BUILD BUSINESS CREDIT

FAST!

Written by: Monica Main

www.SecretsToBusinessCredit.com

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“Throughout the life span of a business, the critical need to set up and establish corporate credit will most likely emerge without fail. Businesses may need to build corporate credit before they find a need for it! No lending institution will lend credit to a business that is in need of some urgent cash. All businesses must initiate and start building a positive business credit history so that they can get a sizeable amount of corporate credit over time.”
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Importance of Borrowing
"To understand the value of money, go and try to borrow some.” - Benjamin Franklin

Thousands of new and small businesses start every year throughout the world. Until now, most of the credit and lending institutions never extended their corporate credit services to these small and medium-scaled businesses. However, the perceived economic boom of the early 2000s made these lending institutions relook at their credit policies and focus on these core groups.

Owning and managing a small business is thrilling and exciting! Small business entrepreneurs believe that managing their own business is just like leading their own destiny. However, managing a business is not an easy task! Almost all small businesses face some sort of problems in their lifetime. Among all these problems, the most serious and visible component is the lack of access to meaningful and sizeable corporate credit. It is very easy and simple to start a business, but to sustain its activities on a uniform scale you will need to have an open access to enough corporate or business credit. Most of the startup businesses simply fail in their attempts to get corporate credit.

Established surveys suggest that almost 80% of small business, with less than four employees managing the business, close their operations within the first year of operations. On the other hand, more than 35% of the businesses close theirs within the next four years of operations (Dun and Bradstreet, 2004). Most of the businesses that closed faced serious credit crunch that stopped them from conducting their business operations. To create a stable business, you will need to have an access to a supply of precious corporate credit from time to time. Many business owners may not see the need for corporate credit especially when they do not plan to hire any workers. These people may also fear of corporate credit and its inflating interest rates; in fact, most of them try to get personal credit from their friends and colleagues. Some others also believe that using personal credit for their business operations makes sense instead of applying for corporate credit. Views may differ largely among different business owners. However, availing corporate credit may make lot of sense to an intelligent entrepreneur.

Two well-known small business killers

Poor fiscal management and lack of sufficient capital

The Mystery of Corporate Credit

Many of us have never really understood the importance of availing corporate or business credit. Corporate credit remains a big mystery to most of us. The reason for this could be an instant fear of thinking outside the conventional box. Learning and understanding about corporate credit is still an anathema to most of us. However, it is
right time to change our mindset that always borders on the conventional and traditional. Corporate credit can bring refreshing changes to your business operations. However, most of us are in a big dilemma as well! One of the main reasons for this could be the lingering fear of insecurity about credit and its crippling interest rates. Smart and intelligent business owners think that corporate credit provides them a fresh supply of blood and oxygen to their business operations.

Personal credit is quite different from business credit. Never ever, commit the mistake of mixing up these two issues together! Also, remember that personal credit is for your personal use only, while corporate credit is for strict use in running your business operations. Using personal credit to run your business does not make any sense. While, using business credit for personal expenses may lead to severe losses as well!

You may have several reasons and causes to use corporate credit to run your business operations. You may also have many other reasons for not to use personal credit to run day-to-day business operations. Corporate experts always warn why you should avoid using personal credit to run business.

Here are some of the most important reasons, why one must segregate personal credit from business credit, while conducting business operations.

1. Using personal credit may cripple your abilities to find extra source of cash for your business. When you exhaust your limits on your personal credit and when you do not establish formal business credit, you will have no further source of capital.

2. Once you exhaust your personal credit and when you do not pay the dues on time, you may find that your personal credit rating nose-diving to very low levels. The most serious consequence of low credit scores will be seriously impaired credit worthiness.

3. Any liabilities that arise out of closure of your business operations will be purely legal and corporate in nature. Once you close down your business operations, you will be legally and personally responsible for all financial and business liabilities.

On the other hand, sourcing business or corporate credit will help you in many ways. One of the biggest advantages of getting corporate credit is that you can keep your personal credit channel open and safe, and use it for purely personal purposes.

1. Your business will have no serious cash flow problems
2. Managing scarce financial resources will become easy with corporate credit.
3. You can establish a very good credit history by managing your cash resources.

4. You need not pay more taxes and interest rates when you have an access to good corporate credit.

5. You can ensure that your business stays healthy and energetic with a sizeable amount of credit line.

The immediate need for corporate financing for small businesses is a very big concern because it is very crucial to sustain the momentum of all business operations. Lack of proper business credit may force many businesses to close down their business operation as well. Corporate credit is also essential to ensure smooth running of existing business operations. The process of acquiring a sizeable amount of corporate credit could be very difficult for an average entrepreneur. To assist budding entrepreneurs and those people who are already running a business, in understanding the minute details and invaluable secrets of corporate credit, this practical guide has been designed with a clear focus and vision.

I really hope and believe that you will learn a great deal and master the art of accessing a sizeable amount of corporate credit for your business. This little guide is full of useful information and details than can assist you in getting business credit to run your business in a hassle-free and profitable manner.

**What do you get from this Book?**

With this book, you can have a number of benefits and advantages like:

► Learn and understand the insider secrets of corporate credit and financing

► How corporate credit and lending institutions work

► How well-known firms like Dun and Bradstreet work and influence your ability to get corporate credit

► Know the importance of having corporate credit for your business

► Learn how corporate credit can save money and time

► Understand how you can make your business globally competitive

► Learn how you can build trust and credibility for you and your business
► Understand how you can increase cash flow for your daily business functions

► Learn and master the trick of building a viable corporate asset by using available corporate credit.

► Learn and understand why business credit cards are better for your business and how they can help you in conserving your personal cash assets

► Know how corporate lenders work and act, while awarding corporate credit to businesses
Why Do You Need Corporate Credit for Your Business?
For many small businesses and corporations, understanding the commercial importance of corporate credit could be very difficult. They simply fail to understand that business borrowing is a critical part of a successful business. All business owners should learn and understand the importance of borrowing credit in an effective manner. A positive business credit rating is very essential for borrowing money on very favorable terms. You cannot simply build corporate credit just by promising your lender to repay it on time.

There are several yardsticks and prerequisites that you must satisfy potential lenders before hoping for a sizeable corporate loan. Lenders will have their set of specifications to determine whether you are eligible for corporate credit. You simply cannot ignore the importance of corporate credit for your business. Unless you are an heir to a family fortune, it is more likely that you may need to look beyond your personal funds to finance your business activities.

The perils of using personal credit

Take a minute and ask yourself the following questions:

- Am I using my personal credit to run my business?
- Am I withdrawing money from my personal account to cover general expenses of my business?
- Did I ever sell personal assets to raise capital for my business?
- Did I ask my friends and colleagues for hand-loan in order to pay my worker's salary?
- Am I giving personal guarantees to my business' outstanding liabilities?
- Is sourcing extra cash is becoming a tough job?

If your answers to all these questions are YES, then you may be facing serious problems. If you allow the situation to go out of hand, you may lose your business forever! If you feel that you have very serious liquidity problems with your business, the only possible solution is to find fresh corporate capital.

However, it is not as easy as you perceive it to be. Thousands of businesses just fold up and close their shops, just because they faced a serious liquidity crunch. Having an access to corporate credit provides you many benefits. With corporate credit, you can easily buy tangible assets which can either current or inventory in nature.

The Magic of Corporate Credit

Assets could also be long term in nature, when you buy equipments, tools and amenities needed to run the business. Second, you can easily pay off sundry private credit.
credit raised from your friends and colleagues or even private lenders. It is also possible to repay your suppliers in one big chunk, so that you can claim some discounts for the one-time payment. If you are running a big business, you can easily replace the existing equity or buy off additional shares.

Other benefits of using corporate credit are:

► Separate and segregate business expenses from personal expenditures
► Help create a brand new corporate identity for the business
► Reduce personal liability to zero and make the liability purely corporate
► Enhance your personal and business status
► Increase the availability of cash for your business operations
► Purchase all necessary tools, machineries and equipments for the business
► Insulate the business against unforeseen cash crunch
► Increase the likelihood of getting additional corporate credit
► Attract additional investments from potential investors
► Get better credit terms with your raw-materials and inventory suppliers
► Help conserve precious cash resources
► Let the cash flow trickle on a consistent basis to retain the tempo and momentum of the business

Raising cash for your business is possible by using a number of other methods. You can save your personal money for sometime in order to support the growth of your business. However, waiting for your money to grow bigger in size will only stall or halt your important and critical business plans.

You can also invite potential investors to become your business partners. Inviting additional partners to your business may not be an attractive idea for real growth of your business. Diminishing ownership is one big pitfall of inviting additional partners to the business.
However, corporate credit will help you retain or maintain the autonomy of your business structure. It will also help you to expedite or quicken the overall growth of your business. There are other good reasons why borrowing money from accredited lenders makes sense. Apart from obtaining additional assets, replace existing financing or acquiring additional equity, you can also raise working capital to meet daily cash flow challenges that arise because of fluctuating demand, uninsured losses or slow income generations from accounts payable. Getting corporate credit is actually very difficult for small and medium sized businesses, while larger corporations find it very easy to find an access to corporate credit.

Because of difficulty in qualifying for traditional corporate credit, small sized businesses and corporations often seek sundry financing opportunities that come with very high interest rates. Credit card loans, personal borrowing and finance company loans are still the most sought after credit arrangements for these businesses.

The biggest challenge for all small and medium businesses is to get a sizeable amount of corporate credit. With right approach and increased credit worthiness, even a small business can get corporate credit. Your capability to qualify for corporate credit with satisfactory interest rates depends entirely on a number of factors and parameters. Corporate credit lending institutions will review all these perceived abilities before awarding credit to you.

Now, the question is how you can apply for corporate credit and what are the ways and methods that will help you access good corporate credit? Are there any secret methods and strategies that can help you get corporate credit? How do successful businesses get their access to elusive corporate credit? These are some of the delicate questions that this book tries to answer in a lucid manner. This little book also helps you learn and master several strategies and methods of applying for corporate credit.
What is Corporate Credit?
In simple words, corporate credit is:

“It is the source of cash provided by a lending agency to run and manage your business operations on a day-to-day business. Corporate credit is accessible only after you satisfy a set of rules, conditions and regulations as stipulated by the corporate credit lender.”

Although the sound and tenor of the above-mentioned definition looks very simple, actually it is very difficult and complex. Lenders always enforce their conditions in a rigid manner. Before you get your credit, you will also need to satisfy a barrage of local and federal laws and regulations. These laws and regulations vary widely from region to region and country to country. In the end, corporate credit is a fruitful partnership between you and your lender, once you satisfy all the required terms and conditions.

Some unknown factors about corporate credit

There are a number of reasons and causes for lender to refuse corporate credit to your business. Here are some of the basic requirements that you must satisfy in order to qualify for a loan.

- Some lenders reject your credit application if you do not register your firm under an official 411 directory!
- What is the position of your bank account? Is it current and running?
- How many credit trace accounts do you have now? Some lenders may reject your loan application, if you have less than five trade accounts.
- Do you have a credit file number?
- How old is your business? If your business is less than two years old, then you may not get corporate credit quickly.
- Do you have a good business credit score? If the value is lesser than 70, you may find it very tough to get credit.
- What is your credit score (FICO)? Some lenders may look for a score higher that a FICO of 600 before lending credit.
- What is the overall objective of your business? Is it viable for the region?
- Do you have a solid project and business plan? Is it current and updated? Is the business plan consistent with the objective of your business?

Lenders will have their own set of criteria to grant business loans. You must try to understand how a particular lender acts and behaves. You must also know and learn the things that you should do before applying for a loan. You should also know what to include in your loan application and how to present the fact in the right manner. Nothing beats credit worthiness and you must ensure that you have the full ability to repay the loan back in time. Convinced lenders are the satisfied lenders! When you convince your
lender that you are a capable person to deal with, then your chances of getting corporate credit will increase by many-folds. Likewise, you may wish to convince your potential lender that your business is the best business that is worthy of a loan. You should also know and understand how a lender thinks and in what manner he or she processes loan applications. When you read the mind of a lender, you will have increased chances of getting corporate credit.

Reading the mind of a credit lender

Lenders are very efficient and resolute people, who can process credit applications with an eagle eye. They are not only very efficient but also very stingy in their basic approach. Dedicated to their responsibilities, lenders follow very rigid set of rules and regulations. They are known to select and choose only those applications that make sense to them; lenders always like credit proposals that are solid, meaningful and commercially viable. Lenders also follow a rigid process of loan sanctions that are purely on merit of your business. They also use a number of systematic checks, cross checks and legal examinations before awarding the credit to businesses. A typical lender is also very affable and friendly character, who can help you in the time of distress. However, he or she operates on strict fiscal regulations set by the authorities.

