



THE COMPLETE BLUEPRINT

SIX FIGURE BUSINESS CREDIT

How to *Build Perfect Business Credit*
and *Get Business Loans* in Any Economy



JAKE INGALLS

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INTRODUCTION

The guide you're now reading could be the most-important business-building tool you possess. Why is that? Actually there are three reasons...

First – Because you're about to learn the quickest, easiest way to build rock-solid business credit. This 2010 edition addresses today's challenges and opportunities, so you don't waste time on worn-out advice and useless theory that no longer works.

Second – Because credit is gold in the business world, you can't afford *not* to know this valuable information. Having stellar business credit affects more than being able to borrow money to grow your business. Whether you like it or not, prospective partners, vendors and even clients can get *unrestricted access* to your company's credit profile. What will it reveal? How will it influence their decisions?

Companies are more cautious now than before. They can't afford to make bad decisions, which is why they'll dig deeper into your credit before doing business with you. Ignorance

isn't bliss with your company's credit!

Third – Because stellar credit “insures” your business against many causes of failure. Banks rarely lend money to those who need it most, so it makes sense to build a credit safety-net long before you'll need it. While some businesses fail because they take on too much debt, many also fail because they implode from success.

What happens when you bring more orders than you have the money to fulfill? Or... You go from making \$10,000 to \$100,000 a month in sales – and your credit card processor withholds payment for 90 to 180 days until they “investigate” your windfall? These challenges put many honest, successful companies out of business overnight. Credit bridges these cash flow gaps.

Now that you know what this book is about, let's discuss what it's not...

You won't learn how to apply for business grants or raise venture capital (equity financing). Volumes are written on these subjects by experts in their own right.

While you can raise millions of dollars in grants and venture capital, it's not easy – nor does it happen overnight. You need a perfect business plan, a competent executive team (whose credentials will be thoroughly vetted) and a powerful sales pitch.

However, regardless how you raise capital, your credit history either helps or hinders your efforts. Decision-makers view

credit as a measure of a company's or individual's stability, reliability and integrity. So it should come as no surprise that it can positively or negatively influence venture capitalists and grant evaluators.

Credit-building isn't a substitute for other capital-raising methods. It's one of many tools that works alone or in tandem with others – and it's a necessary one at that!

You'll learn how to build excellent business credit – no more, no less. While getting grants and raising venture capital are events, credit-building is a process. It starts with laying a solid foundation (as you'll learn in Chapter 6) and building your way up – one block at a time, over time.

About the Links in this Guide

Throughout this book, you'll see links like the one below. You can click on them or type them into your web browser and they'll take you directly to the sites I recommend.

www.SixFigureCredit.com/fico

Why have I done this instead of listing the actual web addresses?...

Because pages move around so often, many of the links would be outdated within *months*. Not to mention most URLs are long, ugly and hard-to-type. These links are easy-to-type and take you to the correct pages – even when they move.

If you're reading this in Adobe Acrobat Reader, you may get a pesky “Security Warning” the first time you click on a link.

It's nothing to worry about. Just check the box marked “Remember my action for this site” and then click “Allow” so you won't see it again.



Also, because I believe honesty *is* the best policy, some of the sites I suggest may reward me if you do business with them. Few do, but there's no need to be coy – especially when I want to build a long-term relationship with you and help you grow your business over time, don't you agree?

My recommendations are based 100% on my personal experiences and conviction they'll help you – not whether I benefit. In fact, I approached some of these sites *after* I finished this book, inquiring if they had referral programs and could give my readers exclusive deals – deals they couldn't get going directly to their sites.

It's liken it to knowing a great wedding photographer and sending people who need one to them *because you love their work*. Hopefully they give your referrals a great deal or send you a “thank you” gift. But either way, you recommend them because they're good. That's how it is with the sites I recommend. If they reciprocate, that's nice. If they hook you up with a great deal, that's even better.

I just wanted to lay that on the table because disclosing *material connections* is the right (and legal) thing to do. No trickery. No hidden motives. Just honest, no-nonsense recommendations that will help you grow your business.

Now, let's explore the three core rules for building great business credit...

CHAPTER 1

3 Fundamental Rules for Building Business Credit

Like most things in life, building business credit is governed by several very basic (but important) rules.

A rule is defined as a “prescribed guide for conduct or action.” This report is your “prescribed guide” for taking the fastest, easiest and most-effective actions toward building solid business credit. And, the rules that govern these actions are:

Rule #1 Establishing and Building Credit is a Process,
 Requiring Patience and Strategy

Rule #2 Build Credit Before You Need It -
 Later May Be Too Late!

Rule #3 Limit (Or Eliminate) Your Personal Exposure

Let's explore these rules in further depth, and discuss why they're so important...

Rule #1

Establishing and Building Credit Is a Process, Requiring Patience and Strategy

Like it or not, believe it or not – the days of getting easy business credit are over.

Banks used to lend money hand over fist to anyone with a dream and a goal. Not today.

Unless you have phenomenal personal credit and are willing to personally guarantee loans (more on that in Chapter 2,) your business must stand on its own merits. Getting approved for loans and credit lines *without* personal guarantees requires solid business credit. Your company must also pass other basic “litmus tests” that we’ll discuss later.

Not only is credit-building a process, but it also requires a strategy. To reach the point where your business gets approved for loans on its own merits, it needs (at minimum):

- A positive credit history established with the three major business credit bureaus – Dun & Bradstreet, Experian and Equifax. And, to establish this history, it needs...
- At least five vendors reporting lines of credit (and payment history) to the three bureaus, and,
- At least three business credit cards reporting positive payment history to the three bureaus

As you can see, this requires an ongoing commitment to establishing, building, monitoring and protecting your business's credit – in essence, a strategy, tempered with patience.

Rule #2

Build Credit Before You Need It – Later May Be Too Late!

Because building solid credit is a process, you must take decisive action, starting today. Don't wait until too late, because banks don't lend money to those who need it most!

It may take up to two years for your company to get approved for generous credit lines *without* personal guarantees. That's why you literally can't afford to put this off.

You'll celebrate milestones along the way – like establishing great business credit scores, getting approved for vendor lines of credit (purchase accounts), getting approved for business credit cards and so on. Each stage brings greater rewards – but you must pursue the stages in order.

You'll recall from the introduction, I said business credit can protect you from many causes of business failure. It bridges cash flow gaps and helps you to expand into new markets – before your competition does!

If you fail to plan today, you plan to fail later. Don't waste a single moment getting started. Take action now!

And, finally...

Rule #3

Limit (Or Eliminate) Your Personal Exposure

You probably put a lot of thought into choosing a business structure that protects your personal assets from seizure if your company is sued or goes under. But, did you know you can be held *personally* responsible for its debts if you're not careful *how* you apply for business credit? That's true, even if you own a corporation or LLC!

That's because most banks ask you to *personally guarantee* business loans if your company doesn't have enough credit history or is under two-years-old. A personal guarantee is to business loans what co-signing is to personal loans.

Personally guaranteeing your business's loans and credit lines means creditors can come after your home, your car, your investments and anything else you own if your business can't pay back its creditors.

Make no mistake... I don't advocate limiting your personal exposure to escape your responsibility, as a business owner, to pay your creditors when you have the means. Opening a business and taking-out loans intending to default on them is fraud.

But, because certainty and security aren't guaranteed, you can't afford *not* to limit your personal exposure.

Another downside to personally guaranteeing business loans is that they can show up on your business's credit and personal

credit! That's bad news, and it can bring your personal credit scores down – way down.

You wouldn't (or shouldn't) mix your personal checking account with your business checking account. So, why mix your business's credit with your own, *when possible*?

Of course, you can't always avoid personal guarantees – nor are they always bad. For example, if you have stellar personal credit, you can build business credit faster by personally guaranteeing your first few accounts. Plus, you can skip past opening “toy” accounts just to build credit (like gas cards and store cards) and skip to the good stuff.

As a rule of thumb, avoid personally guaranteeing more than 50% of your company's total credit. So if it has \$100,000 in credit, less than \$50,000 of it should be personally guaranteed.

By following these three simple rules – #1 acknowledging that building excellent business credit is a process, requiring strategy and patience, #2 that you must build (or improve) your company's credit long before you'll need it and #3 that you should always limit (or eliminate) your personal exposure – you'll do for your company what so-called experts charge thousands of dollars to do for you.

This guide lays out, in step-by-step detail, the most quickest, most-effective actions to build your company's credit. Let's not waste another moment! Turn to the next chapter to learn how your personal credit affects your business – regardless if you personally guarantee loans.

CHAPTER 2

How Your Personal Credit Affects Your Company's Credit & Success

By now you know banks evaluate your personal credit when you personally guarantee business loans. But, they may also pull your personal credit (or that of another officer's) when –

- Opening a business bank account
- Applying for a merchant account to accept credit cards
- Insuring your company (or equipment)
- And so on...

That's why it pays to learn as much as you can about business credit *and* personal credit – or you'll pay a hefty price.

Pay close attention, because you're about to learn why many things people believe about personal credit are distortions of the truth – or outright lies.

What's the most common misconception? It's this...

Myth #1 – Your Credit is Set in Stone

Nothing is further from the truth. Your credit is nothing more than *financial gossip* about you.

Three for-profit companies – Experian, TransUnion and Equifax – make money selling your credit information to others. But they're not the only credit bureaus in town. There are also specialized bureaus that collect and sell information about consumers to insurance companies, payday lenders, employers and so on...

What that means to you is you have not one... not three... but many credit reports! What do they say about you? And, more important – are they accurate?

As a consumer, you have the legal right to ask for a free copy of each credit report once a year. You can get them at:

www.SixFigureCredit.com/annual

This is the official web site for getting free annual credit reports as part of the FACT Act. Other sites prey on consumer's ignorance – advertising “free credit reports” and then billing them every month for credit monitoring if they don't cancel their free trial in time.

You must get copies of all three major credit reports because information can – and often does – vary dramatically from report to report.

Not only are you entitled to free credit reports every year, but you also have the right to question the accuracy of anything

they contain. And you should! That's because experts estimate over 80% of credit reports have errors.

The federal law that gives you these rights is called the Fair Credit Reporting Act (FCRA.) It also says what credit bureaus can and can't do and how they're supposed to handle consumer disputes. You can read it at:

www.SixFigureCredit.com/fcra

Here's the kicker... It's possible – and perfectly legal – to get negative information like collection accounts, bankruptcies, tax liens, repossessions and late payments wiped off your credit reports – without lying.

While the law says negative items stay on your credit report(s) for up to seven years, it also says the bureaus must remove them if you ask them to investigate them and they can't verify their accuracy (or make corrections) within 30-45 days.

Wrong dates, amounts, account numbers are all perfectly legitimate reasons for asking the bureaus to investigate *the accuracy of items on your credit reports*.

Myth #2 – You Only Have One Credit Score

You have not one – but three – *real* credit scores lenders may use when assessing your *creditworthiness*. (Creditworthiness is a measure of how risky it is to lend money to you or your company, based on your credit history.)

That's because you have three credit reports – each with their own credit score. Because information varies between re-

ports, your credit scores can also vary as much as 100 points!

Beware – not all credit scores are made the same!...

The only score(s) you should invest in are FICO scores from Fair Issac corporation. That's because they're the industry-wide standard. Other scores are approximations (nick-named *FAKOS*), and they're not reliable if you need to know your scores before applying for a loan.

FICO scores measure credit risk. They predict how likely you are to pay back your loans. They range from 300 to 850 – the lower the score, the riskier you are (to lenders). Contrary to popular belief, your income, age and gender don't affect your credit scores. They're based on:

- Your payment history with lenders
- How much you owe your creditors
- How old your credit history is
- How much new credit you've taken on
- Which types of credit you use

Because none of these factors are set in stone, your credit scores change over time. In fact, your scores can easily fluctuate 10-40 points in a month.

Earlier I shared your personal credit influences many areas of your business, regardless if you personally guarantee loans.

One example is merchant accounts... If you want to accept credit cards, you'll need one. Most merchant account applications ask for your social security number in addition to your

company information. If your FICO scores are below 600, you'll have a hard time getting approved (or you'll pay out the nose in credit card processing fees.)

That's why you can't afford not to know and monitor your FICO scores. You can get them directly from the source at:

www.SixFigureCredit.com/fico

I recommend (and personally use) their “Score Watch” product. You can try it for free for 30-days, then it's \$8.95 a month after that. You'll learn what your Equifax FICO score is, and they'll send you alerts when your score changes.

After you enroll, check out their free “Score Simulator.” It predicts how certain actions will affect your score – like paying off a credit card, maxing-out a credit card or transferring a balance.

