothing at all. Most likely, because of my debt to income ratio. It wasn't my credit score. My Equifax score had reach and all time high of 799. My transunion was above 770.

I had already amassed over 300k in business credit and with a projected income of 260k, my debts now outweighs my income. When lenders access my Equifax business report, they see it all, every credit card, every loan, every line of credit, the business store cards and your net 30s accounts, all are sitting there in plain sight.

Even with my Experian credit report in a "deep freeze". I was still able to amass plenty of funds for my company with having only two of my personal credit reports available for review. Transunion and Equifax.

When I look back I can see I've covered a surprising amount of ground. By February 2008, I had acquired 258k in cash, money, - your business loans, business LOC and business credit cards
(11 business credit cards, 3 business loans and 2 business LOC's).

About another 49k was in business store cards including, Dell revolving credit for computer equipment, Best buy, Office depot, Home Depot, Staples and Amazon.

And finally about 7k in Net 30 accounts, since I started making purchases for my business back in 2006.

My experience definitely was not a straight road to achieving over \$300,000.

There were a lot of bumps and bruises along the way, which resulted in disappointments and declines. "But I survived and thrived and you will too.

If you play your cards right you can also acquire 300k or more in business credit.

RESOURCES

What is the IRS Form 4506-T?

4506 -T is an Internal Revenue Service (IRS) document that is used to retrieve past tax returns, W-2, and 1099 transcripts that are on file with the IRS. The document gives permission for a third party to retrieve the tax payer's data. By signing and dating the 4506 T, you are giving lenders permission to pull your tax returns.

What ARE Net 30s?

Net 30s are specific type of trade credit where the payment is due in full 30 days after the item is purchased.

There are hundreds of Net 30 accounts. These accounts are your starter accounts that build your business credit history. These accounts will report to Dun and Bradstreet, Experian, and Equifax.

What is a foreign listing?

A listing that would not normally be included in Verizon's print directory for a geographic area. Listings in an alphabetical directory of an area other than the area from which the listed service is furnished. 800-500-5410

What is List yourself? – www.listyourself.net

The list yourself! service provides a way to publish your telephone number independent of who your carrier is. The service enables you to be looked up through 411 directory service.

Some are not able to participate in the directory assistance service, because they may have a VoIP line or cell phone or a toll free 800 number and their carrier does not provide their listing data to the listing data base providers.

What is Metropcs?

Metropcs.com is a cell phone provider that caters to those who have bad credit. Most cell phone companies will pull your personal credit report. If you have blemish credit you will be decline in most cases or require to leave a deposit. With Metropcs no contract is necessary. No credit check is perform. You will receive unlimited local and long distance calls for a flat monthly price.

What is a personal credit Score?

Your personal credit score is a number that reflects your creditworthiness. The higher your score the better your credit. Individuals with high credit scores can obtain mortgages, credit cards, loans with better terms. The lower your score the worse your credit is and more than likely you will be decline for credit.

The general scoring ranges are between 300 – 850. Fair Isaac divides the scores into five categories.

780 – 850 – Excellent credit
750 – 780 – Excellent credit
689 – 740 - Good credit
640 – 688 – Medium Risk
620 – and Below – High Risk”

A credit score can change quickly for several reasons, including late payments being added or deleted on your credit report. Also big increases in your credit card balances.

Each credit bureau may have different information about you, in part because some creditors report to one or two bureaus not all 3. This results in different credit scores among the three major bureaus.

Security freeze or Credit freeze

A security or credit freeze are the same thing. A security freeze gives consumers the option to lock access to their credit reports against anyone trying to open up accounts or to get new credit in their name.

Having a security freeze in place at all three major credit bureaus, an identity thief cannot open a new account because the potential creditor or seller of services will not be able to check the credit file. When the consumer is applying for credit, he or she can lift the freeze temporarily using a PIN so legitimate applications for credit can be serviced.

Also known as a credit report freeze, a credit report lock down, allows an individual to control how a U.S. consumer reporting agency Equifax, Experian, and Transunion able to sell his or her data. The credit freeze locks the data at the consumer reporting agency until an individual gives permission for the release of the data.

Credit freezes are made possible by state laws as well as industry-initiated rules. Laws have been passed by nearly all the US states.

Each year in the United States, approximately 15 percent of all cases of identity theft are cases of new account origination identity theft, according to the Federal trade commission.

Lenders require access to the borrower's credit report before issuing a loan in the borrower's name. If lenders cannot see the borrower's credit report, it is unlikely the lender will issue a loan in the borrower's name.