Two Ground Rules:

Get your business finance by providing your social security number or personal FICO score.

Get your corporate credit by providing your business credit ratings. Here, you need not personally guarantee all future business loans.

What you need to do now is to provide enough proof that you are capable of using the corporate credit in a judicious manner and repay the entire amount in the stipulated time.

Corporate credit = Capability + Credit Worthiness + Reliability + Personal Credibility + Viability of the business

Finding the right source of business credit for your business is a sophisticated art and complex task. First, you will need to learn and understand the most basic aspects of corporate credit and how lenders work and act before awarding credit to people. Once lenders reject your applications three or four times, your chances of availing credit will almost become non-existent. It is possible to get a sizeable amount of corporate credit by understanding the pulse of the credit market. This book will help you know the fundamentals of corporate credit, processes used to award the loans and the terms and conditions for your credit. Separating your personal credit from corporate credit should be the top most priority for you. Corporate credit is the only sensible solution for all perceived business problems. In order to create and establish corporate credit, your
business must have an impeccable business profile that is capable of attracting highly favorable credit terms. An accredited credit bureau must rate your business profile and provide a certificate for credit worthiness. The primary credit rating firm for corporate and business entities is Dun & Bradstreet, though there are many other agencies that also provide credit rating for business.

A business firm's credit score is complex, as it is the result of as detailed evaluation of a business' previous payment history, as well as credit worthiness. Business or corporate credit allows you to secure the financing you need for your business, all the while getting more favorable terms and very low interest rates for the credit availed. When you use corporate credit wisely, you can establish an impeccable financial record that all potential credit vendors decided whether to do business with you or not.
4

Corporate Credit Basics
Corporate credit is a tricky issue and availing it is a Herculean task especially when you are not ready to apply for one. Lenders may not look at your credit proposal until you develop a reliable credit report. To ensure that you qualify for corporate credit, you may need to find out the phase at which you are operating your business operations right now. Mainly, there are four different stages of business and you may be in one of those four stages:

- You are just a starter, who is trying to get a breathing space in the big world of corporate business
- You are into basic stages of business with a good business plan and product samples. However, you are still finding a market for your products.
- You have a very good business plan and you already have a primary market for your products and services.
- You are a professional in your business with a well-placed market in your kitty, while your products and services are somewhat popular in your area.

Now, of you approach a credit lender, he or she will analyze and evaluate your proposal and suggest you the following:

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<th>Stage 1 and 2</th>
<th>Seek funds from friends, relatives, colleagues or local small business associations</th>
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<tbody>
<tr>
<td>Stage 3 and 4</td>
<td>Submit a detailed plan and credit request; check the commercial viability of the proposal</td>
</tr>
<tr>
<td>Stage 3 and 4</td>
<td>In case your business is commercially viable, file an application with the bank, where you have the business account</td>
</tr>
<tr>
<td>Stage 4</td>
<td>In case your turnover is large, lender may ask you to file the credit request application with the lender. This is a most favorable situation.</td>
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As you gain experience in finding out the stage of your business, you will also develop good idea as to what to do next in order to get corporate credit. Every business owner will have his or her own compelling reasons to seek corporate credit.

Whatever the reasons are, there is one simple thing that a lender will pose a rough question with you – *Do you have the elusive corporate character to seek credit from me?* When you decide to apply for corporate credit, the lender will sit down and evaluate your proposal to check for some important parameters. Based on these parameters, the lender will create a feedback that will eventually form the basis to determine whether your application is good or not.

**The Five Golden C's of Business Credit**

Lenders want to lend their money to businesses because that is how they make money and profits. However, lenders give credit to those businesses that are capable of repaying the credit in full and on time. When providing lending to businesses, lenders
always analyze and evaluate the credit worthiness of the borrower by employing the well-known test of five C’s like:

► Capacity

► Capital

► Collateral

► Conditions

► Character

Note: Each one of these C’s assist a lender to find out if the loan to be awarded is risky or not. There is no magic formula connected to these five C’s and your lender may use any one of them to decide whether your application is good or not. The only factor that a lender evaluates is the factor of safety to the credit awarded to you. In certain circumstances when the credit requested is less than $50,000, then the eligibility for the credit depend on your personal and business credit scores. If you have very good credit ratings, then your chances of getting credit will also be higher.

**Capacity:** Capacity is your inherent strength to repay the loan back to the lender. Before awarding credit to you, your lender would like to know how you would pay back their money. Lender has a number of yardsticks to check whether you are capable of repaying the loan back.

Capacity is an index that relies on a number of issues like:

*Cash flow:* This is perhaps the most important indicator that your lender would like evaluate before awarding the credit to you. Cash flow is the income your business creates versus the expenses involved in running it over a period. Let us say that you generate $10,000 every month as income. Let us also assume that you incur an expense of $5000 during the month. Now, your lender will conclude that you have a net cash flow of $5000 that you can use to repay the loan. By chance, if your monthly expense is $10000 or if monthly income is $5000, and then you will have not cash left with you to repay the loan back.

*Payment history:* This index refers to the regularity of the payments that you made in the past. Nodaway, lenders can easily find out about your past payment histories; Dun & Bradstreet uses an accomplished method to find out this data and provide it to all institutional lenders.

In the end, capacity makes up for an important need for lending and acquiring business credit. If you have very good cash flow, your chances of getting corporate credit enhances in a remarkable manner.
Capital: Initially, you must have your own funds fully invested at your own risk in your business. Financial lenders will never lend money to a business that does not have enough capital invested in the business. Capital is your seed money that you plan to invest in your business. You will lose all your capital, when your business incurs a huge loss. You can invest any amount of money into your business as capital and your lender looks for any reasonable amount invested before considering your application. However, most lenders want to see you invest at least 25% of your business total funding while setting it up.

Collateral: Collateral is the source of money that you raise and pay to your lender in case your business incurs heavy loss and faces closure. Tools, machineries, equipments, shares and bonds are those business assets that you can call as collateral assets. If you want to get corporate credit, you may need to pledge your personal assets as collateral assets. By chance, when you provide your personal assets as collateral, then your lender may use those assets towards repayment of credit, in case there is a default on the payment.

Conditions: Conditions make an important part of the evaluation. Conditions can be anything in nature. General economic conditions at the time of the request and purpose for which the loan requested are two of the most important conditions. Overall state of the economy, conditions pertaining to the business and current demand are the other conditions that must satisfy the lender. The purpose of the credit is also an important condition. Lenders may also check your application to see how you will be using the funds in case they award the credit; if you are seeking funds for diversification or buying additional assets, you have fair chances of getting the corporate credit. Lenders always look twice before awarding credit to business that is planning to invest on new markets. Make sure that you are seeking credit to increase your income and asset base. Conversely, you may need to seek funding to decrease your overall expenses.

Character: This subjective topic is actually very difficult to assess. Your lender may look at your personal history, while evaluating the application. Lenders will try to assess factors like reliability and trustworthiness of individuals who apply for credit. You may wish to convince your lender that you are reliable enough to repay the credit back in full amount and within the stipulated time. Personal credit history, education background and work experience are some of the other parameters that a lender will look closely before awarding the credit.

Note: You may also wish to add another requirement to the list! Never ever, forget the importance of relationship with your lender. You may seek to approach a lender with whom you have carried out business before. Make sure that you are maintaining a cordial relationship with your lender.

What is your credit need for?

Soon after finalizing your initial plans, the next important step is to evaluate the amount of corporate credit needed for your business. Most entrepreneurs fail in this aspect
because they do not know the amount of credit they want for their business. Most of them seek credit more than what they need. In some cases, the credit sought might even be more than double the actual amount! Time is precious and you will need work hard to get the initial loan papers and associated documents as soon as possible.

You may have a great business plan for your business and you may believe that your business is a strong candidate for corporate credit. However, just remember that your business is almost like missile sans precious fuel! The fuel is the credit awarded by your lender and the right amount of credit is of paramount importance to your business. To find out the right amount of credit, you will need to evaluate the actual amount of credit required based on objectives and activities. Once you arrive at an approximate figure, you can add an extra amount (roughly 10%) to it to cover unforeseen expenses that might crop up while you are fully into business operations.

Caution: Never ever inflate your invoices and bills! Match your credit with precise spending. Otherwise your credit may become unmanageable over time.

Financing your business ideas – Some Suggestions

Financing your business idea is actually very easy, when you have an idea what to include in your business plan and loan application. Here are some general tips and suggestions that you can use to find out what you need for your credit:

► You will need to write a solid business plan by including all important aspects of the business. Never ever, try to deceive your lender. Business plan is a critical paper that outlines how you are going to run your business and how you wish to develop it as a money making entity.

► Please check that you have a very stable business model in place. Your business must ne very strong, stable and long standing. Your business plan must include details like financial statements, expense and income statement. Other side of the business plan is product marketing, anticipated sales and advertising.

► The total amount of money required should be well within the scope of the business. You will need to include details like start-up capital required and money required to run day to day business operations. Administrative and incidental expenses must find a place in your business plan.

► You may also wish to consult a lawyer and an auditor to prepare the business plan and financial statements.

► Creating a public firm requires you to work on a number of legal and corporate aspects of business. You will also need to present a solid set of documents highlighting financials required for the business. Your directors may need to endorse your business and loan plans before you present it to the lenders.
► Business is all about spending some of your money. In the initial stages, you may need to spend your own money, until lenders approve your loan application.

► It is always better to approach a lender with whom you have a productive business relationship.

► You may also wish to get ready to provide collateral for your credit. Collateral will help you safeguard your credentials and credit worthiness.

► If you find that your needs for capital are very urgent, then you may need to approach small business associations for immediate funding.

► Using a personal credit card is very dangerous! However, you may need to use it to meet urgent need for business capital.

Caution: Please check that you present the most appropriate needs and requirements. The real worth of business relates to the amount of credit it needs. If you inflate your needs and requirements, you are cheating your self-conscience! After all, you are the one who is going to repay the loan back in the stipulated time. Corporate credit is just like a double edged sword that can cut in both ways!

Finding a potential lender is very difficult. Even if you find one, you will still need to check how that lender operates and award the credit to entrepreneurs. Every entrepreneur is unique and the need for credit varies from person to person.

It also means that a typical lender will receive as many loan applications as there are entrepreneurs! Lender takes up the credit application for evaluation on a case by case basis. The method of awarding the credit depends on strict formalities that involve rigid manual evaluation of loan applications and supporting documents. Reading the mind of a potential lender is very tough and challenging, as they are not under obligations to approve your loan application. However, your lender will come under your influence, when you present compelling reasons, as to why lender should award the credit to your business.

Tip: Angel investors can come to your help you can show them that your business is very attractive for their financial goals. Venture capitalists are the other people who can support your financial needs. However, these sources of funding are very difficult to source, as they are very rigid in their needs and requirements.
How big is your business?

The volume of your business both in sales and in assets is a critical parameter, when you apply for corporate credit. Large businesses and corporations can have an access to corporate credit in a number of ways that are not non-available to smaller firms and corporations.

If you are a large corporation, then you can access funding in the following ways:

Public funding: Businesses can raise funds by selling stocks and bongs in lieu of part ownership of the business.

Commercial funds: Almost all commercial financial institutions will come forward to lend credit to larger seized businesses with a sizeable amount of credit when compared to smaller firms. Lenders always look forward to lend larger loans to businesses, because they can save time and energy spent in processing hundreds of applications for smaller sized loans. Larger corporations are more stable than smaller firms and partnerships. Hence, smaller firms find it very difficult to get corporate credit from commercial lending institutions.

Easy lending term: Larger businesses qualify for corporate credit on highly favorable terms that include easy repayment periods and lower interest rates. A good line of corporate credit is just like having a running tap! You can use your money in any way you want. However, prudent management of funds can help you set up a thriving business with commercial viability and better profits. Building commercial credit is a task that could be unmanageable at times.

However, availing corporate credit by itself is a big task and you should be brave enough to wait for the day when you get your credit. Until then, you will need to try to build your profile to such a manner that the lender will agree to lend money to your business.

More tips to build credit

There are two types of credit building – passive and active credit building. Both of these credit-building systems have their own components to work on. By focusing on issues like your business experience, longevity of the business operations and volume of assets, you can easily build your credit in a gradual manner.