As a business owner, you can't afford not to know your personal score(s) at any given moment. Plus, since you can try out ScoreWatch for free for 30-days, it's a no-brainer. If you're not happy with it, you can easily cancel your trial online with one click or by calling their toll-free number.

By now, we've dispelled two major credit myths –

Myth #1 – That your credit is set in stone... when they're just *financial gossip* about you that you have the right to dispute, and,

Myth #2 – That you only have one credit score... when you have three FICO scores, each corresponding to one of your

three credit reports.

These are the two most common myths, but there are others...

Other Outrageous Credit Myths

If you want to be an informed consumer and entrepreneur, it pays to know the truth. Namely –

- **Myth: Checking your credit hurts your credit scores**

When *lenders* pull your credit, it places a “hard inquiry” on your report(s) that remains there for two years (but it only affects your credit score(s) for a year.)

When *you* check your credit, it places a “soft inquiry” on your report. Lenders can't see soft inquiries and they don't affect your scores in any way, shape or form.

- **Myth: Closing credit cards helps your credit**

It's bad advice, although it appeals to common sense. One third of a credit score is based on how much credit you use compared to how much credit you have available.

Closing unused credit cards lowers your overall available credit. If you owe \$5,000 and have \$10,000 in total credit, closing an unused \$3,000 credit card lowers your total credit to \$7,000, causing your utilization to jump from 50% to 71%!

- **Myth: Bad credit sticks with you for seven years**

There are three ways to improve your credit – (1) wait for it to get better over time, (2) remove negative information early using legal credit disputes or (3) add positive information (more on-time payments).

Most people with bad credit are surprised when they discover their credit scores aren't as bad as they imagined. That's because at 3-month intervals after a major credit blow (like a repo or bankruptcy) their credit score often go up – provided no other bad information is added in the meantime!

Because credit scores measure your *current* likelihood of defaulting, a recent missed payment has a bigger impact on your scores than bankruptcy five years ago.

What To Do If You Have Bad Credit

If you have bad credit, you might wonder what options you have – especially when personal credit affects so much.

The good news is, you have a few options...

If your company has several corporate officers (or partners,) you can have one with good credit sign off on personal guarantees or applications requiring a social security number – as long as they consent to it!

Also remember, when you build business credit strategically, (long before you'll need it) you'll minimize the need to personally guarantee loans. And, even when you have to guar-

antee loans, your personal credit may not be as much of a determining factor if your company's credit is great.

Your best long-term option, however, is to commit to rebuilding your personal credit – just as you've committed to building your company's credit.

Remember this –

Only One Thing Stands Between You and Great Personal Credit: Information!

I speak from experience... My Equifax FICO score was a pitiful 491 on December 31, 2006. I felt doomed and destitute. But even then I knew I had a choice – to accept bad credit as my fate or to learn and do something about it. I chose the latter, and now, three years later, my scores exceed 700.

Believe it or not, I got there without getting bad information taken off my reports.

Instead, I opened new credit accounts *slowly, over time* – ten over two years. I kept tabs on my credit scores throughout the process and *only* applied for cards I was likely to get approved for based on my research. That's why it's so crucial you keep tabs on your FICO scores if you're rebuilding credit or planning on applying for credit.

Did I use those new credit cards? Yes – but sparingly and strategically. I acknowledged credit is a tool, not a crutch or “free money.”

At first, I got approved for pitiful stuff – like a \$100-limit

gas card. But I used it to buy \$10 in gas every other month, so I could make payments on it and have my positive payment history report to the credit bureaus.

Can you see the positive effect adding ten accounts reporting on-time payments every month has on your credit? The more positive information you add, the better your credit can endure (and bounce back from) financial setbacks.

If you're determined enough to improve your credit, there's always a way!

I learned everything I know through research and trial and error. And the techniques I learned are so powerful – and effective – they've worked for everyone I've personally helped.

But if I had to do it all over, I wish I discovered *The Credit Secrets Bible* by Zodiac Publishing early on.

It would've saved me a lot of research and experimentation. Not to mention – it distills everything you need to know about improving personal credit in easy, step-by-step detail – including 50+ proven “copy and paste” credit dispute letters written by attorneys.

The *Credit Secrets Bible* has been around since 1994 and is the only personal credit course I found that delivers the goods.

Many credit improvement courses tell readers to do things that are outright dangerous or illegal – and totally unnecessary. Credit improvement is easy, legal and ethical when you do it the right way. Don't paint yourself into a corner (or jail) by following the wrong advice.

You can learn more about this book (which comes with a money-back guarantee) at:

www.SixFigureCredit.com/bible

By the publisher's estimates, having good personal credit saves you over \$102,000 in a lifetime, so it's worth at least looking into, don't you agree?

With what you now know about personal credit, you can begin improving it – regardless if it's bad, good or great. When you work on your personal credit, in conjunction with building your company's credit, you'll create a solid foundation that creates opportunities for you for years to come!

Now, roll up your sleeves and turn to the next chapter. We're diving into the heart of business credit-building!

CHAPTER 3

The Business Credit Bureaus: The Good, The Bad, The Ugly

Just as you should keep tabs on your personal credit, you must also be vigilant about monitoring your business credit. The three major players in the business credit game are:

1. **Dun & Bradstreet:** Sells a myriad of information to lenders and vendors about over 140 million businesses worldwide. While they're one of the most well-known players, they don't hold a monopoly.
2. **Experian:** Provides consumer credit reports as well as business credit reports and credit scores for over 22 million U.S. businesses.
3. **Equifax:** Offers credit reports and credit scores for over 24 million U.S. businesses and 2.3 million Canadian businesses, through their partnership with the Small Business Financial Exchange (SBFE.) Cards issued by GE Capital pull Equifax credit reports, exclusively. So it pays to verify your company has an estab-

lished (and good) Equifax credit profile before applying for GE-backed cards like Lowes and Amazon.com.

Why You Must Establish Your Dun & Bradstreet Credit File, First...

Most of this book focuses on establishing your Dun & Bradstreet business profile, credit history and credit scores. Why is that?...

- Because when you establish a D&B company profile and follow these step-by-step instructions, you'll automatically “activate” credit profiles with Experian and Equifax (over time.)

It takes about three months to establish a basic credit history with D&B and six to nine months with the other two bureaus. That's why you must start today!

- Because creating a D&B credit profile involves steps you must carefully follow in order. There's little room for mistakes. On the other hand – building credit histories with the other bureaus doesn't require your intervention.
- Because you need a DUNS number to apply for business credit, government grants and/or government contracts.

D&B assigns each of your business's physical locations a DUNS number.

A New Trend in Business Credit

In the 80's, if your company didn't have a Dun and Bradstreet profile, nobody would talk to you. Now, it's different. Creditors pull a combination of business credit reports – or Experian or Equifax exclusively.

That's because some businesses now consider Experian and Equifax credit reports more credible and reliable because:

- Unlike D&B reports, they don't contain business subject-reported data. You can pay D&B a whopping \$499 to build a credit profile for your business in days. Just give them six of your vendors' contact information, then D&B verifies your payment history with them. And – viola! – you get a credit file and PAYDEX score (tells how well your company pays on-time).

While this shortcuts credit-building, it's expensive and unnecessary. You can do the same thing yourself in less than 90-days with minimal effort.

Because D&B lets businesses “pay to play,” their data is perceived as less credible by some lenders.

- On the other hand, Experian and Equifax reports contain credit and payment information reported directly to them from vendors/creditors. You can't get the bureaus to add your payment histories to your reports unless your vendors already report to them.

I mention this to underscore why you must monitor all three business credit reports. You can't shortcut building credit with

Experian and Equifax. You build credit organically by opening tradelines (purchase accounts, credit cards, etc.) and using them strategically and responsibly.

How to Keep Tabs on Your Company's Credit

See below to find out how to monitor your business's credit with the three major bureaus. Keep in mind you won't have credit files yet if your business is new, but it's worth checking back every two to four weeks for updates.

Dun & Bradstreet

You can monitor your D&B credit file for free when you signup for their eUpdate service. Read Chapter 6 for details, because you must complete several crucial steps, first!

Experian

You can find out how many tradelines appear on your Experian credit file for free. Simply go to the address below, type in your company name, city and state and click "Search."

www.SixFigureCredit.com/experian

On the next page, you'll see your company name and address and how many tradelines report to Experian. Check out this example – the Wal-Mart headquarters in Bentonville, Arkansas has 198 Experian tradelines!

Wal-Mart Stores, Inc

702 SW 8th St

Bentonville,

AR 72716-6200

Tradelines: 198



Proceed

Even though you can see how many tradelines you have for free, it's worth investing \$99/year for their Business Credit Advantage package. Your company's success is worth \$8.25 a month, isn't it? You get unlimited access to your company's credit report and credit scores, free email credit alerts and other detailed credit information.

Knowing how many tradelines report to Experian helps – but knowing the full picture gives you the extra edge to build business credit faster!

Equifax

Getting a copy of your Equifax report, on the other hand, is a little harder, but it's still possible. You can get a copy:

- When you apply for credit with a lender that pulls Equifax, or,
- If you're turned down for credit based on information on your Equifax business report

In either case, you can request a free report by calling 1-800-727-8495 or writing:

Equifax, Inc.
P.O. Box 740249
Atlanta, GA 30374-0249

Why You Must Monitor All Three Business Credit Reports

You wouldn't drive from New York City to Los Angeles with your car windows painted black. You'd crash before you got halfway down the block!

Yet many smart, savvy business owners build credit blindly – often in vain. They apply for credit lines without knowing which report(s) lenders pull – and what their reports contain.

It's crazy!

Remember Rule #1 – Establishing and Building Credit is a Process – Requiring Patience and Strategy.

It's a heck of a lot easier to build credit – not to mention faster – when you see the full picture. And to do that, you must check-up on your business's credit reports every three months.

Not to mention, it's helpful knowing which bureaus lenders

pull. (If you don't know, call and ask – most will tell you!) For example, you shouldn't apply for a credit card with a lender that pulls Experian unless you knew your Experian credit file shows enough positive tradelines.

You should also check your business credit often, because false information can get added accidentally. If it does, you can quickly dispute it and protect your company's credit!

Sometimes if your company name is too similar another's, some of their credit history can show up on your report(s). It shouldn't happen, but it does!

Now that you know more about business credit reports – and why monitoring them is so important – flip to the next Chapter to learn about business credit scores.

CHAPTER 4

The Whole Truth About Business Credit Scores

Business credit scores measure potential risk, just like personal credit scores.

Three common business scores include scores that:

1. **Measure payment history**

A payment score is a *dollar-weighted average* that shows how quick a company pays its invoices – measured in days. If a score of 80 means a business pays its bills on their due-date, a score of 100 indicates it pays its vendors 30 days *ahead* of time, and a score of 20 indicates it pays its bills 120+ days after they're due.

Because payment scores are dollar-weighted, payment (or non-payment) on a \$10,000 invoice has greater impact (positive or negative) on scores than payment (or non-payment) on a \$100 invoice.

2. Predict the chances of a credit default

Just as personal FICO scores predict the chances of a person having a 90+ day delinquency, charge-off or bankruptcy within the next 12 months – business credit scores also predict the *likelihood of default*. Generally, the higher the score, the less risky a business is.

3. Predict the chances of going out of business.

Given the snowballing rate of business failures, lenders also evaluate these scores. Business failure scores are based on industry-wide trends, company financials, payment trends, public filings, etc.

You'll find a quick reference to business credit scores on the next page. You'll notice credit scores are similar across bureaus, although the scores ranges differ.

I also recommend printing out a sample report from each bureau and familiarizing yourself with everything on them. You can access free sample reports (with credit scores) by going to:

D&B: www.SixFigureCredit.com/dbreport

Experian: www.SixFigureCredit.com/exreport

Equifax: www.SixFigureCredit.com/eqreport

Although this guide focuses on establishing a credit file and credit scores with Dun and Bradstreet, your company will naturally establish credit profiles and credit scores with the other two bureaus as a result of opening credit accounts and paying your bills on-time.

