



6 Ways to Make Use of Your Excellent Business Credit

By Tracy Becker

Credit is one of the most important aspects of your financial health. [Credit reports](#) and scores are used for both consumers and businesses to evaluate financial capacity and reliability.

When a business owner applies for a loan, lease, line of credit, credit card or vendor credit, their business credit and the principal's personal credit is usually reviewed. A company credit file includes the company profile (size, volume of sales, and identifying company codes) and offer a snap-shot of past and present payment experiences, outstanding debts, and public record information.

There are three main business credit bureaus: Dun & Bradstreet, Experian, and Equifax, in addition to several smaller agencies. These bureaus are tasked with gathering and reporting company information, then using a propriety algorithm they determine business credit scores and indexes based on data in the profile and industry statistics. Each bureau reports separately and offers more than one score with different ranges and determining factors.

It should be noted that personal credit and business credit are reported differently and the laws regulating business credit are much looser. The de-regulated nature of company credit reporting means that anyone can purchase business reports, executives do not need to give

approval or be made aware of the inquiry. This is one reason it's so important to maintain strong company credit, since anyone can get their hands on your reports and potential opportunities can be lost.

The process of building great business credit does not happen overnight. It can be a complex process that requires working with vendors and creditors who update payment information to the bureaus. The tough part is that most vendors **do not** report positive payment data. Building and managing business credit scores can be quite technical and time consuming, so once you have them, you should know how to leverage them.

1. Limit Personal Liability

Separating business and personal finances allows you to limit the amount of personal liability on [business debts](#). So, if your business was to close, you are not left paying off old company debts and those debts won't impact your personal credit score. By keeping your finances separate you can keep your personal credit available for personal finance goals. If you rack up business debt on your personal credit, it will prevent you from gaining a mortgage or car loan due to high debt obligations.

2. Reap Greater Rewards

Business credit cards usually offer much better rewards, business perks, and higher lines of credit than personal cards. Of course, these rewards are only worth it if the card is used responsibly and all payments are made on time. Most business cards will require a personal guarantor no matter how great your business credit is, but you can find issuers that only report positive payment history to business credit. However, if you default on an account that you signed personally on, you can expect it to report negatively on both your business and personal reports.

3. Apply for Loans

With great finances and strong credit, you'll likely qualify for the holy-grail of business loans, like [SBA loans](#), low interest lines of credit, and overdraft accounts. You will also have the best opportunities and payment terms available to you through creditors and vendors. By showing established and strong business and personal credit you will be an A+ in eyes of lenders and win better terms.

4. Stay Ahead of Competition

By maintaining the best reputation, you can stay relevant in your industry and [one step ahead of your competitors](#). Business credit profiles can be reviewed by anyone who is interested and wants to gain insight into the company's financial health.

For instance, when bidding on a contract, business credit is qualification 101. If your business credit is reviewed and marginal your bid may be discarded based on a poor presentation of your business to the viewer. By maintaining the best reputation, you can stay relevant in your industry and one step ahead of your competitors. Competitors can present a copy of their better business credit when bidding for a job against your company or post their Dun & Bradstreet D-U-N-S number on their website exuding confidence and sophistication to those showing interest.

5. Maintain Relationships

As mentioned, great business credit makes you a lower risk borrower, meaning creditors will be more open to working with you. It also makes you a lower risk partner and supplier. Current vendors, suppliers, partners, and creditors will check reports before approving your company and periodically during the relationship to make sure you are still worth the risk.

For instance, it is common practice for major retailers to review one of their supplier's business partner's credit, it is felt that a weak link can cause risk to others. Be careful who you work with because if they have negative credit history it can reflect negatively on your company. Many large retailers have credit thresholds that their partners must pass to continue a working relationship.

6. Plan for the Future

You have been lucky enough to run a successful company for 30+ years, now you are winding-down and [ready to sell](#). Having great business credit will help increase the value of your company and impact whether the risk is taken to purchase it. On the other side, if you are buying a company and do not review the business credit reports and scores thoroughly you may find out down the road that the prior owners passed a horrible business credit profile on to you. This happens often when new ownership is ready to expand the business by applying for loans and lines only to find themselves rejected by the lender.

Business credit is often valued only in its absence. To be able to take advantage of these opportunities and nurture growth for your company, you must be able to recognize the value in having established business credit. Knowledge is power when it comes to business credit.



For 30 years, Tracy has owned [North Shore Advisory, Inc.](#) a credit restoration and monitoring company specializing in business credit repair, building, and monitoring services & consumer credit services. Tracy is a “FICO Certified Professional” and a “Certified Credit Expert Witness,” she educates clients and professionals nationally, has written two books, and has contributed to dozens of publications.