Passive Credit Building

As you conduct your business operations for a year or so and as your business slowly grows, you are unwittingly working on your business profile and score. Most of the firms
you do business with are always active in sending your report to the credit rating firms. When you meet your monthly obligations, you can start building your credit profile in a positive manner. You cannot just hide your trade information nor can you prevent credit rating agencies recording your credit information. On-time payments, a sound balance sheet and strong fiscal management are the basic ingredients for a successful business profile.

**Active Credit Building**

When you actively work on your credit profile, you can enhance your credit score in a significant manner. It also means that you are working ceaselessly on several factors to improve credit profile. Actively building credit profile involves managing the following factors:

- Paying all monthly due on time
- Creating a good balance sheet
- Preventing litigations and legal strictures
- Creating a business brand and strong income generating capability

With active intervention and careful strategies, even you can build a strong credit profile. With this method, you are consciously working on to improve your credit score and enhancing the value of the profile.
What Lenders Look for Before Granting Corporate Credit
Before lenders grant you corporate credit, they want to make sure that you repay the loan in full and on time. This forms the basic condition for credit granting by any lender. For a typical lender, every single loan is a big risk. Hence, lenders always want to be on the safer side by granting the credit to those borrowers, who are capable of repaying the loan back in time. They also look for businesses that display credit worthiness and repaying capacity. Solid business and personal financial ratings will convince lenders about the ability of an entrepreneur to use the credit in a judicious manner.

Whether to issue credit to you or not, depends on a number of parameters like:

► Gross annual sales or revenue
► Overall profitability
► Trade account balance
► Business longevity
► Personal credibility
► Business credit history
► Personal credit history
► Profit and loss statement for the last three years
► Balance sheet with cash flow statement

*Note: If you are a new business, lenders may ask you to submit a detailed business plan along with other important documents pertaining to marketing, sales and accounts. Cash flow projections should indicate the approximate figures for the first 24 months of business. Some lenders may even ask you to submit cash flow statements for the first three years of business. If you are a relatively older business, you may need to show a detailed schedule of current debts and loan balances, payment schedules, maturity of accounts and collaterals available now.*

On the other hand, if you cannot show any sales figures or income statement, then your potential lender will ask you to submit your personal credit history along with FICO score. Lenders will also ask you to submit details in other aspects like personal credit card debt outstanding, personal loans, all liquid assets, real estate properties, tax return filings and personal financial statements. Lenders will also like to know more about your personal spending habits, credit card usage and its management and handling of installments. If you are sitting on an outstanding debt unpaid over some time, your chances of availing corporate credit are very dim.
More often starting businesses find sourcing corporate credit very difficult. This could be due to their inability providing a concrete balance sheet. Lenders may raise a red flag when they see entrepreneurs showing an error-prone balance sheet. On the other hand, small businesses also find it very difficult to provide a detailed business summary that gives information pertaining to the nature of business, the purpose for which funds are used, available working capital and its allocation. Lenders also look forward to information that tells how you are facing your competition and how you are going to make your business sustainable in face of stiff competition.

Some lenders may also wish to see refurnishing of additional details later on in the evaluation process like lease and ownership documents or insurance details for collateral assets. You may wish to get ready to provide all documents demanded by your lender. It means that you should be thorough and authentic, while collecting necessary documents. However, never overwhelm your lender with too many unnecessary documents, which may slow down the evaluation process.

*Preparing a credit proposal*

The first basic requirement to kick-start your business is to create a solid business plan that describes your business mission, its objectives and goals and the action that helps you achieve these goals and objectives. Your business plan is an essential tool that is helpful in establishing corporate credit. Lenders always like to see a business that has very strong business objectives, managerial abilities and meaningful financial ethics. Another thing that you need to furnish is the index of net worth of your business. Lenders would also love to know more about your sales figures, distribution technologies, employee details and advertising. Now, the question is how do you go about creating a winning credit proposal? *Lenders just give loans or credit to everybody! They want to grant credit to those businesses that can repay it back in time and in full amount.*

Here are some ideas to help you prepare a killer corporate credit proposal:

**Step #1: You will need to provide the following four details to the lender.**

- Your business profile
- The amount of money you need
- Action plan to repay the loan
- Course of action in case of possible default

**Step #2: Ensure that your credit proposal has a well-structured text as follows:**

- Give a summary of your loan proposal; how you repay the amount; how you use it; benefits brought to your business
- Senior management profile: Provide information on your industry experience, qualifications and credentials and employee skills
Description of the business: You may need to give critical details pertaining to business history and current business events. Providing information on your understanding of the market is also mandatory.

Income and sales projections: These details include your anticipated income and cash flow statement for the year. You will also need to provide contingency information, if the projected figures do not materialize.

Financial statements: These details form the soul of the business credit proposal. Business and personal financial statements, audited balances sheets and cash flow statements make the nucleus of your business.

Purpose of credit: You will need to specify why you need the credit and what will you do once you get the money. Provide a detailed assessment of how you spend the allotted funds.

Amount: You will also need to specify the amount of loan required for the business. Be specific and never ask for more!

Repayment schedule: You should tell how you are going to repay the money back and in what time duration.

Avoiding common mistakes when applying for corporate credit

It is so common for an entrepreneur to make a mistake while filing the proposal. These mistakes can prove very costly to you and in the end they will delay the whole process. Here are some of the most common mistakes committed by people who are looking for corporate credit

Ignorant of credit rating: You should know where you are standing right now and understand the state of the business. Preferably, you should get copies of your personal credit scores from all the major agencies and study the contents given in them. If there are errors, you should notify the agencies immediately.

Ignorant of the terms of the credit: You may sign your loan papers without even bothering to read it. Make sure that you read your papers in detail. Know the terms of your loan and understand its implications.

Disagreeable rates: Interest rates do change from time to time. Make sure that you sign the documents that provide you the best rates. Never be greedy to sign a paper just for the thrill of it.

Unable to explain what the loans are for: You should know why you are seeking the credit. Business plans must tell why someone is seeking credit and the purpose for which they are taking it.

Applying convenient lender: People always like to apply for credit with the most convenient lender! Shop around for all possible lending sources. Bad financial management: As a business owner, you should put your financial dealing in good order!
Create a detailed and specific financial documentation consisting of cash flow statements and audited balance sheets.

Absence of equity: You should have some form of equity in your business. Lenders always look at businesses that have substantial equity. Equity will help you get credit at very good terms. If you do not invest money in your business, how do you expect your lender to pour money into your equity-less business?

Lack of collateral: Lenders demand collateral for their money. In case of any default, the lender will use the collateral to pay back the loan amount. Preferably, you may wish to provide collateral to the tune of 70% of the credit lent.

Lack of business plan: You should inform your lender how you plan to run the business and make money in the process. Without a business plan, your business will be like a rudder-less ship that can lose its direction and momentum. A business plan is an invaluable document that can act as a beacon in case of distress. Make sure that you provide an authentic business plan to your lender.
6

How Corporate Credit Processing Works
As soon as you submit your application for corporate credit, you will be too eager to wait for the day, when your lender announces that you are eligible for that credit. However, it is not the case as most entrepreneurs simply fail to get the much-anticipated credit! Understanding how corporate credit system works will assist you prevent anxiety and panic, while you sit down waiting for loan approval. Before your request for your credit, you must qualify your loan by letting your lender know the amount you can afford.

Most common mistakes business owners make when trying to corporate credit:

#1: Using personal guarantee to secure corporate credit
#2: Not incorporating business
#3: Out of sync with credit bureau score standards
#4: Wrongly believing in their ability to repair bad credit
#5: Believing they already have a great profile just because they have a business credit card.
#6: Improper documentation of personal and business finances
#7: Presenting an incomplete application
#8: Working with bad vendors who report negative feedback
$9: Approaching lenders who charge too much interest rates on loans
#10: Not studying the basics of corporate credit management

Choosing the best program is a prerequisite for all entrepreneurs. You may need to sit down with your lender to see which credit program works for your business and whether you can afford to pay the interest rate for that particular credit program. Once you know your limitations, then you can easily submit the loan application to your lender.

Insider Secrets

Once you submit your loan application, your lender will send the papers to a loan officer or an evaluator who will review your present credit reports (both business and
personal), collaterals attached and your current income (both business and private). The evaluator will also check, if there is a need for additional documents. Many entrepreneurs seek the help of a broker to approach the lenders. In such cases, you may need to hand over your entire documents to the broker, who will repack the documents with a loan request form. However, these brokers work on a commission basis when you will need to pay them an upfront fee.

Soon after preliminary evaluation, the evaluator will then submit the loan request docket to the main decision makers (underwriters or a credit committee). Once approved, the evaluator will provide you with a letter of intent or a detailed term sheet. Remember that this is a formal document designed to ensure that all parties involved in the process know and understand each condition and requirement attached with the request. The letter of intent may include a number of information like:

- the names of parties in the process,
- amount of credit,
- type and value of security (collateral),
- other important terms

Note: Lenders usually take less than seven days to arrive at a decision. You may also need to furnish additional information during the underwriting process. At times, brokers are very efficient in their approach to seek the right type of loan for you. They can help you get the best terms, low interest rates and other favorable conditions required for hassle free repayment.

Once your lender approves the loan application, you may need to choose the right type of package that suits your business purposes. You may choose a system that works in a flexible manner without pinching your pockets. Many businesses choose a program that does not exert too much repayment pressure. Sit down with your lender and discuss about the most favorable program for your business. Soon after finalizing the initial process, you will need to sign the final letter of intent to show that you are keen in availing the offer.

Note: Third party reports and underwriting conditions are very critical for corporate credit granting. Make sure that you put lot of effort to make this step of the process a successful one.

Soon after the underwriting process, the evaluator will resubmit the entire credit request docket to the loan committee. At this point, the lenders may approve your credit application and later issue a full credit commitment letter. Once fully approved, you will get the closing documents for further steps. Now, you may need to perform a number of duties like:

- record or file deed transfers and mortgages to the lender,
- order title insurance for the business components,
- coordinate the exchange of funds from lender to you,
Finally, sign the loan documents for approval by the loan committee. The final stages of approval of credit are very interesting because you are so close to reach your goalpost! Closing can be within two or three days of final approval and underwriting. At the closing, the lender will transform credit funds with cashier’s check, draft, or electronic wire transfer.
7

Establishing and Building Corporate Credit for your Business
Establishing corporate credit is an important step in the development of your business. Building corporate credit is entirely different from building personal credit, because of the stiff conditions involved with the former. Consumer or private credit is actually very easy to get, because of the low amount of loan requested by consumers. However, business loans or corporate credit is entirely different, because most of the credit requests are in excess of $100,000. Amounts less than $100,000 fall under the category of micro-credit and you can access this credit from local financial institutions or small business associations. However, larger credit in excess of the above-mentioned amount is very hard to access, as you can get it only through larger lending institutions.

Lenders use different methods to measure a business’ credit worthiness. However, all of them rely on two basic parameters before granting the credit - the factor of regularity of a business in repaying the previous loans on time and in full, and the status or the financial health of the business. Lenders will be too skeptical before awarding credit to businesses that were very irregular in repaying their previous loans. Lenders also dislike firms and businesses that are financially unviable and weak.

Most lenders also like to work with businesses with a proven track of credibility and repaying ability. Lenders are very easy to convince, when you show them your previous financial record details related to full and timely repayment of loans. Building an established or favorable business credit profile is the cornerstone for corporate credit. It is very important that you establish an authentic and efficient corporate business credit profile that can easily convince any lender about your ability to repay the loan back in full amount and on time. A good business credit profile can lead to very favorable terms and interest rates that can save lot of money to your business.

Corporate credit can take different forms and patterns. You may wish to decide the form and type of credit that you want adapted for your business. Successful utilization of corporate credit depends on the repayment period and the interest rate. Growth is possible only when you have the right type of credit package. A number of simple and easy steps will help you remit your credit performance report to various credit reporting agencies. You may need to take the following steps in order to get your credit report to the lenders.

- Ensure that your bankers report your credit score to any of the leading credit reporting firms
- Ensure that you make the payment as per the terms consented by your creditors and suppliers
- Maintain your account books in a proper manner and always use the correct accounting and auditing principles

Establishing business credit is the first step towards acquiring a sizeable amount of corporate credit. Business credit rating is a system of rating provided by a number of leading rating agencies like:
Note: Some of these firms work only on small businesses, while others on everything. Each one of them uses a separate set of criterion for credit profiling a business. You should know which one applies your business. Make sure that you study their mode of operation and act accordingly.