Quick-Reference to Business Credit Scores

D&B Product	Experian Equivalent	Equifax Equivalent
PAYDEX: Shows how quick a company pays its vendors. It's a dollar-weighted average ranging from 1 to 100, with 80 indicating on-time payments, 100 indicating payments 30-days ahead of terms, and 1-20 indicating payments 120+ days past terms.	DBT: Shows the average number of days a company pays its invoices past terms.	Payment Index: Also shows how quick a company pays its vendors like PAYDEX. It ranges from 1 to 100, but a 90+ score represents on-time payments, 80-89 represents 1-30 days past terms and 1-19 represents 120+ days past terms.
US Commercial Credit Score: Predicts the likelihood of a 90+ day delinquency, bankruptcy or charge-off within the next 12 months. It ranges from 101 to 670, with lower scores indicating higher risk.	Credit Ranking Score: Also predicts the likelihood of a serious delinquency within the next 12 months. It ranges from 1-100. A score of 60 indicates a company scores above 60% of other companies.	Credit Risk Score: Also predicts the likelihood of a serious delinquency within the next 12 months. It ranges from 101-816, with lower scores indicating higher risk.
Financial Stress Score: Predicts the likelihood of a company going out of business or filing for bankruptcy within the next 12 months. It ranges from 1001 to 1875, with lower scores indicating higher risk.	n/a	Business Failure Risk Score: Similar to D&B's risk score, although it ranges from 1000-1880.

CHAPTER 5

How to Get a DUNS Number and D&B PAYDEX Score for Free

The hard-sell goes down like this...

Susan incorporates her gift basket business, Susan's Delectable Baskets, LLC.

Two months later, she gets a call from a man inferring that *there's some sort of negative activity on her company's credit profile.*

He tells her that for *just \$499*, he can make this problem go away.

The problem, he says, is that her company doesn't have an active credit file or credit score (which is true).

But the good news, of course, is that his company will complete her business's credit profile and give her a credit score within days.

But there's a downside if she doesn't heed his advice, too...

If she doesn't pay the \$499, she'll never be able to establish an *active* credit file for her business or establish credit scores or ratings for her business – which she may need to get approved for loans.

He also cautions without this valuable service, her business's assets are at risk of being tangled-up with her personal assets.

By this point, Susan is thoroughly confused because she thought forming an LLC protected her from that. But, the man is convincing and sounds genuinely concerned about her company's “credit problems,” so she forks over \$499 to establish her business's credit.

If this sounds like the kind of shenanigans that goes on behind the scenes of a boiler-room operation, believe it or not, it's the treatment small business owners allege receiving from Dun & Bradstreet.

That's because Dun & Bradstreet support consists of commissioned sales representatives. Some, to earn a paycheck, may stretch the limits of truthfulness or omit important facts that don't help them build their case that you need their credit-building product.

Does it work? For most companies – yes. They deliver on what's promised. But is it worth it? Quite doubtful, considering you can accomplish the same objective on your own with less than 1-2 hours of work (cumulatively) following the advice in this book.

Not to mention – even if you buy their over-priced credit-building service, *it won't establish credit files with Experian or Equifax!* So, you'd still have to follow the steps in this guide to do that – on top of wasting \$499 bucks!

There's nothing wrong with companies charging to help businesses build their credit. But, it seems like a conflict of interest when the credit bureau offers credit-building, don't you agree?

Let's look at the facts...

- **Fact: You can get a DUNS number for free**

This number identifies your business in D&B's database. Many vendors need it to report your payment history to D&B. It may take up to thirty days to get your number (five days if you pay \$49 for expedited processing.) If you're applying for government grants or government contracts, you can get a DUNS number within 48-hours. Your D&B profile will be “inactive” until one of your vendors reports payment information to D&B (which takes 30-60 days.)

- **Fact: You don't need to pay for a PAYDEX score**

Don't believe the hype! This score, which ranges from 1 to 100, is a dollar-weighted average that tells creditors how quickly your company pays its bills.

You only need four vendors reporting payment history to D&B to activate your PAYDEX score. You'll learn which vendors report to D&B in Chapter 7 and how to

open accounts with them.

Again – you don't need CreditBuilder to establish a PAYDEX score. You just have to wait until enough vendors report your payment history to D&B for one to generate.

- **Fact: You don't need CreditBuilder to get predictive credit scores and credit ratings from D&B**

As long as you give your DUNS number to your vendors and creditors, your credit profile will eventually get activated for your business.

Because there's no point in paying hundreds of dollars for something you can do for free in under two hours, here are two easy ways to get a free DUNS number in 30 days or less...

Method #1 – Get a DUNS in Less Than 48-Hours

If you're planning on applying for government contracts or government grants, you need a DUNS number, first! And, thanks to Uncle Sam, you can get one for free in less than 48-hours by going to:

www.SixFigureCredit.com/govduns

Although the federal government requires a DUNS number to apply for grants or contract jobs, you don't need to pay for D&B's credit-building service to “activate” your D&B profile. A DUNS number is all the government needs.

After you receive your DUNS number, you must register your business with the Federal Government's Central Contract- or Registration (CCR) site. You'll need your company's DUNS number, tax ID number (EIN/TIN) and bank account information to complete the process:

www.SixFigureCredit.com/ccr

It's absolutely imperative you complete the CCR registration process, because Dun and Bradstreet will revoke your DUNS number or freeze your credit file if you don't.

That doesn't mean you need to apply for grants or contract jobs right away (or at all!) – but you **MUST** complete the CCR registration!

Method #2 – Get a DUNS in 30 Days or Less

If you don't plan on applying for government contract jobs or government grants, you can still get a free DUNS number.



WARNING:

DO NOT use a mail drop such as Mailboxes, Etc. for your company's address when you request a DUNS number, apply for business credit, incorporate your business or open business bank accounts. Use your physical business location, even if it's a residential address.

Putting a residential address on credit applications won't adversely affect your ability to get credit, but using a mail drop can. Lenders and credit bureaus cross-reference their records with databases of mail drops. If you use a mail drop, it may eventually be noted in your company credit file!

It takes up to thirty days to get it (five days if you pay for expedited processing.) To start the registration process, go to:

www.SixFigureCredit.com/duns

Expect to get phone calls from D&B during that time, trying to sell you their credit-building service. The best strategy for dealing with them is to:

- Politely tell them you must consult with your business partner (or financial advisor) before making such an investment, and,
- Inform them that you need your DUNS number right away, because your vendors need it, and,
- Take-down their phone-number, letting them know you'll get back to them

Remember, all you need is a DUNS number issued for your company. With that number in hand, you can give it to vendors and your credit profile will get established when at least four of them report payments to D&B. We'll discuss D&B credit scores in more detail later in this chapter.

How to Monitor Your D&B Credit Report For Free

Not only can you get a DUNS number for free, but you can also monitor (and update) your D&B credit profile for free by signing up for their eUpdate service.

Once D&B issues a DUNS number for your company, go to the address below to signup for eUpdate:

www.SixFigureCredit.com/eupdate

Keep in mind that eUpdate refreshes once a day, so any

changes you submit won't show up right away. Also, don't login to eUpdate too much because your file may get flagged for suspicious activity. Logging in once a week is enough, because it's unlikely a lot will happen in a week span.

Not only should you signup for eUpdate (because it's free) but it's vital you monitor your Experian and Equifax company credit files. I can't stress the importance of this enough! Turn back to page 26 for details on how to monitor those reports.

How to Establish a PAYDEX Score for Free

By now you know you don't need to pay an arm and a leg to establish a D&B credit file. After you get your DUNS number, start working on getting a PAYDEX score.

You'll recall a PAYDEX score is a dollar-weighted average, ranging from 1-100, that tells vendors and creditors how promptly your company pays its invoices.

Here's the breakdown:

100 PAYDEX	Pays 30 days ahead of terms
90 PAYDEX	Pays 20 days ahead of terms
80 PAYDEX	Pays on-time
50 PAYDEX	Pays 30 days past terms
40 PAYDEX	Pays 60 days past terms
30 PAYDEX	Pays 90 days past terms
20 PAYDEX	Pays 120 days past terms
1-19 PAYDEX	Pays 120+ days past terms

So, what does it take to establish a PAYDEX score with D&B? Simply this...

1. **Open Net 30 credit lines with four vendors that report to Dun and Bradstreet.**

Throughout this book, I also refer to Net 30 accounts as purchase accounts or vendor lines of credit – they're the same thing!

Unlike credit cards and loans, Net 30 accounts are easiest to open without business credit history and without personal guarantees. That's because they're payment terms, not revolving credit – you can buy products and services on credit, but you must pay your invoices in-full within 30-days (or 15 days with a Net 15 account; 10 days with a Net 10 account, etc.)

2. **Buy products from each vendor and have them bill you. (Don't pre-pay or it won't count!)**
3. **Wait until they send you invoices, then pay your invoices in-full 10-20 days before the due-date.**
4. **Monitor your D&B file using eUpdate and wait for a PAYDEX score to generate in 30-90 days.**

Vendors report payment data to the bureaus once a month. So, an on-time payment in March won't appear on your report until April (or even May.) Be patient! You'll get a PAYDEX score eventually, you just have to wait for your payments to report.

Even if you don't have much need (or desire) for Net 30 payment accounts, opening them is a crucial first step to get a PAYDEX score – and scores with the other bureaus!

Why It's Foolish to Apply for Credit Cards or Loans Without a PAYDEX Score

In fact, if you apply for credit cards, loans and other more-desirable forms of credit without first establishing a PAYDEX scores, you'll get a lot of denials... *unless you have great personal credit and are willing to personally guarantee all your credit lines!*

But before we jump the gun, be sure to read every word of the next chapter. You'll learn how to build a solid credit foundation, so you don't get turned-down for unnecessary reasons. It shows you several crucial steps you must follow *before* applying for any business credit – including Net 30 accounts.

And, in Chapter 7, you'll learn exactly which companies offer easy-to-get Net 30 payment terms and report your payments to D&B. This is important, because you don't want to waste money buying products from vendors that don't report your excellent payment history to any of the bureaus! Remember, this guide is all about taking the easiest, most effective actions!

Onward...

How to Avoid Dreaded “Credit Report Audits”

Imagine investing months building your D&B credit file only to pull it up one day and discover your company is flagged “high-risk!”

While I hope this never happens to *your* business, be aware D&B is on a war path to uncover potentially fraudulent businesses. Sometimes, legitimate companies are singled out, too,

because they inadvertently trip-up D&B's fraud triggers. The best strategy is to know what to avoid, so you don't raise red flags to begin with.

D&B recently introduced a Fraud Risk Score. This score predicts the likelihood of a business being fraudulent and ranges from 2001 (high risk) to 2999 (low risk.) They also break scores down into fraud risk classes, ranging from 1 (low risk) to 5 (high risk.)

These scores are calculated by weighing (among other factors) –

1. The type and quality of your company's address (which is why is a bad idea to use a mail drop)
2. If your business misrepresented facts before (formation date, entity type, financials, etc.)
3. The frequency of credit applications and types of credit sought/obtained

You can minimize your chances of being rated high-risk by:

- **Avoiding credit application sprees!**

Remember *Rule #1 – that building credit requires patience and strategy?*... It's a rule, not a suggestion, for a darn-good reason! Always space-out your credit applications one to three months apart. The only exception is you can apply for your first five starter accounts one to two weeks apart (to get a PAYDEX score.)

- **Ensuring your business has all its business licenses!**

D&B may verify your company has its State, City, County, Unemployment Insurance, etc. licenses – especially if they manually review your file. Don't forget to pay your annual business license fees on-time so your licenses aren't suspended or revoked.

- **Using the exact same company name and contact information on everything!**

If your company is “Dave's Construction Inc.,” don't abbreviate it as “DC, Inc.” Same goes for your postal address... Even little things like suite numbers make a difference! “**Suite #100**” is not the same as “**Unit #100**” or “**Ste. 100**” – be consistent!

- **Verifying your company name isn't too similar to another's**

If you haven't started your business, that's great!... Make sure, first, that your proposed business name isn't too similar to another company's – especially one in your state! The bureaus track relationships between businesses and you wouldn't want your company inadvertently linked to an unrelated company.

- **Registering with the Central Contractor Registry if you got a DUNS number through the government link**

If you got a DUNS number using the link for govern-

ment contractors and federal grant applicants, remember to complete the Central Contractor Registration (CCR) process, because D&B verifies this!

- **Following all the steps in Chapter 6 – *How to Lay a Solid Business Credit Foundation***

If the bureaus manually review your credit file, they'll verify everything – including whether your business's number is listed in 411 directories. Complete all the steps in the next Chapter to ensure your business passes a manual review with flying colors (if it ever happens).

What to Do During A “Credit Report Audit”

Ignorance gets many honest, legitimate businesses tangled-up in red-tape. The next chapter tells you which steps to follow avoid many credit hassles.

