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Spruce up your credit score

March 29, 2012

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Three years ago, after opening his Manhattan practice, gastroenterologist Alan Raymond received alarming news from a medical equipment supplier. The doctor's credit history was anything but healthy, with the vendor insisting that Dr. Raymond pay "cash only" for the equipment.

"I was embarrassed and ticked off, because I knew I paid my bills immediately and thought I should have a stellar credit rating," said Dr. Raymond.

Many small businesses are caught off guard by their credit score, paying dearly for not knowing about a poor rating or what triggered it. While an unsatisfactory score can chase vendors away, it can also hurt a company's ability to secure new customers. Design and construction businesses are especially prone to losing out on new projects if their credit history indicates a lack of financial stability.

Given today's competitive business climate, "if you're bidding on a job and are up against 10 great companies, then the firm reviewing the bids or hiring will look up everyone's business credit to knock out some of the bidders and help it make a decision," said Tracy Becker, president and founder of North Shore Advisory, a Tarrytown, N.Y.-based credit restoration firm that serves many companies and helped Dr. Raymond correct his credit rating.

Here are some ways for small businesses to protect and improve their credit scores.

Keep constant tabs on your credit rating.

As a standard practice, Ms. Becker said companies should subscribe to Dun & Bradstreet, Experian and Equifax services that allow firms to monitor their credit scores, which should be done on a daily basis. Annual fees range anywhere from \$200 to \$1,000, depending on the amount of information the selected product offers.

As Dr. Raymond tells it, he learned about his credit rating—and what was behind it—too late. After the supplier refused to extend credit to him, Dr. Raymond purchased his Dun & Bradstreet credit report and discovered that his previous association with another practice had hurt his creditworthiness. One of his former associates, who had handled the firm's bills, had questioned a flu-vaccination supplier about a shipment. This led to a protracted disagreement in which the vendor turned the case over to a collection agency.

"My credit was attached to that group even though I was no longer attached to it," said Dr. Raymond.

Pay bills on time.

This tip may seem obvious, but following it may require a big effort in today's economic climate. At the very least, Ms. Becker advises, firms should pay the largest unpaid bills immediately, since they "weigh heaviest on the credit score when payments are late."

Correct inaccuracies immediately.

If misinformation appears on a credit report, companies should notify all credit bureaus or hire a professional to help resolve the problem. Fees for such services generally range from \$1,000 for a one-shot credit improvement to an annual fee of \$5,000 for daily credit monitoring and updating.

Dr. Raymond said extracting his name from the previous practice and updating his credit report at several credit bureaus, including D&B, helped him improve his credit rating from poor to excellent. "I didn't want the score to come back and haunt me," he said.

This report originally appeared in **Crain's New York Business**.

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