Almost all credit lenders, banks and investors use the ratings provided by these rating agencies to determine the overall level of risk arising out of granting credit to a business. Potential investors and lenders use some ratings either cumulatively or in isolation to decide whether to grant credit to a particular business. These ratings may include such things like the credit worthiness, length of time in existence, debts and profit.

Start up businesses and newly formed corporations often find it very difficult to acquire corporate credit unless a credit professional helps them to get the credit. These business entities always find acquiring corporate credit on their own merits. First, the business owner will need to guarantee the loan grated with his or her own credit profile that is always private or personal in nature. Getting business credit rating is very difficult, as it may take years of painstaking efforts to build a good credit rating. More often, it takes years of reporting to build a good credit score.

The Three A’s of Success

A number of factors make up a very good business credit rating. Lenders consider these points before evaluating your loan application. These factors are:

**Assets:** This is perhaps the single most important factor! What is the total worth of your firm? Do you have enough capital assets? Alternatively, do you have enough liquid assets to repay your loans? Do you have a healthy capital base?

**Ability:** Can your business pay off the loan in full? How did you repay your past loans? Did you default on any loans? What was the amount of loans you requested? Did anyone reject your loan application? If so, what were the reasons? Did you get any interest rebate? Do you own money to anyone?

**Acumen:** What are your professional qualifications? Can you run your business in an efficient manner? How do you wish to run your business? Can you sell your products and services in adequate quantities?
The above-mentioned factors help you build a stable business operation. Once you have a stable business, you can slowly build your reputation as an efficient entrepreneur. Business credit history is a sum of good corporate actions that rely on efficient financial management.

Improving your corporate rating

The most important aspect of building good corporate rating is making payment on time to any of the firms that are already rated by one of the credit rating firms. Credit rating firms enter the payment as soon as you made a payment; in fact, this helps you improve your credit score. It is also quite critical that the business firm that you do business with, also reports to a number of firms, because it can assure that they enter all relevant records like experience, skills and payments.

Keeping your debts under tight check will ensure that your finances maintain their health and integrity. Spending your money in a wise manner will also help you repay the loan back to your lenders very quickly. The more amount of debt you have, the higher the net accumulation of income you must have in order not to affect your credit worthiness. You will have a bad corporate credit rating when you have mounting debts paralyzing your

Never be a subprime borrower by paying an exorbitant interest rate!

Just think of this! You and your business colleague go to a lender to get credit for your businesses. Let us assume that your friend has a satisfactory business profile rating of 600. On the other hand, you also have a credit profile, but without a satisfactory business profile. Based on his positive profile, your friend gets a handsome credit with a lending rate of 8%. Due to your not so satisfactory credit profile, you get a line of credit but at a higher interest rate of 10%.

Let us compare both lines of credit now:

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>$100,000 (You)</th>
<th>$100,000 (Your Friend)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rate</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>Loan Terms</td>
<td>5 years</td>
<td>5 years</td>
</tr>
<tr>
<td>Monthly Payment</td>
<td>$1000</td>
<td>$800</td>
</tr>
<tr>
<td>Total Payment</td>
<td>$60000</td>
<td>$48000</td>
</tr>
</tbody>
</table>

The total savings works out to be $12000!

Settle for a credit line that offers you interest rate advantage. Develop a positive credit rating by using the techniques given in this book!
business operations.

Personal credit profile needs some fine-tuning as well! Although it is quite different from corporate rating, many lenders still seek your personal credit profile just to see how reliable you were in your past transactions. Credit worthiness applies to personal credit profile as well! After all, you are running the business by seeking corporate credit. A good personal credit profile can positively affect how a lender perceives your credit worthiness. It is also very critical that you review your credit profile on a regular basis and concentrate on maintaining a positive credit profile. See that you are feeding your credit profile with regular and periodic reports, so that you can keep it updated and recent. An accurate credit profile is also very necessary; see that you are complaining credit rating firms in case you find errors in the report. One more way to improve credit profile is to compare your report with other similar businesses’ reports and find out if there are any differences in the rating contents.

You may wish to consult experts in the area of credit scores to learn and understand strategies that can help you improve the profile. Professionals know how to repair damaged credit profile and improve average ones into workable and satisfactory profiles. Establishing a strong business credit profile and improving its stature can help you and your business in the quest for a sizeable amount of corporate credit. An established credit profile will also help your business’ professionalism and standing, and it is a passport to future acquisition of corporate credit as well. Lenders have their qualifying parameters to assess your credit application. Credit profile is one of these parameters that your lender would like to check while assessing your application. Building corporate credit is not that easy to get all by yourself. However, a little assistance can go a long way in getting corporate credit of substantial amount.

Credit building process

Credit building process is time-consuming process. You just cannot hurry with this important step. Credit building is also very challenging act! Here are some basic steps to help you in building your credit with lenders.

Step #1: The first obvious step is deciding the type of business structure. You may need to conduct a detailed research to find out the type of business you wish to register. Few common business types are: C-Corporation; S-Corporation; Sole-Proprietorship; Limited Liability and Partnerships. If you want to separate your personal credit from business credit, you may need to restructure your business as a corporation or LLC. Another method is to buy an already existing corporation in an area, where you want to conduct your business (A shelf or aged corporation is an inactive business entity that is put on dormant stage for use later). A number of companies and firms sell shelf firms or corporations.

Step #2: Once you set up your business, you will need to apply for an Employer Identification Number (EIN). Lenders want you to furnish information like your business
name, business address and employer identification number. Go to IRS online and obtain your EIN now (www.irs.gov). The application procedure should not take much time. If you are sole owner of the business, you can apply and get the number. If you are a corporation, any one of the directors may apply for the number.

**Step #3:** Now, you will need to open a separate bank account for the business. Use the exact name of the business, while opening the account. Business checking accounts are easy to open and you can open by furnishing necessary documents.

**Step #4:** Get a business listing in the 401 directory by providing your business address and telephone number.

**Step #5:** Apply for necessary business licenses, permits and registrations with the city authorities, where you are conducting the business operations.

**Step #6:** Now, is the most important step in the whole cycle of procedures! You will need to establish a business credit profile with Dun & Bradstreet (DNB). You will also need to obtain a D-U-N-S Number. DNB is the most famous name in the credit rating market. It is also the largest tracker of business credit in the country. The D-U-N-S number is a special, nine digit number that provides business profiles of different businesses. This number is free of charge and you will get one within 30 days after application. If you can spend some money, you can use their credit builder services and get the number almost immediately. Most lenders make use of reports provided by this firm. Lenders may request for D-U-N-S number from this firm. It takes almost 45 days for your companies to report the credit profile. Go to www.dnb.com now to apply for your D-U-N-S number.

*Caution: If you are using their credit builder services, you may need to be very careful furnishing information and details about your business. What you provide to this firm enters permanently into your credit profile file.*

**Step #7:** Once you get your number, you are almost ready to apply for corporate credit. Make sure that you paying your invoices within the stipulated time.

**All about Dun and Bradstreet**

As mentioned before, D&B is a popular agency that provides your business profile. Getting your D-U-N-S™ Number is very easy and simple. There are two modes of getting your number – you can choose the free option or you choose a paid service that gives you a number on the same day of application. Fees payable for paid service range from $299 to $799. However, the credit building process is a long drawn process that may take months of time.
Getting a free number (not recommended): Getting a free number of take almost two months. Once you apply for a free number, the firm will also provide you another option to pay for quicker processing. If you want a number within next five days, you may need to pay a fee of $49. The number provided by D&B is just a number. Having your number delivered quickly does not mean that you can speed up the entire process of credit building.

Getting a credit profile: It is also possible to create your credit profile as an additional service when you get your number. The firm will create the profile on the same day when you get your number. Once you have some activities with one or two vendors, the firm will create the profile immediately by activating the account. If you use a free service, the firm will send a mail asking you to pay for the profile service to get the profile. You can either pay for the services or not pay any money. You can always create a report in the due course of time. Obtaining a D-U-N-S® Number from D&B forms an essential part of a system that helps you establish your business credit profile. It will also ensure that your profile will be visible in the database when lenders look for it. This number will also assist you in doing business with some firms connected to the federal government.

Make sure that you have a D&B business credit profile if:

- You want establish corporate credit
- You want buy some tools and equipments
- You want to support your cash flow
- You want to get credit at very low rates
- You want to pay your suppliers wit credit
- You want to deal with agencies that require you own a D&B business profile

Sometimes, you may get a reply from D&B stating that free number is a non-rated number that you may not be able to use for building viable corporate credit. You may also come to know that an accredited program can validate business credit-profile process in double quick time. At present, D&B charges anywhere between $329 and $499 for paid business profiles. Here are some details about three paid credit and profile building services offered by Dun & Bradstreet:
CreditBuilder (Recommended) $329.00
A service that assigns a D-U-N-S Number to your company (if needed), builds a full credit profile, and assigns a basic set of D&B scores and ratings that potential business partners can view.

CreditBuilder Plus $499.00
A service that assigns a D-U-N-S Number to your company (if needed), builds a full credit profile, adds up to six new payment references of your choice, and assigns a full set of D&B scores and ratings that potential business partners can view.

Establish a DNB Credit Profile $599.00
When you get to the DNB website, it will ask you to furnish your business name, city, and state. If your business does not come up, it means that you have no DNB profile. You can choose the $599 option to get a DNB profile set up within 1 business day and you can also add up to 5 credit references at the time you set up your instant DNB account. It also gives you an "instant" DNB profile so you can start applying for credit after the 1 day set up is complete. This is recommended if you have the $599 to invest and if you DO NOT want to wait several months for the free profile to be set up and if you DO NOT have a current profile showing when you initially type in your business name and city/state information.

The most significant tool used to determine and establish your business credit rating is the PAYDEX system (provided by DNB). This score takes into consideration the total value of assets and number of employees working for the business. The score is the result of feedback received from your vendors, suppliers and other trade account holders. Thus, the evaluation process undertaken by different lenders may vary significantly from each other.

Interpreting D&B scores

Remember that all of D&B's business credit reports invariably include a deep analysis of a firm's financial strengths and abilities. The basic parameter chosen for creating a profile is your business' net worth. The final rating is the combination of financial records provided by your business and credit analysis.

The basic ratings can be:

(Based on financial strength of the business in evaluation)

- Small corporations (Up to $4,999) – HH
- Very large corporations ($50,000,000 and over) - 5A

Note: There are just three credit scores here - "1" is a high score, "2" is a good score, and "3" is a fair score.

(Based on number of employees of the business in evaluation)

The PAYDEX scoring system is one of the most efficient indexing systems available for a business that wants to build an efficient credit profile. PAYDEX is an accurate and precise index value for assessing a business previous payment performance. It takes into account your business’ pooled payment experience. It also indicates your business’ inherent credit risk parameter.

Note: A business that made payments on time will be a low risk business and such a firm receives better or higher credit score. A personal FICO score of 750 is
almost equivalent to a high PAYDEX score of 80. Note that most lenders would like to see a PAYDEX score of 70 or more.

Before you want to establish credit profile, you must provide details of at least five trade accounts established in the recent past. D&B will then seek additional information from these accounts before arriving at a valid score. Remember that PYDEX score can easily cull out data of the entire year. It is also possible to evaluate the data for a specified period, say three or four months.

PAYDEX score’s important components are:

Average days to pay – ►Sooner than suggested terms
►On suggested terms
►Beyond the suggested terms

Note: Based on the payment made and the period, the scores may range from a very high of “100” to a low of “1”.

In fact, DNB designs a weighted average by considering parameters to the trade accounts with higher monetary value. Thus, a higher payment trade account will always play a crucial role in developing a higher score.

To get a better credit profile, you must work harder to pay your trade accounts on time and without defaulting on the amount. If you make payments within 30 days of invoicing, you belong to low risk or no risk group. You belong to the medium risk group when you delay your payments to a period beyond 30 days and up to 60 days. High-risk businesses are those who delay their payments for a longer duration of 60 days are more.