If you're unsure about licensing requirements for your business, visit the US Government's online business portal below. There, you'll find everything you need to know about licensing requirements, taxes and more:

www.SixFigureCredit.com/business

While paying attention to details minimizes your chances of a “credit report audit,” if it happens,, here's what to do:

- DO cooperate with the person(s) reviewing your company's credit file. Remember, they're just doing their job, and the more polite you are, the more likely they'll help you.

- DO give them any documentation they need to verify the legitimacy of your business information. For example – phone bills, financial statements, business formation documents, etc.
- DON'T pay money for them to “fix” your credit file. There's a difference between being classified as “high risk” because of fraud triggers, and simply not having an established credit file because your company's new. If you trip up their fraud triggers, you should receive a letter listing their reasons.

Although you can expect the person manually reviewing your company's credit file to be thorough, verbal explanations are usually sufficient.

If you're unable to reclaim your company's good name, even after cooperating with them, use any and every third-party intervention at your disposal until you get a positive outcome!

For example, you can use Planet Feedback to send free complaint (or praise) letters to big companies. Your letters are sent to high-level corporate executives who have the power to help you. I've had great success using them to get frustrating issues resolved fast.

www.SixFigureCredit.com/feedback

You now know how to deal with the business credit bureaus. And, yes, – it's a lot to digest at once!

If you're fuzzy about any of the concepts, go back and re-read this chapter and Chapter's 3 and 4 before moving on.

Take notes!

Up to now, you've learned the “what's” and the “why's” of building business credit. You're about to learn the “how's,” such as:

- How to lay a solid foundation for your business that ensures you'll get approved for more credit *without* personal guarantees
- Which companies will give you Net 30 payment terms without a business credit history – and report your payment history to the bureaus
- How to get an 80+ PAYDEX score in 90 days or less for FREE
- How to get approved for revolving credit lines within the next 2-6 months (many times – without personal guarantees)
- And so on...

Get ready. The action plan I'm about to show you is the same plan experts would charge you thousands of dollars to do for you! It's easier than you think!

CHAPTER 6

How to Make Your Company More “Creditworthy” in 10 Easy Steps

Now it's time to dive into the heart of building your company's credit. Just as you can't build a house without laying a solid foundation, you can't build business credit without one.

The advice preceding this chapter – and everything after it – hinges upon how carefully you follow these steps. Follow them in the order they're presented. Don't rush!

If you're pressed for time, simply knock out one step a day over the next ten days.

STEP 1:

Verify Your Company Name is Unique

Before starting your business, ensure your proposed name isn't too similar to an existing business's name. You'll recall from the previous chapter, credit bureaus track relationships between companies. You don't want you file inadvertently

linked to a business with a similar name.

To verify it's unique, follow these steps:

1. Visit the Dun and Bradstreet site and search for your company name. In the “State” drop-down box, select “Nationwide” –

www.SixFigureCredit.com/db

2. Verify your company name doesn't conflict with registered trademarks. You can do this yourself at the US Patent & Trademark office website. Or, you can pay a company like MyCorporation to perform a comprehensive search for you.

Free Search: www.SixFigureCredit.com/tm

Expert Search: www.SixFigureCredit.com/tme

STEP 2:

Decide on an Official Office Location

Lenders can (and will) evaluate the *quality* of your physical address when they review your credit applications.

If you're starting (or running) a home-based business, you're probably concerned about protecting your privacy. That's understandable. The bad news is you can't hide behind a P.O. Box or mail drop. Doing so will inevitably get your business rated “high risk” (or similar), because this technique is used by fraudsters.

Why You Should Use Your Real Address – Even if You Work from Home

Having a home-based business shouldn't adversely affect getting financing – especially if your company has good credit and solid financials. After all, over 50% of businesses are home-based! Using a “fake” address however, will hurt you.

It's better to use your home address on incorporation documents, credit applications, letterheads, business checks – and anything and everything else official.

Like it or not, privacy is dead in America. With enough determinations, anyone can uncover information about your company.

For example, anyone can submit a Freedom of Information Act (FOIA) request to uncover the name and physical address of a P.O. Box owner – and they don't even have to provide a reason! Here's the link if you're curious:

www.SixFigureCredit.com/foia

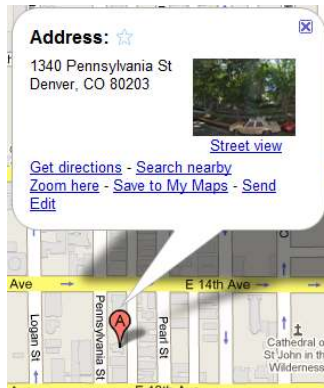
Simple Ways to Guard Your Privacy

That doesn't mean you can't – or shouldn't – take reasonable measures to guard your privacy. For example, if you don't want people to know what your house looks like, you can remove it from Google Maps. Here's how:

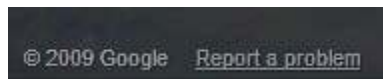
1. Go to Google Maps:

www.SixFigureCredit.com/maps

2. Search for your home address. It will appear in the search results on the left side of the page. Click on it.
3. A balloon will pop up on the right side of the page with details about your address (see below.) Click on the “Street view” link.



4. You'll see a large image of your home – for the whole world to see! To remove it from Street View, click on the “Report a problem” link in the bottom-left side of the image. It looks like this:



5. Fill out the form on the next page, indicating you want the image removed for privacy concerns because you run a home-based business. That's all there is to it!

Why You Should Rent Office Space

Another alternative is to rent office space. You'd be surprised how affordable it is – especially if you only need an office for yourself.

Business centers are springing up everywhere! For as little as \$300 a month, you can rent an office and share access to conference rooms, training rooms, staffed receptionists and more. Many business centers offer short-term leases (including month-to-month leases) and immediate move-ins. If you're clients come to you, it's a must-have.

I recommend Instant Offices for researching and comparing fully-serviced business centers. Their site is free to use, and you can get office space quotes from multiple companies:

www.SixFigureCredit.com/offices

Be aware you may need to get additional permits from your city/county/state if you run your business out of a commercial office, versus your home.

A Word of Caution About Address Quality

If your business is home-based, most lenders can tell you run it out of a home or a multi-family dwelling (apartment, condo, etc.) That's not bad, but you'll raise red flags if you run your it out of a multi-family dwelling and say your business has several employees. Always provide accurate information on credit applications, because the last thing you want is a credit underwriter scrutinizing every aspect of your business because they don't believe you.

STEP 3:

Register a “.com” Name

Before you incorporate your business – in fact, before you

do anything else – secure a “.com” domain name for it.

You don't want to invest time and money building and promoting your business only to discover your domain is taken.

But you don't want to register any domain name – you want to register your company's exact name. There are several crucial reasons for this...

When a prospective customer hears about your company from a friend, which web address are they most likely to type in – *Your-Company.com* or *YourCompany.com*? That's right... They'll type in *YourCompany.com*! If someone else owns it, you'll lose sales. Not only that – customers you attract via word-of-mouth are your best customers. They're easiest to sell to, they spend more money and they're the most loyal.

Lenders also need to find your site easily... If they can't locate it via a Google search or by typing in *YourCompany.com* (no hyphenation or abbreviation,) they'll assume your company is fictitious or unestablished.

I recommend using GoDaddy.com to secure a “.com” name. It costs about \$10/year, and it's money well-spent.

www.SixFigureCredit.com/domain

You should also register variations of your company's name, like *Your-Company.com*, *YourCompanySucks.com*, *YourCompanyInc.com*, *YourCompany.net* and *YourCompany.org*. The time, expense and aggravation of going after people who register variations of your company name is astronomical. Don't you agree it makes the most sense to invest an extra \$50 to

\$200 now to protect your company's name (as best as you can,) than endure hassles later?

What If Your Domain Name Is Taken?...

If your “.com” name is taken, you have a few options:

1. **Brainstorm a New Business Name:** It's easy if your business is unestablished, but it's also easy for an established business to do. Simply file with your state (or county) to do business as (DBA) another name. This method allows single business entities (sole-proprietor, corporation, etc.) to do business under multiple names without creating separate business entities.
2. **Use Legal Interventions:** If your company is established, you may have grounds for trademark infringement – particularly if another's use of the domain name presents a “likelihood of confusion.” However, it's difficult to pursue a domain name squatters in court, because of subject-matter jurisdiction (you may have to travel to the defendant's locale.) Instead, consider sending them a “Cease and Desist” letter. If that's ineffective, contact The National Arbitration Forum (NAF,) as they follow the universally-agreed-upon “Rules for Uniform Domain Name Dispute Resolution Policy.”
3. **Wait for It to Expire:** For around \$20, GoDaddy can monitor any registered domain name, and if it expires they'll try to snag it for you. This only works if the domain name is up for renewal and its owner neglects to pay the renewal fees.

4. **Buy It:** Just because your company's name is taken, doesn't always mean it was registered in bad faith. If the domain is undeveloped, consider offering the owner \$50 to \$200 for it. You can also use a Domain Name Broker to handle the transaction if you don't want your identity known.

STEP 4:

File Incorporation Documents

If you're unsure which type of business entity you should use from a legal standpoint, (corporation, LLC, partnership, etc.) consult with a tax professional and/or attorney, first.

From a business credit perspective, setting up a corporation or limited liability company (LLC) is best. It gives your business more credibility and ensures your personal credit is not mixed-up with your business's credit.

In most states, you can form a corporation or LLC online in less than an hour. Simply look-up your State's Secretary of State (or Department of Corporations) web site for more information on how to incorporate your business. State incorporation fees range from \$50 to \$600.

Better yet, you can hire someone to setup your business for you. I recommend MyCorporation (from the makers of Quick-en/Quickbooks,) because their Basic incorporation service is free (just pay State filing fees,) and their customer support is first-class.

For \$99 to \$299, you can upgrade to their premier packages,

which include “fill in the blank” corporate documents (minutes, bylaws, waivers, etc.,) corporate compliance checks and reminders, registered agent services and more.

Because overlooking even one small detail can cost your business lots of money, investing in MyCorporation's comprehensive business formation packages is worth the investment! Overlooking (or not knowing about) minor business formalities can cost you lots of money in penalties or lost opportunities.

To learn more about MyCorporation, visit:

www.SixFigureCredit.com/inc

STEP 5:

Request a Tax ID Number

You'll need an Employer Identification Number (EIN) from the IRS to establish a unique credit identity for your business, open a business bank account and file business tax returns.

An EIN is like a social security number for your business and it's required for corporations and LLC's and/or if your company pays wages to employees.

The good news is, you can get an EIN for free in five minutes or less by visiting IRS web site:

www.SixFigureCredit.com/ein

When you apply for any type of business credit, always provide your EIN, not your social security number (unless a

personal guarantee is required.)

STEP 6:

Open A Business Bank Account

How long you've been in business is irrelevant to creditors. In their eyes, how long you've been in business is based on *when you opened your business bank account*.

If you're looking for a basic, no-frills business bank account with low/no fees, I recommend Chase. Their free business account includes no monthly service fees (if you use your debit card at least five times per month) and 200 fee-free transactions per month.

To learn more about Chase's business account visit the address below. You can even open an account online.

www.SixFigureCredit.com/chase

STEP 7:

Get a Business Phone Line

Your business needs a dedicated phone line to get approved for credit. That's because lenders verify your business phone number is listed in 411 when they review your applications.

Not only that, your business line must be:

1. Dedicated 100% to business, and,

2. Someone must answer it with a greeting that includes your company name (and/or a voicemail that includes your company name.)

Fortunately, you don't need to spend a small fortune to get a business phone line. You can –

1. **Use Google Voice:** They give you a free phone number in any area code you choose. You can forward your calls and text messages to one (or several) phones, get transcriptions of your voicemails, record phone calls, block specific phone numbers, screen unknown callers, create custom greetings for different callers and more.

Right now Google Voice is in “beta” stage, which means you'll need an invitation to join. You can request an invite by going to the address below. You should receive it within one to two weeks:

www.SixFigureCredit.com/voice

2. **Add a Line to Your Personal Cellular Plan:** If you have a family plan, adding a dedicated phone line that shares minutes is easy. If not, you may be able to convert your plan to a family plan for free.

Remember to call your mobile phone carrier and ask them to change the name that shows up on caller ID for that line to your company's name.

If they say you need to signup for one of their pricier business plans to do that, call back another time and ask someone else to do it. You could also explain your

business is new, and while you'd like to get a separate business plan later, you want to keep your costs low until your business grows.

3. **Signup for a Business Cellular Plan:** One major benefit to investing in a business calling plan is it should report to your company's credit. Remember you need five vendor lines of credit reporting to D&B to establish a PAYDEX score. A business cellular plan takes care of one of those!