In order to freeze access to one's credit report, it is necessary to contact each of the three major credit reporting agencies. The associated fees also differ from state to state.

How to request a security freeze?

To request a security freeze, contact the major 3 consumer reporting agencies: Experian (888-397-3742), Equifax (888-766-0008), and TransUnion (888-909-8872).

You may request a security freeze by sending a written request by certified mail, overnight mail, to the following addresses:

Experian, P.O. Box 9554, Allen, TX 75013

Equifax Security Freeze, P.O. Box 105788, Atlanta, GA 30348

TransUnion, Fraud Victim Assistance Department, P.O. Box 6790, Fullerton, CA 92834 (overnight mail may be sent to TransUnion, Fraud Victim Assistance Department, 1561 E. Orangethorpe Avenue, Fullerton, CA 92831)

Requests must include all of the following: your full name; social security number; date of birth; current address; and previous addresses for the past two years. In addition, enclose one copy of a government-issued identification card, such as a driver's license or state or military ID card, and one copy of a utility bill.

A consumer reporting agency will place a security freeze on your consumer report within 3 business days after receiving your request. The consumer reporting agency will send you a written confirmation of the security freeze within 5 business days after receiving your request.

How long will a credit freeze remain in place?

A credit freeze will remain in place until a request is made to remove it.

Dun and Bradstreet

D&B, or Dun & Bradstreet, is a long-established name in business information services, founded in 1841 as the Mercantile Agency. D&B is headquartered in Short Hills, NJ. D&B's major product lines include:

D&B is a respected name in business and financial information services, and is the leader in business credit reports. Information provided by D&B is vital to the operations of many businesses in many industries. Its unique 9 digit D-U-N-S number is very well established as the standard identification number for businesses.

Dun & Bradstreet has been providing commercial information about business enterprises for almost 170 years. At this juncture in the 21st century, Dun & Bradstreet is the leading resource for information about businesses in operation in all parts of the world. Dun & Bradstreet maintains records on more than 100 million business enterprises.

DUNS allows banks, other financial institutions, corporate researchers and others the ability to track down information about companies that are part of this record maintenance system.

Commercial Lending

Financial institutions review information to determine creditworthiness of a business enterprise. Financing is approved or denied to a large extent depending on what is contained in the records of Duns & Bradstreet.

DUNS Number

What is a DUNS number?

It's a nine-digit number that identifies your organization.

This number can be used to access a database which details the name of the company, its address, telephone number, line of business and number of employees - along with other pertinent information about the specific company.

A DUNS number is different than your E.I.N, or your tax I.D, in many large businesses, there may be a large number of different businesses, each one a separate Corporation, or partnership with a different tax identification number, those businesses are all part of one business conglomerate.

This necessitated the need for DUNS number, which allows businesses that are technically of separate businesses to be joined together as one.

Some of the information that you will need in order to obtain your DUNS number is:

How to Get a DUNS number?

To get a DUNS number, go to Dun and Bradstreet site and apply for your number.

[Dnb.com](https://dun.com)

- 1) The name of the company
- 2) The address of the company
- 3) The name of the company or firm owner
- 4) The legal structure of the business
- 5) The year the business started.

Whether or not your company is located inside the United States, or anywhere else in the world, your business can, and should, obtain a DUNS number. This will allow you business to be recognized as a business, and allow you business to obtain loans, lines of credit, government grants, leases, and will also get your company onto mailing

Paydex Score

As a business owner one of the most important things to know is your Paydex score. Your company's Paydex score is the business equivalent to your personal FICO score, or personal credit score. Knowing what this number is and having the means of increasing your Paydex score can mean acquiring the financing needed to start or grow your business. On the other hand, not managing your Paydex score can cost your business.

The D&B PAYDEX Score is D&B's unique dollar-weighted numerical indicator of how a firm paid its bills over the past year, based on trade experiences reported to D&B by various vendors. The D&B PAYDEX Score ranges from 1 to 100, with higher scores indicating better payment history.

The higher the score the better. Now, how do you increase your Paydex score or establish a score if you don't have one yet. First, know what you are doing.

1 – Know what your payment pattern means

The highest scores are given to Companies who pay the bill PRIOR to the invoice being sent. This payment pattern is considered an anticipatory payment pattern. The company anticipates the payment is due and pays it ahead of time. This is the highest responsibility a company can display and will earn high points for your company.