To make matters simplified, here is an illustration:

<table>
<thead>
<tr>
<th>Payments on time</th>
<th>Risk Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments &lt;30 days</td>
<td>Low Risk</td>
</tr>
<tr>
<td>Payments 30-60 days</td>
<td>Medium Risk</td>
</tr>
<tr>
<td>Payments &gt;60 days</td>
<td>High Risk</td>
</tr>
<tr>
<td>Payments &gt;120 days</td>
<td>Very High Risk</td>
</tr>
</tbody>
</table>

How to prepare for the credit building process

Laying the groundwork for a hassle-free credit building involves taking several important steps. Performing due diligence and the actual application process are very important components of building corporate credit. Make sure that you are thorough in your preparation, as if anything goes wrong, you may have to start all over again right from the scratch.
Step #1: Credit name search by using Dun and Bradstreet database: You may wish to search for unique business name by scouring the database provided by Dun & Bradstreet. You can search either on a regional or national level. Make sure that you are not submitting your documents with a name that already exists in the database. Never ever, use a name that already exists on the database.

Go to: D&B Business Name Search

Step #2: Entity Name Availability Search: Now, you will need to check your business name to make sure that it does not copy any other names in the database. When you check your name, you are comparing it with other names in the database. There are several online tools available to check your business entity name. The search is very simple and easy. You just need to enter your business entity name in the box provided by the web portal. Make sure that you are not attaching suffixes like "Inc", "LLC", "Limited", "Corp", etc. With this type of search, you can find your name listed in the database.

Go to: Entity Name Availability Search

Step #3: Trademark Infringement Check: You will also need to make sure that you are not violating the trademark infringement acts. Make sure that you are not copying any other business names that own their copyrights. The TESS database contains only those trademarks that are federally registered or that are pending. The TESS database does not contain any information on state, foreign, or common law trademarks. Trademarks could be either dead or alive. Ensure that you are searching for all live trademarks. The search should be exact and precise and it should match the searched term. You can also search through the categories section so that you can create a mark based on the dictionary words.

As per US Trademark and Patent Office, “If you have any questions regarding adoption or use of a trademark, the USPTO strongly recommends that you consult with an attorney and/or access the Trademark Manual of Examining Procedure (TMEP) and other trademark documents and resources available on the USPTO Web site located on the Trademarks page.”

Go to: Trademark Electronic Search System (TESS)
Step #4: Domain Name Search, Website Address: The next obvious step is to register your business domain with a .com extension. You can choose a domain registration firm that can offer you excellent services. Check for the availability of your chosen business name. As far as possible, include the full business name in the domain name. Creating a brand name may take some time if you include just letters or abbreviated words. You may wish to register two separate domain names.

Go to: Domain Name Search, Website Address

Step #5: Directory Listing: You will need to enter your business name in a business directory page to make sure that all concerned parties can access your phone number. The listing is free. You can add your business in the relevant category or you can also choose multiple directories, so that people can easily find your number.

Go to: Directory Listing

Step #6: Name Conflict Solution: If you find that your entry is in conflict with other’s entries, you may need to find a solution for the problem. If you are infringing others, you may consider changing your name. If others are doing it, you may need to consult an expert to know how to find a remedy to the situation. Make sure that you provide all the necessary documents to rectify the situation.

Go to: Name Conflict Solution
Corporate Credit Building Checklist
Building corporate credit is a lengthy process. It is painstaking as well! You will need to learn and master the basics of credit building to avoid unnecessary delays. Here is a brief checklist that helps you prepare your corporate credit in double quick time. This checklist has a number of important areas that you should look with care and caution.

The checklist has three main portions like:

- Checklist for already incorporated businesses
- Checklist for business that are just starting or those you are yet formally incorporate
- Checklist for an aged corporation or LLC

Make sure that you are going through each of these items very carefully. All of the items listed here will help you create a solid set of documents that can quicken the process of credit building.

**Business Legal Name:**

<table>
<thead>
<tr>
<th>Credit name search by using Dun and Bradstreet database</th>
<th>Go to: D&amp;B Business Name Search</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity Name Availability Search</td>
<td>Go to: Entity Name Availability</td>
</tr>
<tr>
<td>Domain Name Search, Website Address</td>
<td>Go to: Domain Name Search, Website Address</td>
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<td>Directory Listing</td>
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<td>Name Conflict Solution</td>
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<tr>
<td>Trademark Infringement Check</td>
<td>Go to: Trademark Electronic Search System (TESS)</td>
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**Incorporation:**

<table>
<thead>
<tr>
<th>Not incorporated</th>
<th>Call your corporate consultants immediately. You can register with the state registration authorities. Alternatively, you can even purchase an aged corporation. Go to: <a href="http://www.incorporating.com">www.incorporating.com</a></th>
</tr>
</thead>
<tbody>
<tr>
<td>Already incorporated</td>
<td>Ensure that your business name is unique and special. Talk to a consultant about your needs. Start building your business profile gradually by getting a business profile number with D&amp;B. Go to: <a href="http://www.dnb.com">www.dnb.com</a></td>
</tr>
</tbody>
</table>

Incorporating your business is an important step in the whole process. Make sure that you adhere to all legal clauses and rules of the country.
Business Addresses:

You must have proper addresses where your lender can contact you. You must provide a valid physical address with your e-mail address and phone numbers. Lenders always check your contact details including e-mail address and phone numbers.

<table>
<thead>
<tr>
<th>Secretary of State Records for checking business address</th>
<th>Local Commission Office</th>
</tr>
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<tbody>
<tr>
<td>Internal Revenue Service (IRS) for checking IRS and EIN documents</td>
<td>Go to: <a href="http://www.irs.gov">www.irs.gov</a></td>
</tr>
<tr>
<td>U.S. Post Office for physical address</td>
<td>Go to: <a href="http://www.usps.com">www.usps.com</a></td>
</tr>
<tr>
<td>Social Security for checking the number</td>
<td>Go to: <a href="http://www.ssa.gov">www.ssa.gov</a></td>
</tr>
<tr>
<td>Directory and 411 listing</td>
<td>Go to: <a href="http://www.yellowpages.com">www.yellowpages.com</a></td>
</tr>
</tbody>
</table>

Credit Reporting Firms:

You must create credit report records without fail! Initially, get a free D-U-N-S number from their web site. You can also create personal credit files with Experian and Equifax to buttress the credit building documents.

<table>
<thead>
<tr>
<th>DUNS Number from Dun and Bradstreet</th>
<th>Go to: <a href="http://www.dnb.com">www.dnb.com</a></th>
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</thead>
<tbody>
<tr>
<td>Experian Credit Profile to get a personal report</td>
<td>Go to: <a href="http://www.experian.com">www.experian.com</a></td>
</tr>
<tr>
<td>Equifax Credit Profile to get a personal report</td>
<td>Go to: <a href="http://www.equifax.com">www.equifax.com</a></td>
</tr>
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</table>

Secret Compliance Checks by Dun & Bradstreet™

Dun & Bradstreet™ subjects business to a compliance test before assigning credit profile to them. If a business does not comply with the standards of credit, D&B places such businesses in a “high risk” or “no credit” zone. This will eventually result in rejection of credit application by those businesses that do not comply with the standards set by lenders. If you do not have positive roadmap, you can end up in the “high risk” zone where finding a sizeable amount of credit become very difficult.
Personal Credit Ratings Explained
Credit rating plays an important and active role in credit building process. Some experts believe that your previous business performance need not be an indicator of future performance. However, this notion seems to be utterly false, as your credit rating is a fair indicator of all past loans and their repayment history. This is possibly the reason why lenders like to check your previous credit performance, so that they can measure your ability to repay the loan back in full.

Apart from business credit ratings, lenders also use your personal credit rating to assess the possible risk and danger arising out of granting of credit to you. Your personal credit score will also help your lender decide the rate of interest that needs to be fixed on the money lent. For example, most of the personal loans will carry a rate of around 10%, while exceedingly good credit scores will enable you to get credit at very attractive rates of about 5%. As you improve your personal credit rating, getting credit will become very easy, while the rates imposed on the credit will always be favorable to you.

Most lenders also use your personal credit score to find out the possibility of lending loans to businesses and corporations. You may have an excellent personal credit score at your disposal. However, lenders will invariably ask you to pledge equitable collateral against the money given out. Apart from the collateral, you may also need to provide personal guarantee for the loan.

Note: Of late, lenders check the personal credit score of all owners who hold a stake in the business. Lenders will seek to check the personal credit scores to ascertain the collective merit of the application. Typically, corporate credit plans include provision of personal guarantees of all part owners of the business.

Three major credit score rating firms provide personal credit scores to general public. These three credit rating agencies are:

- Experian,
- Equifax, and
- TransUnion.

Lenders take the report prepared by all the three firms and calculate the average rate of all there reports. The average report generated will help the lender to check the borrower’s overall eligibility and rate of interest on the credit given.

Note: The most respected and well-known rating system is the FICO system. Of late another credit score is gaining popularity; VantageScore is the new type of score used by a number of corporate credit lenders.

Credit scores have an important role to play both for the borrower and the lender. Better credit scores may force the lender to grant credit without making any fuss.
**FICO™ Score**

FICO is by far the most used credit score. Lenders like this scoring system because it takes into consideration all important parameters. This credit rating system uses five different parameters to calculate the score. These factors can affect your credit score in significant manner.

**Payment History:** It means your inherent ability to pay back the loan on time. It also takes into account the number of default items of the past, as well as the duration for which the account was on default. Late payments and the number of defaulted months are also taken into account. Litigations and legal judgments also form the essential components of the score.

**Current total debt:** The scores also include the total number of debt accounts in the past and their individual balances. These issues can greatly influence your credit score. Another important aspect will be the debt outstanding on your credit system in direct proportion with the available credit.

**Length of the credit history:** Your FICO score contains such details as duration of your past credit accounts and the general financial experiences with each of these accounts.

**New Credit:** This part of the rating system consists of such details as the number of accounts established in the recent past and number of credit inquiries from you with other lenders. The score will show any attempts made in the past to get new credit from lenders.
Types of Credit: This parameter takes into consideration the number of credit types you secured in the past and details about credit cards and other accounts.

Note: Some of your personal details do not figure in the FICO score. Personal factors like your age, race, ethnicity, religion, sex, and marital status, do not play any role in the score making process. Similarly, professional details like employment history, current employment, wages and personal assets will also not form the part of scoring process.

FICO score can be anywhere between 300 and 900 points. If you have a score of 700 or more, you have very bright chances of getting credit. If you have a score of 600 or more, you still qualify for credit line, but at higher interest rates. Your personal FICO score can change from time to time; it can even show changes every fifteen days. A single timely monthly payment can improve your score, while a late payment can damage your score to some extent. If you are facing a bankruptcy suit in the court, you can damage your FICO score in a significant manner.

**Evaluating your FICO score**

You should inspect your FICO score from time to time. There are chances of errors creeping into your report. If you find any errors, you can report of this fact immediately and get the error rectified instantly. These errors can be minor depending on the seriousness of the error. In some cases, it can be very serious when someone uses your credit card to make illegal payments and incur unpaid debt after some time.

As a citizen, you will get one free copy of annual report that includes all necessary information under your name and social security number. You can visit one of the well-known web sites to generate a free report. A printed copy can take a long time to arrive. You can also use a paid and commercial credit monitoring service to check the score on a regular basis.
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Types of Lenders and Corporate Credit
Business owners seek credit for a number of reasons. Most of them borrow money at one time or the other. Borrowing money can help businesses in many ways; increasing cash flow, repaying suppliers and buying assets are some of the benefits that you can derive from corporate credit. Most financial firms and lenders are too happy to lend you money when economic times are good. Borrowing opportunities are very limited during the times of economic crisis. However, with careful planning and thoughtful strategies anyone can get their share of corporate credit from a well-known lender. Building business credit is the most important aspect in the process of applying for a commercial loan. Getting funds in the right time should be the top most priority for all business owners. However, things are not so easy for businesses that are just starting to breathe. Creating a loan proposal and submitting it to the right people are two of the most critical issues.

You can qualify for certain types of credit in spite of very low credit rating. When you use the available opportunities in a judicious manner, you can get the best credit possible. When you have a good business credit profile, you can approach the lender with confidence and courage. Finding the source of credit is the first important step. There are many credit programs and lenders in the market. You will need to find out the exact requirements for your business and later approach the right lender for the best possible terms. Business owners have a number of choices in front of them ranging from personal loan options to larger lending institutions. Interest rates and other charges form the basis of choosing a credit lender. The best method is to select the right type of lender who is ready to offer you the best possible terms.

Credit types

When applying for funding, you can have two options – personal loan or a full pledged business or corporate loan. Personal loans are purely personal in nature and you will be using individual credit rating and personal collaterals to get these types of loans. On the other hand, to get corporate credit one must have a very good business credit profile apart from mandatory collateral assets. Most obviously, commercial or corporate loans are the best types of loans for your business. With business or commercial loans, lenders will lend their money directly to your business accounts. Some of these loans may require you to provide sufficient personal guarantees and collaterals.