Remember to give the phone company your employer identification number (EIN) – *not your social security number* – when you open an account. If they require a deposit, ask them politely to waive it. A motivated salesperson can push your order through without a deposit, especially if you're activating multiple lines.

I suggest visiting LetsTalk to research business calling plans and phones. You can compare plans from multiple carriers and most of their rebates are better than the rebates the carriers offer directly on their site:

www.SixFigureCredit.com/talk

4. **Get Internet Phone Service:** As long as you have a high-speed Internet connection (DSL or cable,) you can signup for Internet phone service with Vonage or PhonePower.

They'll send you an adapter that connects a standard phone (or phones) to your Internet connection. It's fairly easy to setup – even for a novice.

You also get many free add-ons like unlimited long distance, caller ID, voicemail, three-way calling and call-waiting. I recommend PhonePower because they offer plans as low as \$14.95/month and a free second line (which you'll need for a dedicated fax line.)

To learn more about PhonePower, visit:

www.SixFigureCredit.com/phone

5. **Get a Regular Business Line:** Finally, you can get a business line from your local phone company. One reason this is good is it gets your business number listed in 411 *without* you having to do anything. Plus, they may report your payment history to the business credit bureaus. If you run a home-based business, make sure you get a business line – not another personal line.

STEP 8:

List Your Number in the 411 Directory

Once you setup a business phone line the next step is to verify it's listed in 411. If you setup a dedicated business line through your local phone company, it will get listed automatically.

If not, you can add a new mobile phone number, Google Voice number or Internet (VOIP) number to the database used by directory assistance (411) call centers. It takes up to a week for your number to get listed.

To get started, visit:

www.SixFigureCredit.com/411

Remember to verify your company is listed with 411 before you apply for business credit.

STEP 9:

Create a Basic Website

Having a company web site is just as important as having a verifiable postal address and phone number.

Lenders will “google” your company to learn about it and verify it's legitimate. And the kicker is – *they'll uncover information about your company, whether you have a web site or not!* Don't you think your web site should influence their opinions – not *just* articles/pages from third parties?

The good news is, you can create a basic (but professional) web site in one evening for under \$20 – without any design experience. If you can write an email, you have what it takes!

It doesn't matter if you're not ready to build a web site – you need to setup one ASAP! Getting approved for credit (or more generous credit lines) can hinge on whether or not you have a web site.

Here are three simple pages you should include on your site...

What You MUST Include On Your Site, To Get Approved for Loans

Initially, your site serves as a credibility booster. Only people who intentionally look it up will see it. You won't get much (if any) visitors without advertising. It takes time, money and effort to get targeted web traffic.

Here are three pages every business site should have:



A Home Page That Tells The World What You Do

At the top, use a headline that arouses curiosity, appears newsworthy and/or promises a benefit. Use words like “Now,” “At Last” and “Finally” to give an ordinary headlines news value. Here's a few examples to get you started:

Now, Discover the Secret to (Benefit)

Example for an accounting firm:

*Now, Discover the Secret to Getting Paid Faster
Without Alienating Your Best Clients*

At Last! - A New/Easier/Better (Benefit)

Example for a restaurant:

*At Last! - A New Way to Enjoy
Fine Italian Food and Wine in the Bay Area*

Finally, (Benefit)

Example for a carpet cleaner:

*Finally! – Pesky Carpet Stains Removed,
Or Your Carpet Cleaning Is Free!*

Consider how much better effective using a newsworthy headline us versus saying, “Welcome to our site!” That worked in 1997, but people are impatient. If your headline doesn't suck them in, over 80% will leave your site within the first ten seconds – and that's a fact!

After your headline, open with a lead-in that keeps people reading. “If/then” openers are easy to write and effective. If you run an accounting firm, you could say:

*If you're tired of calling on customers to pay
their bills over-and-over again, then our firm
can show you how to close frustrating (and
crippling) cash-flow gaps. Here's how...*

Then, describe what you do and *how* you solve people's problems. Always write in the first person (remembering to use “you” more than “I/we”).

Avoid being too brief or too long-winded – 250-500 words is ideal. You can please both visitors who want quick facts and visitors who want comprehensive information by using bullets, sub-heads, sidebars, relevant videos/images, etc. to make your page easier to scan and read.

Why all this effort? Why not just slap-up a home page that

says... –

Welcome to the home page of XYZ Textile Distributors. XYZ has been in business for 17 years and is bonded and insured. Please contact 123-456-7890 to find out how we can solve your textile needs.

It's this... Lenders can smell nonsense (or what looks like nonsense) a mile away. Skimpy content makes your web site look like a front for a fake business.

If you have something (or will have something) to sell, you should be able to write volumes about it. This assures creditors your company is legitimate – not a fly-by-night operation.

In addition to an informative home page, you need...



An “About Us” Page With Company Details

Put things like your mission statement, executive biographies, press releases, strategic business partnerships, media accolades, testimonials and your founding story on your “About Us” page – if they support your case.

Obviously, if you've been in business for six months, that's a detail you'll want to leave out!

After you've put all your credibility-boosters on your “About Us” page, you need to create one more page...



A “Contact Us” Page to Make it Easy to Reach You

This page should list all your company's contact information – postal address, phone number and email address(es.) It's also wise to include your company name, company address and company phone number at the bottom of each web page.

If you setup a Facebook or Twitter account for your business, include links to those profiles on your “Contact Us” page as well.

That's it! With these three pages, you answer two critical questions running through the minds of prospective customers or lenders – “What's in it for me (or your customers)?” and “Why should I believe you?”

How to Create A World-Class Website In One Evening, For Under \$20 – Even If You're a Total Computer Novice

OK, now that you know what to include on your company's site, here's how to create one – fast and easy...

Before you put up a web site, you'll need a company to “host” it. Simply put, a hosting company gives you a place to store your web site – and they'll hook you up with other goodies like email and tools to build your site.

There's lots of hosting companies to choose from, but they're not all the same.

After doing business online for over 10 years and using 15 hosting companies, I learned a thing or two about what makes great web hosts great...

Most important – they should offer around-the-clock, responsible customer support and dependable service.

For these reasons, I recommend Fat Cow. It's a strange name, but they've been around since 1998 and offer affordable hosting (\$66 a year) with unlimited everything and a 30-day money-back guarantee. They'll also throw in \$75 in advertising credits to use on Google and Yahoo – which basically makes your hosting free.

You get excellent value for your money – plus dedicated 24/7 customer support. You can reach their site at:

www.SixFigureCredit.com/hosting

But what makes Fat Cow an excellent choice – especially if you're not tech-savvy – is their website builder, Site Delux, that's included for free.

You see, most hosting companies give you the basics – but you need some tech know-how.

“Site Delux,” however, lets you create your own, stunning web site from scratch with no technical knowledge needed. All you do is:

1. Pick a professionally-designed template
2. Drop in some content (you can add/edit/change pages at

any time.) Editing each page is just as easy as writing an email or editing a Microsoft Word® document.

3. Hit “Publish,” and your site is live on the web. (Or, if you want to keep working on it, you can wait to publish it when you're 100% ready.)

And here's a snapshot of a simple web site I made in less than 10-minutes using the free website builder:



Pretty cool, huh?

Not only does Fat Cow give you the tools you need to build the kind of site a web designer would charge you \$500 to make, but you also get a free domain name and unlimited free toll-free support.

To learn more about their hosting plans, visit:

www.SixFigureCredit.com/hosting

STEP 10:

List Your Company in Online Directories

The more online directories your company is listed in, the more credible your business looks.

For starters, you'll want to create a free listing with SuperPages, since many local search sites syndicate their listings. To get started, visit:

www.SixFigureCredit.com/super

Remember to use the same phone number and postal address in your listing that you use on formal business documents and credit applications. Continuity is crucial! Even something as minor as interchanging “Suite #300” and “Ste. 300” affects building business credit.

I also suggest adding your business listing to Google Maps, Yahoo Local and Microsoft's Bing *if* you'll interact with customers face-to-face at your office (or home office) – or if you lease commercial office space.

To create free listings with these three sites, visit:

Google:	<u>www.SixFigureCredit.com/google</u>
Yahoo	<u>www.SixFigureCredit.com/yahoo</u>
Bing:	<u>www.SixFigureCredit.com/bing</u>

Finally, if you have extra time (or are willing to pay someone else to do it,) you can submit your web site to even more directories. Just visit the address below for a compre-

hensive list of free business directories:

www.SixFigureCredit.com/list

Listing your site in business directories beyond the “Big Four” may not bring you more sales... However, I think you'd agree they'll enhance your company's credibility when they appear in the top 50+ search results for your company's name.

Now That Your Credit Foundation is Built...

You've made it this far – congratulations! By now, I'm sure you acknowledge credit-building is indeed *a process!* But it's a rewarding process. I think you'd agree when your business is approved for monster credit lines on its own merits, the time and effort you've put into following this Action Plan is a pittance compared to the payoff.

In the final chapters, you'll learn exactly how to strategically build credit. That part's easy compared to the hard work you've done up to this point. If you completed all the steps in this Chapter, keep reading. If not, tackle each and every one of the steps them, first. They're prerequisite!

CHAPTER 7

Business Credit Building Phase 1: Vendor Lines of Credit

By now, you should have –

1. A DUNS number from Dun and Bradstreet
2. A Corporation or LLC business entity
3. An EIN (Tax ID) number from the IRS
4. A dedicated business phone number listed in 411
5. A basic company web site (and an email address at your company's domain name)
6. A business bank account

In addition, verify your company address appears exactly the same (punctuation and all) in all your company records.

If you've completed all those steps – kudos! If not, don't continue until you've knocked them out.

But now, I have bad news and two pieces of good news for you...

We'll start with the bad news, first.

Everything you've done up to now ensures you don't get *turned down* for business credit for unnecessary reasons.

But you still face a daunting question...

How Do You Build Business Credit Without A Business Credit History?

That's the Catch-22! When you apply for business credit cards – and especially business loans – lenders expect your company to have excellent, diverse credit.

They want to know your company pays its bills on-time and manages different kinds of debt responsibly.

What makes business credit excellent and diverse?...

You'll need at least five vendor lines of credit reporting on-time payments, three revolving lines of credit (credit cards) reporting on-time payments and two paid loans. It's called the “5-3-2 Rule” of business credit.

You'll also need:

- A 75+ PAYDEX score, and,
- Active credit files with all three business credit bureaus (because some lenders pull a combination of reports)

That's the “bad” news.

The good news is once you complete these credit-building

phases, you'll feel confident asking for credit lines up to \$50,000 because your company has a well-rounded credit portfolio. Asking for more than \$50,000 requires collateral and/or detailed financial statements.

The other good news is you can knock out the first of three phases – opening five vendor lines of credit – without a business credit history.

Vendor lines of credit – called purchase accounts or Net 30/15/7 accounts – let you order items on credit and pay for them later. But, unlike revolving credit (credit cards, store cards, etc.), you must pay-off your balance by the due date. You can't pay a minimum amount and carry a balance from month to month.

The number after “Net” indicates how long of a grace period you're given to pay your invoices. Net 30 vendor lines of credit are most common – giving you 30 days to pay after your invoice is cut.

You'll recall you need at least five vendor lines of credit *that report to Dun and Bradstreet* to get a PAYDEX score. An 80 or higher PAYDEX score means your business pays its bills on-time, and you need at least a 75 PAYDEX score *before* lenders will approve you for credit cards or loans. But realistically, you'll want to open five to ten “Net 30” accounts over time so you also activate your credit files with Experian and Equifax.

Can you see how it all fits together, and you can't complete one step without completing the steps preceding it?

Because you must pay “Net 30” by their due date, they're easier to acquire. And, while thousands of companies offer Net 30 terms, not all report payment histories to the bureaus.

That's what's it's important to know which ones do! In a moment, I'll tell you which companies report payments to the bureaus – and *how* you should apply for Net 30 terms to boost your approval chances.

However, I digress...

Starting out, don't worry whether these merchants sell products you actually need. Remember, you're really investing in building solid business credit – the products you buy are secondary. Not to mention, you can always sell whatever you buy on eBay or Craigslist to recoup your investment!

Your only criteria when applying for Net 30 terms should be whether or not they report your payments to the bureaus!

How to Apply for Net 30 Vendor Lines of Credit

Once you find a vendor you're certain reports payments to D&B, Experian and/or Equifax, here's what to do:

1. Visit their website and create a customer account for your business, so it puts you in their system
2. Request a catalog from them
3. Apply for “Net 30” payment terms online or by phone. Remember to give them your DUNS number EIN number and enter your business name and business address

exactly as they appear in your D&B profile.