2 – Understand what the Paydex score means

So, your business has a Paydex score of 80. What does the Paydex score mean? Is this good or bad? Well, for this example a 80 Paydex score would be the equivalent of a FICO score of about 700 or above. This is a good Paydex score.

Paydex payment score

100 - Anticipate – Payment detail may state: payments are received prior to date of invoice (Anticipated)

90 - Discount - Payment detail may state: payments are received within trade discount period (Discount)

80 - Prompt - Payment detail may state: payments are received within terms granted

70 - 15 Days Beyond Terms

60 - 22 Days Beyond Terms

50 - 30 Days Beyond Terms

40 - 60 Days Beyond Terms

30 - 90 Days Beyond Terms

20 - 120 Days Beyond

UN - Unavailable

The payment details section may include the following comments on your payment patterns:

Antic - payments are received prior to date of invoice (Anticipated).

Disc - payments are received within trade discount period (Discount).

Ppt - payments are received within terms granted (Prompt).

Slow - payments are beyond vendor's terms. For example, "Slow 30" means payments are 30 days past due.

Ppt-Slow - some invoices are paid within terms, others are paid beyond terms.

(#) - indicates that no manner of payment was provided; the number merely reflects the line where it appears in the listing. For example, (004) means it is the fourth experience listed.

Payment Commentary - such as "Cash in Advance," "Account in Dispute," "Credit Refused," or "Placed for Collection" may also display next to trade details. "Placed for Collection" means the account was forwarded to a third party for collection action during the past year.

4 – Manage Your Business Credit Responsibly

If you own your own business you are probably not 18 years old anymore and should know how important maintaining good credit is. A strong Paydex score can give you the credit lines you need to increase your marketing effort, buy the needed equipment, get the supplies required to land big clients, and could be the difference in your companies success.

With all that at stake it is of the utmost importance to manage your credit with the highest level of responsibility.

How to Raise Your Paydex Score?

The best way to raise your score is to pay all of your bills early. For example, to raise your score beyond 80, you must pay ahead of time, In other words, if your creditor gives you 30 days to pay, make an effort to pay 10 days in advance. Such practice will raise your Paydex score and push it above 80.

Since Paydex Score is a measure of your business worthiness, it's obvious that you need to build your score early and keep it high at all times - especially so if you're a small business owner in need of business financing.

As a rule of thumb, it's a good idea to establish your Paydex score at least six months before you plan to get a loan.

D&B Rating Table

5A to HH ratings reflect company size based on net worth or equity as computed by D&B. These ratings are assigned to businesses that have supplied D&B with current financial information.

The 1R and 2R ratings reflect company size based on the total number of employees employed. They are assigned to business files that do not contain a current financial statement.

In 1R and 2R Ratings, the 2, 3, or 4 creditworthiness indicator is based on analysis by D&B of public filings, trade payments, business age and other important factors. 2 is the highest Credit for a company that has not supplied D&B with current financial information.

Rating		Credit appraisal		
1R	10 employees and over	2	3	4
2R	1 to 9	2	3	4
INV	D&B is investigating or gathering information			
DS	The information available does not allow d&b to classify the company			
Employee range				
ER8	1-4 employees			
ER7	5-9 employees			

Credit Builders Program

Sometimes when purchasing from a vendor using a line of credit, you have to wait on this vendor to report their business experience with you (a trade line). Some companies that you deal with may not even report to Dun and Bradstreet and that works against your building of credit.

D&B's Credit Builders helps with this:

First if you're doing business with a company or an individual that does not report to D&B, you can have D&B call that company and report a trade line on their behalf.

It's relatively simple, when you purchase your Credit Builders service "your personal representative" will email you a form for you to complete and put in your credit references. The company information, and contact phone number. D&B will subsequently contact the company and verify the information and add a trade line for your company. Which can be completed in as little as three weeks.

Equifax Business report

Equifax business report has become a force to be reckoned with as far as business credit reporting. They are providing one of the most in depth credit reporting services. Listing every credit transactions your business is engage in.

Net 30s accounts, business store cards, business credit cards, business loans and business line of credit.

All of your hidden business credit cards that don't show up on your personal credit report are sitting on Equifax business report.

Experian Business report

Another one of the major three business credit reporting agencies.

Small Business Advisory service

www.smallbusinessadvisory.net

Offers consultation services to new and experience entrepreneurs to assist them in getting the financing their companies need. We've been their and done that, so we are absolutely certain, we can assist you too. We've assemble a team of experienced advisors ready to jump in and tackle whatever problems your company may be facing acquiring capital.

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