Commercial loans: Almost every other business applies for this type of loan. You can use these loans to make necessary purchases, acquisition of inventories or even buying tools and machineries. However, you will need to specify the need and purposes for which you want to use the loan.

Business or corporate credit: It is almost similar to a revolving type of loan with rider on the extent on the amount of borrowed. The major difference with this loan is that you can borrow the money that you repaid to the lender with accumulated interest. These loans are fixed for a particular duration and this duration is about two years. However, good credit rating can help you get better and extended terms.
Overdraft Protection: Almost similar to business credit, this line of credit has lower limits and it is unsecured with any collaterals. It is also like an extension of your trade account. Getting this loan is quite easy especially when you have a very good account with the bank. You do not need any supporting documents to get this loan. Approval can take from one week to one month.

Business Credit Cards: The main goal of buying a business credit card is to cover the expenses involved in running the business and to build one's business credit rating slowly over a period. You can use money any purposes you want. However, the interest payable could be very high.

**Types of lenders**

There are different types of lenders who can grant credit to you. Commercial and corporate credits are the best forms of credit because the lender will not come in the way of your business operations. However, commercial lenders want an assurance from you that the loans awarded to your business are repaid in full in time and with the specified interest rates. In fact, they just want their money back, when you agreed to give the amount to them.

Corporate credit: Large financial institution can lend big credit to you when you satisfy their stiff requirements. Some of these institutions also award credit to smaller businesses and enterprises depending on the viability of the deal. Earlier, these institutions used to turn away very small businesses whose requirements did not cross an amount of $50,000.

SBA loans: Typically, Small Business Administration never deals with the businesses directly. However, they urge and encourage smaller financial institutions and developmental institutions to give credit to businesses. Governments and federal institutions may offer some incentives to these loans.

Federal and governmental loans: Special loan programs and systems are available for small businesses to get their funding. You can approach the governmental agencies to check about the possibility of availing loans for your business.

Angel Investors: A number of individuals agree to lend small amounts of money to deserving businesses. They also invest in those businesses that they feel are profitable and commercially viable. However, the interest rates charged by these investors or lenders are very high. Go to, www.vfinance.com, www.angelinvestors.infopoint.com and www.angelcapital.org for additional information.
Using Business Credit Cards for Your Business
Business credit cards are very powerful tools that you can use to create and establish a very good credit profile. It can also be an invaluable tool to create some funding for your business in absence of an established corporate credit. Before applying for business credit cards, you must read and understand the conditions and terms associated with the card. As far as possible, try to get an unsecured business card as you will not have any collateral attached to it. If you cannot have one, you can consider having a secured card at least for a short period. Secured cards are excellent tools to build your credit profile.

With business credit cards, you can fund your daily business needs like travel, lodging and incidental expenses. You can also use these cards to finance the buying of much needed tools, equipments and machineries apart from using the cash as urgent liquidity when the cash flow is very tight. Credit cards can help you strengthen your firm’s business credit rating. Almost all business credit firms report the activities on your credit card to major credit score reporting agencies like Dun and Bradstreet and Experian. Every purchase and payment to supplier will increase the credit history of your business and credit score.

Qualifying parameters for business credit score are almost similar to those for bank credit. Businesses may get their card solely based on their performance vis-à-vis credit history of the business. In fact, apart from the business credit history, you may also need to provide your personal credit history to the credit card awarding firm. However, you may also need to avoid providing your personal credit history, as well as score while applying for a card.

**Business and personal cards**

Businesses starting their business operations always use their personal credit cards to fund purchases and make payments to suppliers. Available records suggest that more than 65% of businesses use their personal credit cards on consistent basis. Using your personal cards is good when your business is in its infant stage. However, you should consider using business credit cards later when the business is developed fully. You may wish to get the credit card in the name of the business as soon as possible. Almost all firms and small corporations in the US use business credit cards for enhancing their credit score. The reasons for using business credit cards are many and some of them are:

Building and enhancing business credit profile: When you use your personal credit cards, you will never build your business credit profile. You can build your business credit, only by making purchases and by making payments to your suppliers. You can easily strengthen your business credit rating by judiciously using your business credit rating.

Increased credit limits: Personal credit cards always carry very lower credit limits, while business credit cards always carry larger credit limits. Hence, you will not be able to
make payments for purchases of larger value. It is also not possible to pay your suppliers, if the value of the purchase is very high.

Keeping books and managing taxes: Using personal credit cards can create tax and bookkeeping problems. When you use personal credit cards to make payments to your purchases, you will not be able to write off interest paid on your cards. Deduction on personal taxes paid for interests fall under miscellaneous category and they can be deducted only when the total exceeds 2% of the adjusted gross income proceedings.

Business credit cards are always in the name of the business firm; you can also include your name as the beneficiary if you want to. It is also possible to seek business credit cards separately against each employee’s name. However you must authorize your employees to make payments against invoices and office supplies. Some businesses use their business credit cards for different purposes. One department may use the cards to make purchases, while others may use the cards to cover travel expenses. Special credit cards can be used to make tax and interest payments.

The issuing firm calls business credit cards as corporate cards because of the corporate character embedded in those cards. Sole proprietorship and limited liability company (LLC), can also get their business credit cards use it for corporate purposes. Nowadays, it is almost impossible to run business operations without a business credit card. In fact, it is the most useful tool to make very quick payments to your suppliers.

**Credit cards and their uses**

Some of the uses of business credit cards are as follows:

Additional financing: A business can use its business credit card to make immediate purchases like buying inventories, office supplies and tools. This helps the business to conserve precious cash resources and help avoid waiting for approval on more structured bank credit system. You can even make monthly payments to your supplies in full or in part; this flexibility provides you an opportunity to upgrade your business credit history on a positive note. You can decide how much payments you can make to your supplier. You can even make minimum most monthly payments to avoid becoming defaulter. When you structure your payment, you will know the timeframe within which you have to make the full payment. However, one pitfall of this approach is the accumulation of high interest rate paid towards part payments.

Advances as cash: You can draw money as cash by using your business credit card. This helps you create immediate liquidity for the business operations. However, the cash withdrawal limits for business credit cards are somewhat low, when compared to formal credit. Interest rate payable towards cash withdrawal is actually very high as well. However, the immense value of using cash as advance is precious.
Simplification of accounting: Using personal credit card for business purposes create lot of accounting problems. Accounting becomes simpler when you use a dedicated business credit card. Never ever, mix your personal accounting with business ones. Business credit cards also make bookkeeping easier. When you use personal credit cards for business purposes, the year-end account statements will be a mixture of both personal and business expenses. Filing tax will also become very difficult.

Employee expense account: When your employees use an assortment of business credit cards, you can get a number of tax advantages. You may need to authorize your employees to make purchases for business. Make sure that you include miscellaneous expenses made by your employees in the account book, as you will get some tax breaks. Create accountable plans for this purpose.

Medical benefits for you and employees: Provide business credit cards to cover medical expenses born by your employees. You can have tax advantages under two special categories of expenses - Health Reimbursement Accounts (HRAs) and Flexible Spending Accounts (FSAs).

Sundry Benefits: Using business credit cards also offer you a number of fringe benefits that fall under such categories as travel and lodging assistance, purchase protection, and VAT claims.

**How to apply for credit cards**

If you have an established business, you can get your credit card either through the mail or by visiting the concerned vendor’s office. If you receive an offer through the ordinary mail, it means that you should submit your application. Most of the offers that come by mail are pre-approved. However, you will never know about the terms and conditions of the offer until you apply for it and ask the vendors about the terms. Before granting the credit card to you, the vendor will assess and evaluate all necessary conditions related to the repaying ability of your business. Several business credit related aspects will play an important role in deciding the interest rates and credit limit for the card.

Vendors allow you to submit your application through a secure online application form. Make sure that you apply for your credit card at the bank that issued the application and the vendor who maintains your business checking account. The authorities with whom you operate your business account know about you and the application process is actually very simplified and straightforward. The approval does not take much time either. By applying and getting a business credit card from our own bank will help you develop business relationship to a higher level. It is also possible that you can even enhance your business credit history.

When approving a business credit card to your business, its interest rates, cash limit and spending patterns, the vendor will take into consideration a number of factors like:
Business credit history: Your vendor will look for an acceptable business credit profile ratified by Dun & Bradstreet and others. If you have good credit history, the card approval process will be faster. Otherwise, you may need to give personal guarantee for your cards.

Yearly business: A number of vendors approve cards to those businesses that have an acceptable yearly turnover. The maximum and minimum limit set as pre-conditions may vary from vendor to vendor. You should check the vendor's business brochure to know these facts.

Note: The choices with credit cards are too many. Vendors provide you a range of credit cards each one of them with its own conditions and terms. You can have credit cards for different purposes like employee travel, lodging, inventory buying and for covering miscellaneous expenses. You can opt to have two or three credit cards depending on your needs and requirements. However, using your cards with utmost care is the most important issue to create a good credit history profile.

Credit Limits on your cards

Each business credit card has its own pre-defined limit. Vendors may advertise different lending limits. However, you may not qualify for a high limit when you get your first card. The credit limit depends on several parameters, out of which business credit rating and total profile are the most important.

Corporate credit lending and business credit cards are almost similar, when you consider their terms, interest rates and credit limit. In fact, the conditions prescribed for these two credits are almost the same. Most small businesses will need to provide personal guarantee as well as personal details. However, you need not submit any business plan or financial statements unlike corporate credit where you will need to provide a number of documents related to finances and business functions.

Note: Most credit card vendors provide a credit limit of around $20,000, if all conditions are in perfect order. If you need a higher limit, then you have to submit additional documents like financial statements as well as tax filing records.

Factors to look for when selecting a card

When choosing a business credit card, consider these important factors:

Annual fees: Some cards charge annual fees ranging from $25 to $100, while others come to you without any annual fee. You should consider this aspect very carefully, because it could form a major item of financing fees that you will pay in the end.

Interest rates payable: Different cards have different interest rates. Some vendors offer a card for a very low interest rate for a certain period; this teaser interest rate typically runs for a short time of three months or less. Interest rates for monthly-unpaid balances could have adjusted rate. Cash advances always carry higher interest rates, while...
transferred balances from other cards may carry very low interests. The rate of interest that you pay may significantly affect your business and its business credit profile.

Line of credit: If you are planning to use the funds as operating capital for your business, you should think twice before accepting the card. Remember that interest rate payable to a business credit card is always higher and you are using the cash from your credit card.

Grace: Grace period is the time allowed, when vendors will not charge any interest until such a time you pay the balance in full. The maximum allowed grace period is 30 days.

Other facilities: Credit card vendors also offer a number of facilities in the form of rewards and gifts. Most popular is the cash back incentive, frequent flyers programs, free gas, and gifts are large purchases. You may check the vendor to know more about these programs because some vendors charge card owners for enrolling into these programs.

Before choosing a card, make sure that you read and understand the basic terms and conditions. Be an informed buyer! You may also wish to study the fine print of their language to see hidden conditions and terms. **No-annual fees** type of cards is very enticing. However, these cards may be available to only selected businesses that have large amount of turnover.

**Secure and Unsecured Business Credit Cards**

It is always better to apply for an unsecured business credit card. On the other hand, you may need to apply for a secured business credit card, especially when your business is new or when you have a very poor business credit history. By opting to buy a secured credit card, you can slowly rebuild your poor business credit by using the card in a cautious manner.

When you choose a secured credit card, you will need to deposit some amount of money with the credit card vendor. The vendor will then use this amount as collateral for your card. With this approach, all money deposited as collateral will appear as line of credit. For example, if you deposit $10000 into your account, you will get a line of credit with a value of $10000.

One good thing about this collateral is that you can earn some interest for the deposited money, though the interest rate earned is somewhat low. It can be 2.5% for the first year with an increment for the second and subsequent years. Secured credit cards can be very efficient tools to establish a great credit profile and score. However, you will need to find the upfront money as initial collateral for the facility. Credit cards make the best short-term solutions for any business. Once you establish your credit history, you can always request the credit card vendor to convert the card into an unsecured one.
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How to Use Corporate Credit to Build Viable and Lasting Assets
Some businesses are very successful in using their available credit into building lasting assets that eventually return unlimited profits. Almost all business enterprises want to create a huge business empire. Several businesses are already making huge amounts of money. Creating a successful business is not that easy and when you achieve success, it is the result of your hard work and sound financial decisions.