Don't give them your Social Security number, even if they ask for it. You shouldn't have to personally guarantee any Net 30 accounts – especially small ones.

With some merchants, you won't have to fill out a credit application. Simply place an order and select “bill me” or “Net 30” as your payment type.

4. Place a small order (between \$50-\$100.) Remember to select “Net 30” or “bill me” at checkout.

5. Wait until you get an invoice, *then* pay it in-full 10-20 days before it's due. Don't pay it too soon, otherwise your on-time payment might not report to the bureaus!



TIP!

If a merchant calls you, telling you they can't give you Net 30 terms on your first order and you have to prepay, be firm! Politely tell them you shouldn't have to do that. Inform them you have their competitor's catalogs and you may consider doing business with them, instead. Be firm, but polite.

If that doesn't work, cancel your order and place a smaller order (under \$25), prepay for it, then place a larger order later and have them bill you for it. Chalk it up as a necessary cost of building credit. Persistence pays!

The Next Step – Your Beginner's Set Of Net 30 Accounts

Now it's time to apply for vendor lines of credit and get that coveted 80 PAYDEX score. After that, you'll be well on your way to getting approved for great stuff – credit cards and monster credit lines.

I've hand-picked this Beginner's Set of Net 30 accounts for several reasons...

- Because they report your payment history to D&B, Experian and/or Equifax
- Because they're relatively easy to get approved for, as long as you've followed the preceding steps in this guide
- Because they sell products you can actually use (mailing supplies, office supplies, etc.)

You'll want to open five to ten vendor lines of credit over time – spacing-out your applications 2-4 weeks apart. Remember, applying for too much credit, too soon, also negatively affects credit.

Also remember it can take three or more months for your business to get a PAYDEX score.

These vendors report payment information to the bureaus once a month. So, you'll have to wait one or two monthly cycles for on-time payments to show up on your business's credit report(s.)

Don't wait another moment getting started! Remember the first two rules of building credit – *#1 that it's a process requiring patience and strategy* and *#2 that you must build credit before you need it – later is too late.*

Turn to the next page for your list of starter accounts.

Net 30 Starter Accounts

Grainger

www.SixFigureCredit.com/granger

Industrial Supplies

Create a customer account on their site, first by clicking on the “Register” link at the top of the page. Then, return in two days and see if “Net 30” terms appear on their order form. You can also order by phone and request Net 30 payment terms then. Most likely, you'll have to prepay for your first order.

Quill

www.SixFigureCredit.com/quill

Office Supplies

Reliable

www.SixFigureCredit.com/reliable

Office Supplies

Order at least \$50 worth of supplies, because they only report payments on invoices \$50 or over to the bureaus!

Seton

www.SixFigureCredit.com/seton

ID/Safety Supplies

U.S. Plastics

www.SixFigureCredit.com/plastic

Industrial Storage

Bags & Bows

www.SixFigureCredit.com/bags

Retail Packaging

ULINE

www.SixFigureCredit.com/uline

Shipping Supplies

Request a catalog before applying for credit! Wait until you have one or two other vendor credit lines reporting to D&B before applying with ULINE, since they're a little harder to get approved for.

Gemplers

www.SixFigureCredit.com/gemplers

Safety & Outdoor

Majestic Advertising

www.SixFigureCredit.com/majestic

Imprinted Supplies

You must order something within 15 days of applying for credit, or you'll have to re-apply.

Another Type of Net 30 Account Your Business Can't Afford to Be Without!

Once you've opened four or five starter accounts and your company gets a PAYDEX score, get a fleet card.

Fleet cards are Net 30 gas cards that help your business monitor and control fuel costs. You can:

- Track fuel purchases by driver and vehicle
- View transactions in real-time and get detailed reports on fuel usage
- Restrict fuel purchases by amount (or even time of day)

Even if your company is a one-person operation, being able to track your fuel costs is great come tax time!

I recommend any Fleetcor card. You can apply for a branded card (BP, Chevron, Argo or Citgo) which earns cash-back... OR... You can apply for a MasterCard or Fuelman card which can be used for fuel purchases anywhere.

To learn more about how to save money on gas purchases (and acquire another Net 30 account), visit Fleetcor's site and use their “card selector” to find the right one for your needs:

www.SixFigureCredit.com/fleet

Fleetcor determines your credit limit based on your current highest credit limit. If you don't have any revolving credit accounts (more on that in the next chapter,) your highest credit limit is the largest purchase you've made using one of your Net 30 accounts. That's because even though Net 30 accounts have

“credit limits,” only your largest purchase amount – and not the actual credit limit of that account – gets reported to the business credit bureaus.

Fleetcor will also consider you for a credit limit increase after six consecutive on-time payments.

The Best Way to Use Net 30 Accounts To Build Stellar Business Credit Fast

Opening five Net 30 accounts and establishing a PAYDEX score is a start. But, it's only the beginning. Even after you move on to Phases 2 and 3, remember to keep opening Net 30 accounts with vendors that report to the bureaus, slowly and methodically.

Look at your company's credit through the eyes of a lender... While an 80+ PAYDEX score is impressive, it carries more weight when it's supported by 100+ on-time payments (of varying amounts,) versus 10 on-time payments on small invoices. Lenders want to feel confident investing in your business. They'll approve you for higher credit limits and better credit terms when they have more information to assess its creditworthiness.

Improving your company's creditworthiness means establishing a credit file that's not only impressive at first glance, but also backed-up by hundreds of on-time payments – one that's broad and deep!

CHAPTER 8

Business Credit Building Phase 2: Revolving Lines of Credit

You've graduated to Phase 2 of credit-building. That's excellent! And, hopefully you've faithfully followed the three rules from Chapter 1. To jog your memory, they are –

1. Credit building is a process requiring patience and strategy!
2. Build credit before you need it – later may be too late!
3. Limit (or eliminate) your personal exposure!

Now we'll focus on getting approved for revolving lines of credit, which include store cards and credit cards (Visa/Master-Card.)

Unlike purchase accounts (Net 30, Net 15, etc.) which you must pay-off each billing cycle, you can carry balances on revolving accounts from month-to-month. Ideally, though, you should pay-off revolving balances within two to three billing

cycles.

The first stage of credit-building (getting a 75+ PAYDEX) takes three to six months to complete.

Now the game changes and the lines blur a bit...

A New Phase Requires a New Strategy

First, the game changes because you'll space revolving credit applications three months apart – instead of a few weeks or months apart as with purchase accounts.

Remember – applying for too much credit, too quick, lowers your company's credit scores and can get it rated “high risk.” You'll invest one year, starting from today, acquiring four to five revolving accounts.

Second, the lines blur because most merchants offer both Net 30 accounts and revolving credit lines. You may have to open purchase accounts with them first and “prove yourself,” before they'll consider you for revolving credit.

And some merchants, like Sears and Best Buy, only offer purchase accounts. Because the Sears Commercial One card is backed by Citibank, it's still worth applying for to get a foot in the door with Citibank.

All This Sounds Complicated and Hard – What's the Payoff?

Actually, it's easier than you think (more on that in a moment.) But here's the payoff... When you faithfully follow this

plan, a year from now, you can expect to:

- Have credit scores better than 70%+ of new businesses (and many established businesses that never took credit-building seriously)
- Get easier access to creative business financing, like credit card receipt advances, micro loans, account receivable factoring, SBA loans, etc.
- Enjoy lower interest rates and lower business insurance premiums
- Get periodic, automatic credit limit increases – especially if you pay-off your balances in full and don't carry high balances from month-to-month
- Not have to personally guarantee as many credit applications, since your company's credit is rock-solid

And, truth be told, although it takes time to build credit, it's not hard. You'll go weeks or months without doing anything, except checking your business's credit reports and scores.

Don't become complacent, though! The things that are easy to do are just as easy not to do. Here's the best strategy to stay on-track...

This Plan Works for Everyone Who Applies It: Here's How to Stay On-Track...

Grab a calendar and flip to three months from today. In it, write “Apply for Business Credit Card – Review Chapter 8 of

Credit Doctrine, first!” Then, flip forward another three months and write the same thing. Repeat this until you've written four reminders in your calendar. Your final entry should be one year from today.

Now that you've scheduled *when* you'll apply for revolving credit lines, it's time to scrutinize your business the same way a lender would...

Will Your Company Pass a “Credentials Check-up?”

Lenders look into your company much closer when you applying for revolving credit lines, versus Net 30 accounts. Now's a good time to do a “Credentials Check-up” to make sure it passes with flying colors:

- Does your company have a web site? If not, create one first. Turn to Page 59 to learn how.
- Does information about your company show up in the top 10 Google results for “*your company name?*” Is it positive? If not, address criticism tactfully and find a way to resolve any problems or complaints.
- Are your business licenses current and do your city, county and state licensing divisions have your current business address on file? Do your business name and address appear exactly the same in its credit reports, business licenses, official documents, letterheads, etc? If your business moved, did you put in a change of address with the U.S. Postal Service? (it's free – click on “Mover's Guide” on the USPS website)

- Does your business have at least a 75 PAYDEX score with Dun and Bradstreet? If not, open two more Net 30 vendor lines of credit (that report to the bureaus) and place orders over \$50 on-credit. Pay your invoices 10-20 days before they're due, then check back in 2-3 months and see if your company has a PAYDEX score.

If your PAYDEX score is below 75, paying invoices on-time going forward raises it. Your PAYDEX score is a dollar-weighted average, so making large purchases on credit and paying them off on-time raises your score fastest! Never apply for revolving credit without a 75+ PAYDEX score!

- Has your business bank account been open for at least six months? If not, wait until it has, then continue.
- If possible, maintain an average daily balance in your business checking account of at least \$10,000 for three consecutive months *prior* to applying for revolving credit lines. Lenders want to know your company can repay its debts. A low average daily balance may not get you turned down for credit, but a high average daily balance may get you higher credit limits!

Why Your Company Needs Revolving Credit Lines – Even If You Don't Really “Need” Them

In the last chapter, we touched on the “5-3-2 Rule” of business credit. To jog your memory, your company needs at least five vendor credit lines, three revolving credit lines (credit cards) and two paid loans to have well-rounded credit. This demonstrates your company handles credit responsibly.

Having multiple credit lines reporting positive information also “thickens” your company's credit file – giving lenders more data to make better-informed decisions and approve you for higher credit limits and better credit terms.

And, just as a “thick” personal credit file better-withstands blows caused by mistakes or setbacks like late payments, repossessions, lawsuits and charge-offs – a thick, diverse business credit file also bounces-back from setbacks quicker. Hopefully this never happens, but planning is the best antidote to disaster.

Your first three revolving credit lines serve the same purpose as your first five vendor lines of credit – to build credit.

It doesn't matter *what* you get approved for right now – as long as they report to at least one (or all three) of the business credit bureaus.

Six to twelve months from now, you'll have at least five vendor lines of credit and three revolving lines reporting. As long as you pay your bills on-time and don't max-out your credit lines, you'll get approved for credit cards with higher credit limits and lower interest rates as time progresses.

In fact, you can expect your credit approvals to go something like –

- **First Revolving Line:** Store card or gas card with a \$500 credit limit and a 20%+ APR interest rate
- **Second Revolving Line:** Store card or gas card with a \$500-\$1500 credit limit and 20%+ APR interest rate

- **Third Revolving Line:** Store card or gas card with a \$1500+ credit limit and a 15%+ APR interest rate
- **Fourth Revolving Line:** Credit card, store card or gas card with a \$2,500+ credit limit and 12%+ APR interest rate
- **Fifth Revolving Line:** Credit card, store card or gas card with a \$5,000-\$10,000+ credit limit and 10%+ APR interest rate

Don't get discouraged if your first business credit card has a \$500 (or lower) credit limit and charges astronomical interest. Banks wouldn't give an 18-year-old with little or no credit history and no co-signer a \$5,000 credit limit on their first card. The same is true with businesses.

As long as you use your revolving cards strategically – as credit-building tools, not financial lifelines – each successive credit approval brings small triumphs like higher limits, better rates, promotional financing and cash-back rewards.

If your personal FICO scores are over 700, you can build revolving credit much quicker and get approved for better cards with higher limits right away! While I advise limiting (or eliminating) your personal exposure, personally guaranteeing your first few business credit cards speeds up the process.

Because momentum builds upon momentum, your business could enjoy having five-or-six-figure credit lines a year from now with the support of your personal credit.

And, while we're on the subject, it's time for a frank conver-

sation about personal guarantees...

The Whole Truth About Personal Guarantees

Our world is vastly different now than even two years ago. Business credit is no exception!

The de-facto rule used to be “never personally guarantee business credit.” Now, more lenders require personal guarantees – especially from businesses under two-years-old. Whether banks loosen their lending requirements in the future remains to be seen – but for now, it's your reality!

This is where the other half of Rule #3 – *limit your personal exposure* – affects you. Even when you personally guarantee loans, you can limit your personal exposure by:

- First, unless a credit application states a personal guarantee (or “Joint and Several Liability” form) is needed, leave the section blank or cross it out. If a lender needs one, they'll call you!
- Second, if they tell you they need a personal guarantee, ask them two questions – #1 “*Will this account also show up on my personal credit?*,” and, #2 “*Can I personally guarantee this application without you pulling my personal credit?*” How you proceed is your discretion. Remember, too many hard pulls of your personal credit reports affects your FICO scores. And, while a few accounts showing up on both your business and personal credit reports isn't an issue, having too much double exposure makes it harder to get more business credit later!

- Third, consider having other officers or partners in your company share the burden of personally guaranteeing credit applications, proportionate to their company ownership or involvement.

People report having better luck getting around the personal guarantee requirement with most lenders I mention in this chapter. However, your results may differ – especially if your business has thin credit files, is in a volatile industry, has unverifiable revenue or is under two-years-old.

Now, let's move on to the business credit application!

How to Find Business Credit Applications And the Best Way to Apply

So you want to apply for a revolving account with a large retailer. Easy, right? Not always! You'd be surprised how difficult most commercial credit applications are to find.

Take Target for example. To find the application for a business REDcard, first you have to click on the credit card link at the top of their home page. Then, tucked-away at the bottom-left side of the page is a link that says “Target Business Card.” It's easy to miss!

Save yourself time and frustration! Google “*company name* business credit card” to learn if a merchant offers commercial credit and how to apply.

Most companies won't let you apply for their commercial cards online. You'll have to print and fax them. Even if you can apply online, I advise faxing your application. That's be-

cause many online applications won't let you proceed without completing the personal guarantee section.

Applying in-store is best because you're more likely to be approved – and get approved for a higher credit limit. Not to mention, you can usually use your credit line the same day!

What to Look For on a Revolving Credit Application

In a moment, you'll apply for your first revolving credit line. But, first things, first...

Do your due diligence and thoroughly inspect each credit application you fill out. Here's what to look for:

- Confirm it's a business credit application. All commercial credit applications ask for a Tax ID (or EIN) number, whereas personal credit applications ask for a Social Security Number. Business applications also ask how long you've been in business, how many people your business employs, etc.
- Make sure it's an application for revolving credit. Read the Terms & Conditions that accompany it for details. You can be certain it's a revolving credit application if it cites terms like “purchase APR,” “minimum finance charge,” etc. Not all large merchants offer revolving credit accounts. For example, Best Buy and Sears only offer purchase accounts.
- If the application includes a “Joint and Several Liability” section, it's the same thing as a personal guarantee.

Carefully read the application instructions to see if a personal guarantee is required. For example, Home Depot won't process your application without one.

- Watch-out for any “got-ya's” hidden in the fine print. Credit cards marketed to businesses with bad credit often charge exorbitant application fees and annual fees which are billed to the card at the time of activation. Always read the Terms & Conditions, first!
- Find out who issues the card, because you want to diversify your credit card holdings. Having several cards from the same issuer isn't bad – as long as they're not your only cards. The Internet is littered with horror stories from business owners who had all of their credit limits slashed, interest rates jacked-up or accounts closed by a specific issuer. The seven largest card issuers are Chase, Bank of America, Citibank, American Express, Capital One, Discover and Wells Fargo. Knowing who issues a card is helpful when you've been turned down for credit recently. You wouldn't want to apply for another card with them until you remedy the reasons for denial.

What Happens if You Get Turned Down?

You apply for your first revolving card, and – lo and behold – you're turned-down! What next?...

First – Ask for reconsideration! You'd be surprised how easy it is to turn a rejection into an approval. Call the lender and politely ask what they can do to get your application approved.

Put them in a position to find a solution – not reject you. Be prepared to answer probing questions about your business including what it does, how much revenue it generates, etc. Stress your passion for building your business's credit and using it responsibly.

Second - Learn from the experience! Just because you're turned down now, doesn't mean you'll get turned down again in three months. Credit-building takes patience and persistence! Common denial reasons (and how to fix them,) include:

- **High credit account balances:** Pay-down your balances and don't use more than 75% (but ideally under-50%) of your available credit on any account. It takes one to two billing cycles for payments to reflect on your company's credit reports. Even when you pay-off your balances in full each month, some accounts may show balances on your report(s) – especially if you pay-off balances *after* your monthly statements cut.
- **Too many inquiries:** Only hard credit pulls within the last twelve months count against you, and inquiries within the last six months are weighed heaviest. Wait for some inquiries to age off, then reapply. Also find out which credit reports lenders pull. That way, you can apply for two to three cards at the same time with lenders that pull different bureaus. Inquiries on your personal credit report are more of an issue; six or more in a year is considered excessive. On the business side, you can fly under the radar with three to five inquiries per month.
- **Insufficient credit history:** Open more Net 30 ac-

counts and wait for them to report on-time payments to the bureaus, then reapply.

- **Errors or mistaken identity:** Inspect your credit reports for any errors. Sometimes credit files of business's with similar names get merged. If that happens, ask for reconsideration and contact the credit bureau(s) immediately to get the inaccurate information removed.
- **Credit delinquencies:** Late payments, UCC filings, legal judgments and major defaults kill your company's credit scores. Consider opening (and strategically using) more Net 30 accounts to counteract the damage. If you can't get approved for anything, apply for asset-secured credit cards or loans (more on that later) and wait six to twelve months before applying for unsecured credit.

Third – Apply for something else! As long as you aren't turned-down because of a serious delinquency, merged credit file, excessive utilization (using over 75% of total available credit,) or excessive inquiries (over ten in the last twelve months,) it's safe to apply for one or two other cards. Just don't apply for more than two and don't apply for anything issued by the same bank!

Credit approvals are a numbers game – if you're approved every one out of three times, you're doing great! Get used to rejection! There's rarely a rhyme or reason to denials, so keep pushing forward.

While it's true credit inquiries temporarily bring-down your credit scores, it's better to apply for a few accounts around the

same time. That way, in twelve months, the inquiries drop-off together.

If you apply for two other easily-attainable accounts and are turned-down, wait three months and try again.

Which Revolving Accounts to Apply For – and When...

Just as there are stages to building credit, there's a hierarchy to applying for revolving accounts. You want to start with easily-attainable accounts, first, and work your way up...

STEP 1: Office Supply Store Revolving Accounts

Hands down, the easiest revolving credit cards to get (besides secured cards) are office supply store cards.

Only Staples and Office Depot offer revolving credit accounts. All OfficeMax cards were closed in May, 2009 by the bank that issued OfficeMax cards.

Staples and Office Depot revolving accounts are issued by Citibank, so apply for one card or the other. Once approved, you can apply for the other card three to six months later. If you're turned down for any Citi-backed card, wait 90-days before reapplying.

If your business passed the “credential check-up” at the beginning of this chapter, go ahead apply for one of them now.

Here are the application links:

Staples: www.SixFigureCredit.com/staples

Office Depot: www.SixFigureCredit.com/depot

You should be able to get both of these cards without a personal guarantee. Once you're approved for one of them, it's easier to obtain other Citi-backed cards later.

STEP 2:

Citibank-Backed Store Cards

Before proceeding your company needs –

- Established credit files with the three business credit bureaus
- At least one tradeline (Net 30 or revolving) with a credit limit of \$500 or higher. Remember – on Net 30 accounts – the credit limit that gets reported to the bureaus is based on your largest purchase, not how much credit a vendor actually extends to you.

If it meets these criteria, apply for another Citibank-backed commercial card such as:

Sunoco www.SixFigureCredit.com/sun

Shell www.SixFigureCredit.com/shell

Exxon/Mobil www.SixFigureCredit.com/exxon

Sears (Net 30) www.SixFigureCredit.com/sears

Tractor Supply www.SixFigureCredit.com/tractor

Home Depot www.SixFigureCredit.com/home

You can get most of these cards without a personal guarantee (except for Home Depot.)

If you're turned down, you'll have to wait 90 days before applying for another Citibank card (otherwise it's an automatic denial!)

You can also apply for a Capital One visa business credit card if you don't get anywhere with Citibank.

Be aware Capital One pulls all three personal credit reports, plus your business's credit reports. Their business credit cards also report to your personal credit, but that's a small price to pay to build credit. The upside is their cards are easily-attainable (even if they start-out with small limits) and their cards report to all three business bureaus.

www.SixFigureCredit.com/capital

Another card to consider is Northern Tool's revolving account, issued by HSBC:

www.SixFigureCredit.com/northern

STEP 3:

GE Capital-backed Cards & Key Bank

Before proceeding your company must meet the criteria from the last step, plus it needs –

- Ten or more open accounts (Net 30 and/or revolving)
- Five or more accounts reporting to Experian and Equifax
- At least one tradeline reporting a credit limit of \$2,000 or higher

Now you stand a better chance of getting approved for any card backed by GE Capital, which include:

Amazon.com	<u>www.SixFigureCredit.com/amazon</u>
Sam's Club	<u>www.SixFigureCredit.com/sams</u>
Wal-Mart	<u>www.SixFigureCredit.com/walmart</u>
Lowes	<u>www.SixFigureCredit.com/lowes</u>

GE-backed credit cards also report to your personal credit; however, it's worth getting a foot in the door by opening at least one account. They provide many financial products for small, medium and large business including lines of credit up to \$100,000 and custom commercial financing.

You also stand a good chance of getting approved for a Key Bank MasterCard (issued by CitiBank,) which includes an introductory rate of 0% APR and optional rewards:

www.SixFigureCredit.com/key

STEP 4:

Dell Business Credit

At this step, your company's highest credit limit should exceed \$5,000 and there shouldn't be any outstanding UCC fil-

ings against your company's assets.

If that's true, you stand a good chance of getting approved for Dell Business Credit (financed by CIT bank.)

Dell requires a personal guarantee if your business is under five-years-old, but they're generous with their credit lines.

For the application, visit:

www.SixFigureCredit.com/dell

Advanced Strategies for Leveraging Revolving Accounts to Build Credit Faster

While applying for credit in stages is crucial, *how* you use your open credit lines affects your approvals and beginning credit limits.

There's a credit-building saying that goes – “high credit limits beget higher credit limits.” You'll discover this truism (if you haven't already) during your credit-building journey.

If a loan officer notices your top three revolving limits are \$50,000, \$25,000 and \$25,000, they'd be foolish not to approve you for at least \$25,000! They trust your creditors did their due-diligence. After all, you don't get credit limits like that without effort. They view approving your company for a large credit line as less risky than extending the same credit line to a company with a highest tradeline of \$10,000.

That's why you shouldn't rush through the steps. Acquiring new accounts is important, but nurturing the accounts you have

is even more important. Here's the best way to do it:

- **Use Your Accounts:** Whether it's a \$10,000 or \$200 credit line, you must use it! Unused accounts don't report to the bureaus, which means they don't build credit. You don't have to use them every month – charging something small on them every three to six months is fine.

Also remember vendor credit lines report your largest purchase as your credit limit – not your actual limit. So if you're approved for a \$10,000 Net 30 account with an electronics store and you buy a \$2,000 computer, the credit limit that reports to the bureaus is \$2,000 – not \$10,000. Want to boost your overall credit limits?... Make larger purchases with your Net 30 accounts! Most revolving accounts report your actual credit limits, so there's no need to max them out to get your limit to report (nor should you!)

- **Don't Max-Out Credit Cards:** Carrying balances from month-to-month exceeding 50% of your available credit is bad; anything above 75% will get you many denials. Not only does high utilization bring-down your company's credit scores, but it also stifles your chances of receiving automatic credit limit increases.

You need to be particularly careful how you use your first tradelines since they'll have lower credit limits. Carrying \$1,000 in revolving balances isn't bad, but if all your credit limits total \$2,000, that puts you at 50% utilization! As long as you use low-limit starter accounts strategically, those \$200-limit cards can easily

bump-up to \$2,000-limit cards in months!

- **Ask for Credit Limit Increases Every 3-6 Months:** Most lenders will consider raising your limits based solely on your account history. Clarify whether or not they'll place a hard inquiry on your credit reports when considering your request. If they confirm it isn't a hard pull, you have nothing to lose and better credit to gain! Getting CLI's lowers your overall utilization and boosts your chances of getting approved for higher credit limits in the future. You can literally boost your credit limits thousands of dollars or tens of thousands of dollars with a few phone calls!