Corporate credit is a very powerful tool, especially when you learn and understand how it works for your business. You can make corporate credit work build itself into a viable and lasting asset. Learning how credit creates wealth for your business involve understanding the most sensitive and delicate aspects of credit and its management. It is possible to create considerable amount of wealth, when you learn and master the basic principles of corporate and business credit.

How do you treat your credit? Do you treat it just like money that you can use for a number of useful things? Do you want to treat it as money making corporate asset? How you look at your credit, make lot of difference to your business. Smart use of credit coupled with wise financial decisions can help you convert corporate liability into corporate asset that lays golden eggs.

Developing a millionaire’s mindset will assist you in becoming a very successful entrepreneur who is adept in managing the available credit in a judicious manner. Corporate success or failure is an outcome decided by better financial management and fiscal discipline.

**Smart entrepreneurs are different from others**

How do you view your corporate credit? Do you look at it as a liability or as source of future wealth? Creating a positive mind about corporate credit is the first right step towards establishing a viable corporate asset. All successful entrepreneurs think radically different than others! That is the reason why they are so successful. These are the breed of people who can think about money in a productive way. They have a very clear vision of transforming corporate credit (a liability) into a viable and profitable corporate asset.

*Tip: Remember that your today’s liability could be tomorrow’s asset!*

Before turning your liability into asset, you should know more about how money works for you and how it can make your corporate career. There is a fine thin edge between corporate liability and asset and you should break this line to enter the territory of corporate assets.

**An investment in knowledge always pays the best interest**-Benjamin Franklin

Corporate assets are all about wealth creation. Before creating wealth you should know the exact meaning of *assets, liabilities and net worth*. When you understand the basic differences between these terms, you are on your way to create tangible asset and meaningful wealth.
**Assets and liabilities**

<table>
<thead>
<tr>
<th>Corporate Asset</th>
<th>Corporate Liability</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Stocks and shares</td>
<td>✓ Credit of all forms</td>
</tr>
<tr>
<td>✓ Buildings and office premises</td>
<td>✓ Equity funds</td>
</tr>
<tr>
<td>✓ Tools, machineries, equipments</td>
<td>✓ Interest and charges</td>
</tr>
<tr>
<td>✓ Bank balance</td>
<td>✓ Mortgages</td>
</tr>
<tr>
<td>✓ Products and services</td>
<td>✓ Credit card payment dues</td>
</tr>
</tbody>
</table>

Fact: What you perceive as your assets are in fact big liabilities! Your assets are not yours! Your lenders are the owners of your assets. Your liability is an asset for your lenders!

Corporate assets are yours only when you do not have any liabilities against them. When you take corporate credit all your assets like tools, machineries, equipments, office premises, office computers, vehicles, office equipments become liabilities to you. Your business credit card itself is a big liability. Interests, pending payments and insurance paid on your business components also become liabilities. These liabilities will become your asset, when you repay the entire credit back to your lender including interest.

The basic technique to increase your wealth is to place yourself in to the right hand side of the table given above. Successful entrepreneurs and wealth business owners do not have any components on the left hand side of the table. Perceived wealth is a combination of several types of assets that earn income for the owner. All businesses start with a long list of liabilities. Even successful businesses that make huge turnover will have some liabilities. Freeing up all your liabilities will eventually lead to creation of wealth.

Tips: Free up all your liabilities and create assets out of your liabilities. Asset creation occurs when you use your corporate credit in a judicious manner. Repayment of corporate credit in a timely manner should be your top most priority.
Net worth of your business

The net worth of a business is the total difference between assets and liabilities. What you retain over your liabilities is the actual wealth. When you start your business, your total net worth is zero. When you repay your dues, you will have a positive growth for your business. The time that you take to reach a positive net worth depends on your capacity to wipe off all pending debts.

Reaching a positive net worth stage is possible when you set definite goals. Here are some of the practical tips that help you achieve a positive net worth:

- Sell more and create volume
- Create more profit
- Minimize the cost of production
- Reduce unnecessary costs
- Maintain regular cash flow
- Repay the dues on time
- Pay credit card dues on time
- Reduce the time taken to repay the entire credit
- Step up marketing promotion
- Find new markets
- Import better fiscal management techniques

Many smart and intelligent entrepreneurs are capable of building wealth, even when they are under tremendous liability. It is possible to do this without resorting to bad methods.

Here are some tips to build your wealth in spite of existing liabilities:

Wealthy people pay themselves before filing their tax returns

It is legal to pay yourself before paying tax! It is perfectly possible to do that! It is not an immoral act to pay you first. As a smart entrepreneur, you can find how you can pay yourself first before filing tax returns. You have the complete freedom to determine how much money in taxes and filings you pay each year. It is possible to save money by changing the basic structure or entity of your business. Many entrepreneurs never bother to change the structure of their business even after paying their credit. If you are not smart to change the structure of your business, you will be wasting your precious money.

Tip: Changing the entity of your business structure can result in substantial savings of money. You can avoid paying very high taxes by making your business an S-Corporation!

You may start your business venture either as “unincorporated” type like a sole proprietorship or as sole partnership. We always take a short cut to reduce lot of paper
work involved making the business incorporated. Incorporated business entities involve lot of registration work and administrative hassles. However, when you do not incorporate your business, you will be paying too much tax to the government. Hence, you are also increasing the amount of liability. Do you know that you will be lot money as “self employment” taxes? It is so true when you do not incorporate your business!

Paying self employment taxes for your business could dent a big hole in your pocket! In fact, you are responsible for that tax! In other words, you will be paying that tax to the government and the money paid is almost equal to paying towards Social Security and Medicare taxes as a dedicated employee! The nasty thing about self employment tax is that it works out to 15% of total tax liabilities!

Let us say that you are creating a net profit of $10000 per year. Just because your business is not incorporated, you are liable to pay self employment tax to the government. You are liable to pay tax as an important part of Social Security (12.4%) and Medicare (2.9%) contribution. The most shocking part is that you are now paying almost $1240 as self employment tax every year! Add to this amount sundry local taxes and a fair amount of deferrals!

You can save self employment tax in the following manner:

- Incorporate your business with the local authorities
- Many businesses choose the Subchapter S type of business entity

You can avoid paying self-employment taxes, when you incorporate your business as S corporation. With this business structure, you can pay yourself salary and wages like an ordinary employee. With this arrangement, you will be paying yourself as “nontaxable dividends” and not as salaries! This income is not taxed by the IRS. However, in a traditional C type of corporation set up, you will be paying taxes on the dividends paid to all shareholders. However, in an S corporation type of set up, you will still be paying tax on the net income and other applicable federal taxes. It is possible to save lot of money in taxes with an S type of Corporation set up.

Caution: While declaring compensation, make sure that you are not misusing your privileges. Sometimes, the compensation declared could be out of touch with the ground realities.

There are several other significant benefits as well. You can have a number of advantages like:

- You can protect your income
- You can shelter your income for a long lasting security
- You can preserve and maintain your assets
- You can keep your own income and still pay minimum taxes.
- You can spend money before paying taxes
- Spend your own money and pay taxes for the rest
Add lot of corporate value to your business
Get more funds and credit for your business
Make your business premium and famous

How to develop business credit power

It is understood that good business profile is very much needed for securing a sizeable amount of corporate credit. You can save a lot of money by paying yourself first before paying others. If you save a small amount in interest, you are actually adding corporate value to your business; in fact, the profitability factor of the business goes up.

To create meaningful corporate asset, you can do a number of things like:

- Lease vehicles and office rental spaces to reduce interest payments and avail tax benefits
- Get extended business credit by promoting and advertizing your business
- Invest and spend in very large capital projects that always carry business credit with them
- Avoid giving personal guarantee to credit
- Create and develop a good business profile
- Build satisfactory business profile
- Use the newly created business profile to all new ventures

You can create multiple income earning opportunities with your corporate credit. When you create multiple income streams, you can ensure a steady supply of liquidity to your business. You can always combine all these income streams to form a formidable business that has the ability to pay it and you in general. Make sure that you are not using precious corporate credit for useless and non-productive purposes. In fact, you can derail your business operations, if your use the money in a haphazard manner. One of the best methods to create income streams is investing in mutually beneficial projects and instruments. Make sure that the income generating vehicle that you choose can provide you a significant income. Businesses that have the experience of paying back huge credit loans know fully well that multiple income generation is possible only with careful and calibrated investments in selected transaction vehicle.

Here is an essential priority model to help you out in your income generating adventure:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero Risk Sector</td>
<td>Design tax shelters. Plan for investments, develop real estate, diversify business, distribute shares to family members</td>
</tr>
<tr>
<td>Third Sector</td>
<td>Buy stocks, bonds and debentures, invest in other governmental bonds</td>
</tr>
<tr>
<td>Second Sector</td>
<td>Save in Mutual funds and properties, buy and own treasury bonds in small numbers</td>
</tr>
<tr>
<td>First Sector</td>
<td>Reduce debts, create emergency funds, enhance cash flow, ensure payment of insurance, save some money</td>
</tr>
</tbody>
</table>
The most important thing here is to see that you are clearing your debts by taking into consideration all possible methods and strategies. You should lay lot of emphasis on saving payment in excess interest and other charges. Further, you should also work hard on several important issues like creating a regular cash flow to off set the usage of costlier credit.

**Leveraging corporate credit into corporate asset**

The basic concept of leveraging time and money to create considerable wealth is gaining immense popularity among entrepreneurs. Leveraging is a new-age concept of creating tangible corporate assets. Using the power of time, money and employees can result in quicker business growth and faster generation of profits. Leveraging also helps, you create an ever-expanding business with a huge turnover. You can use your corporate credit as an efficient advantage to generate sales and profit. Here are some simple tips to create corporate wealth:

- Using corporate credit only in times an emergency will save you a lot of interest
- Investing some of your corporate credit into high dividend paying investment vehicles can help you offset the crippling effect of blooming interest.
- Using corporate credit as a buffer resource is an assured strategy to save some amount of money.
- Surplus corporate credit can act as active capital for other profit making ventures. Invest your money into productive areas that bring considerable amount of profits.
- Insurance could be an excellent leveraging vehicle.
- Retain productive employees to produce more; honor those people with better wages. This strategy will help them to motivate and work harder.

Creating corporate wealth depends on the quantum of cash at hand and on your ability to use that surplus cash into profits.

**Tip #1:** Create cash surplus every month of the year. This is possible when you pay off your debts. However, you can still conserve cash by using most efficient expense management techniques

**Tip #2:** If you want to sell your business to someone, make sure that its makes enough profits by the time you sell it. People look to buy profit making business firms.

**Tip #3:** Divert some amount of profits to make planned investments in to different investment vehicles.
More tips

Spend less and earn more: Saving or conserving money is a secret to key to future riches. Make sure that you cut down on unnecessary spending. Apply expense reduction programs to find hidden profits in your balance sheet.

Make money work for you: Money is a double-edged sword! It can work in two ways, one for you and the other for your lender! While you are paying interest for your credit, lenders will create monetary assets by using the paid interest. Lenders have a great advantage to use credit to create their own assets.

Make money as your close friend: You should make money work for you in a beneficial manner. Ensure that you use your credit with wise decisions. Use the credit only for the intended purposes.

Pay yourself first before paying others: Avail tax benefits provided by the corporate system. Current corporate tax systems allow you to do that. Use the power of corporate business system to create cash assets.

Design self-investment and saving goals: Consult an investment expert and find out ways how you can save and invest into lucrative income generation systems. Make sure that you are creating multiple bank accounts to save money for the future.
13

Corporate Credit is not a Problem
“The problem is not that there are problems. The problem is expecting otherwise and thinking that having problems is a problem.”-Theodore Rubin

Now that you are into the last chapter of this thought-provoking book, you are probably influenced by the amazing power of corporate credit and its benefits. Although corporate credit, its usage and management are challenging issues, you can still understand its importance in nurturing your business and feed its ambitions and goals. This tiny guide is trying to provide you a number of tips, methods, suggestions and techniques on how you can apply for corporate credit, acquire it and utilize the allotted funds for productive business functions. There are simple techniques and methods on how you can use corporate credit to create viable business assets.

Many people think that using corporate credit is too risky and that it can lead to many problems. Corporate credit can never be a problem to you! Instead, it can be an invaluable tool to help your business. Acquiring corporate credit and utilizing it for corporate success could be a big achievement. You can covert a perceived problem into a rare opportunity to derive immense benefits.