The Average Account Age Principle: How to Use it to Your Advantage

I've held out on letting you in on a powerful credit-building strategy until now – but there's a good reason for it! You have to learn the fundamentals, first, before learning the advanced strategies.

Used correctly, this strategy works miracles.

Before I reveal the secret, let's discuss your company's average account age.

Simply put, it's the average amount of time all of your company's purchase accounts and revolving credit lines have been open. To be more specific, it's the average age of all the accounts that actually *report* on your company's credit report. Not all vendors and lenders report to the three bureaus (or any bureau,) so your average account age may differ across reports.

It's an important number because it measures credit experience. 25% of your personal FICO scores are based on account history (and new accounts opened,) and business credit isn't much different. Take a look at the following fictitious example. Notice how both businesses have 10-year-long credit histories and the same number of accounts, yet different average account ages:

Bob's Widgets		Joe's Handyman Service	
Net 30 #1	10 Years	Net 30 #1	10 Years
Net 30 #2	10 Years	Net 30 #2	9 Years
Net 30 #3	10 Years	Net 30 #3	8 Years
Net 30 #4	10 Years	Net 30 #4	7 Years
Net 30 #5	10 Years	Net 30 #5	6 Years
Revolving #1	10 Years	Revolving #1	7 Years
Revolving #2	10 Years	Revolving #2	5 Years
Revolving #3	10 Years	Revolving #3	3 Years
Revolving #4	2 Years	Revolving #4	2 Years
Revolving #5	0 Years	Revolving #5	0 Years
Average:	8.2 Years	Average:	5.7 Years

Bob *built* credit strategically, – opening five Net 30 accounts and three revolving lines in the first year... And Joe *applied* for credit when his business needed it. The difference shows, doesn't it?

Bob's Widgets could add four brand new accounts and his account age would still exceed Joe's Handyman Service – 5.86 years versus 5.70 years!

Some people discover this concept and ask, “Why not open

a ton of accounts in the first year?” After all, it'd skew your account age upward for years to come.

One reason is because applying for too much credit in a short time span can trigger a “high risk” rating. Not only does this rating make it impossible to get new credit, but existing creditors may forcibly close your accounts, slash credit limits or take other adverse action.

Another reason is because too many inquiries within a 12-month span lowers your business's (and personal) credit scores.

That said, there's more leniency building business credit than personal credit. Applying for a combination of thirty Net 30 lines and revolving lines in your first year won't raise any eyebrows – as long as you space them out over an entire year. Doing the same with personal credit would cause damage!

My advice: don't apply for more than ten accounts in a three-month span. In fact, it's save to apply for three to five accounts in one sitting. That increases your chances of getting multiple credit approvals. If you're approved for one credit card and you wait two months to apply for another, you may get turned-down for having “too many new accounts.” Whereas, if you apply for both cards on the same day, neither lender would know of the other lender's approval.

Now you know how to apply for revolving credit, when and what to apply for and how to use them strategically. It's time to act!

If you haven't scheduled when you'll apply for revolving credit like I suggested at the beginning of this chapter, do it

now!

Building business credit takes time, but it's easy when you break it up into manageable pieces. And that starts with planning today. Writing reminders in your calendar (and following through on them) three, six, nine and twelve months from today goes a long way toward expanding your business's credit foundation.

Now, turn to the next chapter to learn how to get commercial bank loans.

CHAPTER 9

Business Credit Building Phase 3: Bank Loans

At some point, your company may need commercial loans for equipment or expansion. Unfortunately, you can follow all the preceding advice – opening revolving credit lines and Net 30 accounts – and still get turned-down.

That's because lenders want to see at least two paid-off bank loans before they'll consider your application.

Having paid-off bank loans on your company's credit report also makes it easier to get approved for bigger, better revolving lines and purchase accounts.

But there's an obvious challenge here... How do you get approved for your first two bank loans to begin with?

We'll explore a few methods in a moment. But, first, we need to discuss why your success hinges upon how good of a relationship you build with your company's bank. And – ex-

actly how to do that!

How to Boost Your Loan Approval Chances With These Relationship-Building Techniques...

It's easy to think of banks as large, cold corporations. But, they're made of up people with goals, fears, desires, frustrations, victories and setbacks – just like you.

You'd be surprised how many bankers will go the extra mile for you *when* you understand their motives and approach them from a human perspective – versus a transactional perspective.

Everybody wants to feel appreciated. After all, most don't get enough of it from their bosses or loved ones.

And, almost everybody feels compelled to “return the favor” when someone else does something nice for them.

These are basic motives that drive humans, and you can ethically use them to get more from your bank.

Here's how...

Set a goal to get to know the managers, bankers and tellers at your local branch on a first-name basis within the next month (if you haven't already!)

Consider how much more willing they'll be to go to bat for you when you've invested time and effort getting to know them.

You want to have “advocates” inside the bank – people who

will haggle with their credit underwriters for you to get better credit terms and higher limits.

Here are a few ways to turn ordinary bankers into advocates (and friends) –

- Always address them by their first name and use their name in conversation (just don't overdo it!)
- Ask them about their day and genuinely listen. Eye contact is important. Remember important details like whether they have kids, what hobbies they're into, etc. Write down these facts if you can't remember them!
- If possible, spark-up conversation by asking a question about something they shared with you during your last interaction – i.e. *“How was your Sister's wedding?”* *“You went on a vacation to the Bahamas recently, right?... How was it?”*
- Never yell at or insult them over a frustrating issue. While this is a no-brainer, it's amazing how many people lose their composure debating with bank employees over overdraft fees, check holds, etc.

If you're faced with a frustrating situation, handle it by approaching the branch manager, teller line manager or high-level banker, first. Often, tellers and bankers (especially new ones) can't waive fees or release holds without managerial approval, so asking them for help or arguing with them is pointless.

Always emphasize you understand they're following

company protocol, but you'd appreciate if they can do whatever it takes to resolve the issue because you've been a long-time customer, etc.

- When you open your bank account, send your personal banker a thank-you card *and* send a letter of commendation to their manager telling him or her what a great job their banker did helping you open your account. Can you see how powerful this is?

All this may seem like overkill, but I assure you it will pay dividends for years to come.

OK, now that you know why relationship-building is important and the correct way to do it, let's explore how get approved for your first bank loans...

The Easy "1-2 Punch Method" for Getting Business Bank Loans

This is the easiest way to get your first bank loan. If you have at least \$1,000 in cash, put it in a certificate of deposit (CD) and ask them to loan your business the same amount – using the CD funds as collateral.

While this seems counter-intuitive (after all, why would you get a loan if you have cash on hand), it builds credit fast. And having a bank loan reference will do wonders for your credit approvals.

If you take away just one thing from his book, it's this – you'll build credit faster when you're willing to invest money to build it.

Yes, you'll pay more interest on the short-term loan than the CD pays you. But it's part of the process.

You might wonder – *how long should I take-out the loan and keep money in the CD for?*

I recommend taking out a loan and putting money in a CD for the shortest time allowed. If your bank will do three months – even better!

That's because you don't want your cash tied-up for too long and you want to make sure the loan reports to the business credit bureaus.

It'd be very disappointing to tie-up your money for 6 or more months and pay interest on a loan – only to discover it doesn't build credit.

When and How to Apply for Bank Loans

You'll want to apply for your first bank loan about six to nine months into starting business credit-building. That's because it will help you build Net 30 and Revolving credit faster.

Most banks don't advertise secured loans on their web sites or in their brochures. You'll have to talk to your banker about your specific needs – i.e. getting a CD and securing a loan against it.

Before you get a loan using this method, ask your banker these questions:

1. *Which business credit bureaus will this loan report to?*

If they don't know or tell you “none,” get a loan from another bank. Community banks and credit unions are usually more accommodating.

2. *Will I be penalized for prepaying on this loan?*

You shouldn't pay extra fees for paying-off your loan early or making extra payments.

3. *After making on-time payments and paying off this loan, can you unsecure my next loan?*

Their answer shouldn't deter you from getting a loan, but it's helpful to ask at the outset. When you take out your second (or third) loan, you can remind them of their initial commitment.

The Loan Multiplier Trick

Remember how I said big credit limits beget bigger credit limits? Well, so it is with loans.

If – and only if – you have more than \$1,000 cash you can afford to tie up in a CD for a few months, by all means use it to get a bigger loan.

Here's why...

When creditors see a \$50,000 paid-off loan on your company's credit report, that's all they see. They don't see that you used \$50,000 in cash-based assets to secure it. So it looks really good on paper.

Now consider this...

When your company's credit shows two \$50,000 paid-off loans, imagine how easy it will be to get approved for five-figure revolving lines and six-figure loans – without collateral.

Suddenly you'll go from getting approved for \$1,000 and \$5,000 revolving lines to \$25,000+ revolving lines. And, you'll give your business the safety net and capital for expansion it needs in the form of \$50,000+ credit lines and so on...

Don't underestimate the power of strategically using cash to “buy” your company bigger, better credit lines.

There may be more at stake than you realize...

You see, many smart, hard-working business owners did the “right things” but still lost their companies in 2008 and 2009. Why?...

Because, instead of using their assets to build-up their credit lines *before* disaster hit, they let their money sit in the bank.

If they followed the advice in this chapter, they'd have two safety-nets:

1. The money they saved, and,
2. The credit lines they worked hard to build-up

I'm not suggesting credit is a bandage for everything. But, when your cash-flow is severely restricted by slow-paying customers, account write-offs and downturns in sales, having enough cash and enough credit means the difference between

survival and disaster.

Don't become complacent when times are good. Keep building credit. And when the economy is in the dumps, that's all the more reason why you should work harder to build credit.

The Next Step...

You now have a tested plan at your disposal for building business credit. When you follow these steps consistently, you'll be well on your way to building six-figure (or even seven-figure) business credit!

Your company's financial success now rests in your hands. Take action now!

If you read this book for content, now go back and map out a plan for implementing these strategies. Set deadlines. Put reminders in your calendar.

But also remember... Learning about credit building doesn't stop here. The more you learn, the greater success you'll have. Commit to investing at least two hours a month to learning more about business credit. By doing so, you'll have a greater edge than 99% of entrepreneurs.

I wish you much success!

APPENDIX A

How to Get a Merchant Account to Accept Credit Cards

Getting a merchant account is one of the most important – and least understood – elements of starting a business.

It lets your company accept credit cards. Money from sales is held in the merchant account and paid-out to your business (less processing fees and reserve fees) every few days or weeks by check or direct deposit.

Simple enough, right?

Not really. You see, while almost anyone with a heartbeat can get approved for a merchant account (albeit with high fees and bad terms,) not all accounts are the same and some credit card processing companies are nightmares to deal with.

Let's look at a few pitfalls – and how to avoid them...

Merchant Account Do's and Dont's

If you've been in business long enough, you'll get calls from salespeople wanting you to open merchant accounts with them.

My advice: stay off the phone!

Some will make false promises and lie to you just to earn a commission check. Always read the fine print before you apply for a merchant account. Watch-out for hidden fees and ridiculous terms. A company that tries to high-pressure you into signing up may not want you to read the fine print, so always do your due diligence. Google the company's name and see what comes up.

Also – and this is very important... Make sure your credit card processor approves you for a high-enough credit card processing limit

Many companies went belly-up because their sales increased rapidly, causing their merchant account providers to freak out and freeze their funds for 90 to 180 days while they investigate. Don't let it be you!

Also, some companies advertise easy approvals – but their accounts are useless if they only let you process \$10,000 a month in credit card sales, don't you agree?

In addition, they'll pull your personal credit when reviewing your application. If your personal FICO scores are below 600, your best bet is to talk to your company's bank – or use PayPal, Google Checkout or 2Checkout.

PayPal also offers a merchant account called “PayPal Payments Pro.” It costs \$30/month, and you'll pay anywhere from 1.90% + \$0.30 to 2.90% + \$0.30 per transaction.

How to Get a Real Merchant Account

If your personal credit scores are above 600, I recommend Intuit Payment Solutions – from the makers of QuickBooks.

They accommodate many types of businesses – from retail to service-based to online to direct mail. There aren't any long-term commitments or hidden fees and you'll pay around \$20/month, plus a competitive rate per transaction.

I like that they provide easy integration with QuickBooks and your web site (if you have one.)

To learn more about their merchant accounts, visit:

www.SixFigureCredit.com/merchant