With a positive attitude and an open mind, you can use the allotted corporate credit funds for finding practical solutions to all corporate problems. With a sense of vision and expectancy, even you can be a successful entrepreneur with lot of liquidity and surplus cash.

It is wise to surge ahead just one-step at a time. When you are efficient and methodic, you can reach your success goal in the shortest possible time. Corporate can look like an insurmountable mountain! Traversing the corporate credit path could also be very difficult. However, planned execution and careful strategies can help you climb this mountain in relatively shortest span of time.

Just go through the following quote and you will understand why it makes so much sense to all entrepreneurs!

“...The vision must be followed by the venture. It is not enough to stare up the steps - we must step up the stairs.”- Vance Havne

Corporate success is an accumulation of minor ideas and major thinking! All these tips and suggestions are with you now! You can see visible results not too distant in the future. Results are possible when you use a number of time-tested techniques in a calibrated manner. Corporate credit is for your own use! It is there to change your destiny! Make sure that you use it wisely and reach the success goalpost as soon as possible.

On the other hand, improper usage of corporate credit can be disastrous to you and your business. If you do not use corporate credit in a productive manner, you can face some of the most serious problems of your life. Be honest in your action and use your funds with utmost integrity. Corporate credit is here to improve your business. Your duty is to use it to improve your business. Corporate credit is an added advantage to your
business. Show your commitment to your lender and be on time to make your payments.

Corporate credit is also a precious tool that can make your dreams come true. Never ever, abuse this tool of immense commercial importance. This practical guide is trying hard to provide you the most necessary details about corporate credit and its uses. Its main objectives are:

- To provide the hidden secrets of corporate credit
- Ways and methods to acquire corporate credit
- Techniques and strategies to use to improve business functions
- Methods to create corporate wealth
- How to handle credit and how to repay it back
Resources on Corporate Credit
Recommended Web sites

Corporate Grants, loans and credit

- **Small Business in Canada**: An excellent web site that provides useful information on startup businesses, credit resources and corporate management techniques. Visit: [http://www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)
- **The Canada Small Business Financing Act (CSBFA)**: This professional body attempts to increase the availability of financing for the purpose of the establishment, expansion, modernization and improvement of small businesses. Visit: [http://www.acoa.ca/e/financial/sbla.shtml](http://www.acoa.ca/e/financial/sbla.shtml)
- **Starting a small business in Canada**: A useful web site that provides basic information how to set up a small corporate in many Canadian provinces. Visit: [http://sbinfocanada.about.com](http://sbinfocanada.about.com)
- Another web site that is full of practical tips and suggestions on how to set up a small corporate empire in Canada. It offers its readers some very easy to learn and master information arranged in a visually pleasing manner. Visit: [http://www.canadaone.com/tools/startingabusiness.html](http://www.canadaone.com/tools/startingabusiness.html)
- **Canada’s Small Business Data Center**: The purpose of this data centre is to provide Canadian entrepreneurs with an economical way to access detailed Canadian market and industry data. It also references and indexes some of the best tools and utilities needed to start a new and fresh business in Canada. Visit: [http://www.gdsourcing.ca/SBDC.htm](http://www.gdsourcing.ca/SBDC.htm)
- **Canadian Business**: Enterprise Magazine is written for today's small and mid-sized enterprises, focusing on issues and topics with the everyday operation of your business in mind. Visit: [http://www.enterprisemag.com](http://www.enterprisemag.com)
- **Canadian Small Business Center**: In pursuing this mission over the years the Centre has provided thousands of entrepreneurs with the full range of support services necessary to starting and successfully building their small businesses. Visit: [http://www.sbcentre.ca](http://www.sbcentre.ca)
- **Small Business Administration (SBA)**: The U.S. Small Business Administration (SBA) was created in 1953 as an independent agency of the federal government to aid, counsel, assist and protect the interests of small business concerns, to preserve free competitive enterprise and to maintain and strengthen the overall economy of the country. Visit: [http://www.sba.gov](http://www.sba.gov)
- **Entrepreneurship and Small Business**: A federal publication that is designed specially for small businesses in USA. A quite useful compendium of business resource. Visit: [http://usinfo.state.gov/journals/ites/0106/ijee/ijee0106.htm](http://usinfo.state.gov/journals/ites/0106/ijee/ijee0106.htm)
Small Corporate Information and Resource Center: An excellent magazine for start up businesses, corporate bodies, lenders, borrowers and other sundry businesses. A must have magazine for dedicated entrepreneurs. Get yours today! Visit: http://www.inc.com

Small Business Initiative of Whitehouse: An excellent web resource center for all small businesses operating in the USA. This lovely site provides many useful tips on federal administrative policies and rules in an easy to read and understand manner. Visit: http://www.whitehouse.gov/infocus/smallbusiness

America’s Small Business Centers: This is the most comprehensive small business assistance network in the United States. The mission of the network is to help new entrepreneurs realize their dream of business ownership, and assist existing businesses to remain competitive in the complex marketplace of an ever-changing global economy. Visit: http://www.asbdc-us.org

Small Business Services of UK: An agency of DTI, UK, this web site provides you useful information and links on small businesses of UK and how they are run and managed. Visit: www.sbs.gov.uk

Small Business, UK: One more comprehensive site on small corporate business resources, tips and suggestions. Managed by a well known group, this site offers you timely tips to guide you set up your own business and manage its day to day activities. Visit: http://www.smallbusiness.co.uk

Business Links, UK: A well managed web site that offers its readers many practical tips for managing the business credit and debt. It also lists a number of resource links on business management, corporate techniques, inventory management and other related issues. Visit: www.businesslink.gov.uk

Federation of Small Businesses (FSB): The Member Services Team is committed to delivering a wide range of high quality good value business services to members of the FSB. It is an excellent resource center for start up corporate businesses. It offers several training seminars and events to help out small business entrepreneurs. Visit: www.fsb.org.uk

Institute of Business Advisors (IBA): The IBA is a non profit making professional Institute for business advisers, business mentors, business trainers and all business support professionals who give advice and assistance to small and medium sized businesses. Visit: www.iba.org.uk

Incorporation and Registration:

Ministry of Government Services, Canada: Business corporations may be incorporated under the Business Corporations Act by filing Articles of Incorporation together with required supporting documents and payment of the required fee. Visit: www.cbs.gov.on.ca/mcbs/english/5HTTBT.htm

Small Business Incorporation Canada: An outline of the general steps for incorporation in Canada, explaining how to incorporate your business, from choosing where to incorporate your business. An extremely useful site for small corporate. Visit: www.sbinfocanada.about.com

Canada Guide to Federal Incorporation: It provides the basic knowledge and tools that business owners and operators need to incorporate and operate a
small or medium-sized private company under the federal corporate law. An excellent resource site. Visit: www.strategis.ic.gc.ca

- **Canada Business Incorporation**: A Do it yourself type of web site where you can register your corporation in a breeze. A useful site for topics related to company incorporation. Visit: www.corporationcentre.ca

- **Incorporating your business in the USA**: Whether it is a home-based business, internet, e-commerce, online, or home based business, determine whether you need to get a Tax Id Number, Incorporate, Form an LLC, File a DBA, or Register Your Business with a Business License. Visit: www.businessnameusa.com

- **Start your own corporation**: Do you want to incorporate your business either in the USA or Canada? Learn what you wish to know about incorporating your corporate empire. This is a comprehensive site that offers you many practical tips and suggestions. Visit: www.sbinformation.about.com

- **Do-it-yourself Corporation**: A self learning web site that is designed to provide information on how you can register your business as a corporate body. This site is very easy to use and understand. Know everything about how a corporation is made and run. Visit: www.cbsc.org

- **National Law Forms**: Forming a corporation for your small business does not have to cost hundreds of dollars, with the National Law Forms incorporation kit. The kit includes all necessary forms and instructions to file for a corporation in any state. The kit also includes a manual to guide you step by step through the processing of the forms, as well as managing the corporation into the future. Visit: www.nationallawforms.com

- **Self help legal forms and certificates**: excellent web sites that offer a wide variety of legal and incorporation kits at down to earth prices. You’re also entitled to get free information on incorporation. Visit: www.legal-kits.com

- **One Day UK company incorporation**: If you are thinking of starting your own business or if you are ready to take your home-based business to the next level, this would be a good time to consider incorporating. A web portal that is full of useful information and corporate articles. Visit: www.ukincorp.co.uk

- **Business Plans**: Bplans.com contains the largest single collection of free sample business plans online. It has helpful tools and know-how for managing your business. Visit: www.bplans.com

**Corporation Whitepapers:**

- **Small Business Whitepapers**: IBM is an excellent source for small business information and database. This site provides a wide variety of whitepapers on corporate practices and corporate credit. Visit: www.304.ibm.com

- **Smart Answers**: A great web site on many sides of corporate businesses. It provides you simple answers to your very complex questions, be them on the tricky corporate credit or difficult debt servicing. A must site for all start up businesses. Visit: www.businessweek.com/smallbiz/smartanswers/index

- **Novell Whitepapers**: An advanced site for corporate business related information. If you’re experienced entrepreneurs, you must take a look at this. Visit: http://www.novell.com/products/smallbiz/whitepapers.html
- **Small Business Whitepapers**: A comprehensive site for small corporate whitepapers. Find some of the most practical whitepapers on corporate credit and debt management. Visit: [http://jobfunctions.bnet.com](http://jobfunctions.bnet.com)

- **United States Association for Small Businesses and Entrepreneurships**: A great storehouse of information on small businesses and corporate bodies. You can access various whitepapers on corporate discipline, credit, management and accounts. Visit: [http://www.usasbe.org/knowledge/whitepapers/index.asp](http://www.usasbe.org/knowledge/whitepapers/index.asp)

- **How to Papers**: If you’re looking for content rich articles and whitepapers on business and credit, we urge you to visit this site. Highly recommended for its knowledge rich papers and articles. Visit: [www.smetoolkit.org](http://www.smetoolkit.org)

- **Small Business Papers**: An advanced information portal on many faces of small businesses and corporate bodies. Visit: [www.avaya.com](http://www.avaya.com)

- **Small Business Administration Tool Kits**: A well laid out site that provides various tool kits, business papers and articles on small and medium sized businesses. Visit: [http://www.sba.gov](http://www.sba.gov)

- **Fair Isaac**: Fair Isaac predictive and decision solutions are part of the fabric of the industry. They manage most of the world's credit cards and protect the majority of card transactions from fraud. Visit: [www.fairisaac.com](http://www.fairisaac.com)

- **Experian Small Business Help**: This well known web site offers small business owners and corporate businesses a wide variety of useful information on all aspects of credit and credit profile. Visit: [http://www.experiangroup.com](http://www.experiangroup.com)

- **Tech Republic Business Resources**: A highly acclaimed business portal designed to provide you up to date information on various corporate credit related issues. Visit: [www.search.techrepublic.com](http://www.search.techrepublic.com)

- **Small Business Credit Whitepapers**: If you’re looking for key information on credit and lending, log on to this web portal for some great whitepapers. Visit: [www.networkworld.com](http://www.networkworld.com)

- **Smart Answers**: A web portal for smart business answers. Just log on to this web site to get your questions answered. A highly accomplished web site. Visit: [http://www.businessweek.com/smallbiz/smartanswers](http://www.businessweek.com/smallbiz/smartanswers)
# Corporate Credit and Business Books

<table>
<thead>
<tr>
<th>Book</th>
<th>Title and Author</th>
<th>Details</th>
</tr>
</thead>
</table>
| ![Small Business, Entrepreneurship and Enterprise Development](image1) | **Small Business, Entrepreneurship and Enterprise Development**  
Graham Beaver  
ISBN13: 9780273651055  
ISBN10: 0273651056 | An excellent book for all start up businesses. It provides you useful information on how you can set your own corporate business. |
| ![The Definitive Business Plan](image2) | **The Definitive Business Plan**  
The fast-track to intelligent business planning for entrepreneurs  
Richard Stutely  
ISBN13: 9780273659211  
ISBN10: 0273659219 | This international bestseller is THE ultimate guide to business planning. A highly recommended book for all corporate leaders. |
| ![Quick Steps to Financial Stability](image3) | **Quick Steps to Financial Stability**  
Alan Lavine, Gail Liberman  
ISBN13: 9780789735089  
| ![Your Credit Score](image4) | **Your Credit Score**  
Liz Weston  
ISBN13: 9780131486034  
ISBN10: 0131486039 | For all consumers who are concerned about improving their credit or protecting the credit they already have. |