



# Small Business and Personal Credit



# Introduction

## Purpose

- Understand the basics of personal and **business credit** reporting
- Recognize the value of having **positive** personal and business credit histories
- Understand how your **personal credit** can affect your ability to get credit for your business and how your **business credit** can affect your ability to qualify for personal credit
- **Learn to manage** both your personal and business credit to help your business (and you) succeed

# What is a business credit report?

Much like personal consumer credit report

Your **financial references**, which help potential creditors make decisions about doing business with you

References are provided by those with whom you have established **credit relationships**, such as:

- Suppliers
- Wholesalers
- Manufacturers
- Banks
- Leasing companies
- Other financial institutions

More than **25 million businesses** in the U.S. have established credit relationships



# Your business credit report

## Identifying information/company background



- Company name
- Key personnel
- SIC code
- Business type (i.e.. Incorporated, LLC)
- Address
- Phone number
- Date of incorporation
- Years in business
- Number of employees
- Sales

# Your Business Credit Report

## Payment information

- Current Days Beyond Terms
- Payment Trend Indicator
- Lowest 6 month balance
- Highest 6 month balance
- Current total account balance
- Highest credit amount extended
- Median credit amount extended
- Individual account information
- Inquiries
- Public records





# Your business credit score

Like personal credit reports, your business credit report is often scored to help **evaluate risk** and **streamline** the application process

Can be purchased with the business credit report

Experian's reports are scored by **Business Reports Intelliscore Plus**:

- 0 - 100 scale
- Higher score = **lower risk**
- **Risk factors** describe what is negatively impacting the score

# How do you establish a business credit report?



Ensure creditors and suppliers can **validate** your business information:

- Incorporate or **form an LLC** (Limited Liability Company)
- Obtain a federal **Employer Identification Number**
- Open **business bank accounts** in your legal business name
- Set up a **dedicated business phone line** and make sure it's listed
- Establish credit with companies who **report trade and payment information**

# How can I obtain my small business credit report?

Order a copy of your **business credit report** at one of two websites:

[www.smartbusinessreports.com](http://www.smartbusinessreports.com)

[www.experian.com/businesscreditreport](http://www.experian.com/businesscreditreport)

If you have been **declined credit within the last 60 days** based on information provided in your Experian business report, you may get a **free copy** by contacting **Experian Commercial Relations** at (888) 211-0728.

You may purchase a scored report.

# How can you monitor your own business credit report?

Check your business credit report frequently to ensure that the information is **accurate and up-to-date**.

Order a one-time report from Experian, or sign up for business credit monitoring service called **Business Credit Advantage**, which provides:

- **Unlimited access** to your report and score
- **Email notification of changes** to your business credit file
- **Early warning** of negative changes or business identity theft



# Are your business credit report and your personal credit report linked?

No. But they can be related. . .



. . .if you secure business debt with personal credit.

# The role of personal reports in business credit

The Fair Credit Reporting Act (FCRA) allows lenders to **review for business lending purposes** the personal credit histories of:

- a proprietor of an unincorporated business
- a partner in a partnership
- a guarantor of a business loan

Personal credit information must be used **solely for a business credit transaction**

Securing business debt with personal credit makes you **personally responsible** and gives lenders the right to report the account and any missed payments in **both your personal and business credit reports**.

Your personal credit report and your business credit report may be scored by using **one of hundreds of scoring models** available to lenders that help them evaluate risk.

# How can your business and personal credit reports be used together to benefit your business?

## More than 90% of U.S. businesses are small

- Fewer than 25 employees
- Less than \$20 million in annual revenues
- Small businesses may have little or no credit history upon which to base a decision
- Half of all owners use some form of personal credit to finance their small businesses

Personal credit history acts as a “reference” for entrepreneurs. Once established, your business credit report can influence:

- Suppliers’ willingness to extend credit
- The loan amount and terms
- Business insurance premiums

# What happens if I feel information on my Experian business report is wrong?

- First, obtain a copy of your business credit report at [www.experian.com/businesscreditreport](http://www.experian.com/businesscreditreport) or [www.smartbusinessreports.com](http://www.smartbusinessreports.com)
- Incorrect demographic information can be updated at [www.businesscreditfacts.com](http://www.businesscreditfacts.com).
- All other disputes must be **submitted in writing**. Instructions are provided with your report.
- This dispute resolution process typically takes less than **30 days**
- Monitor your business credit report for changes over time
- To **speak with a representative**, contact Experian's business credit helpdesk at 800-303-1640.



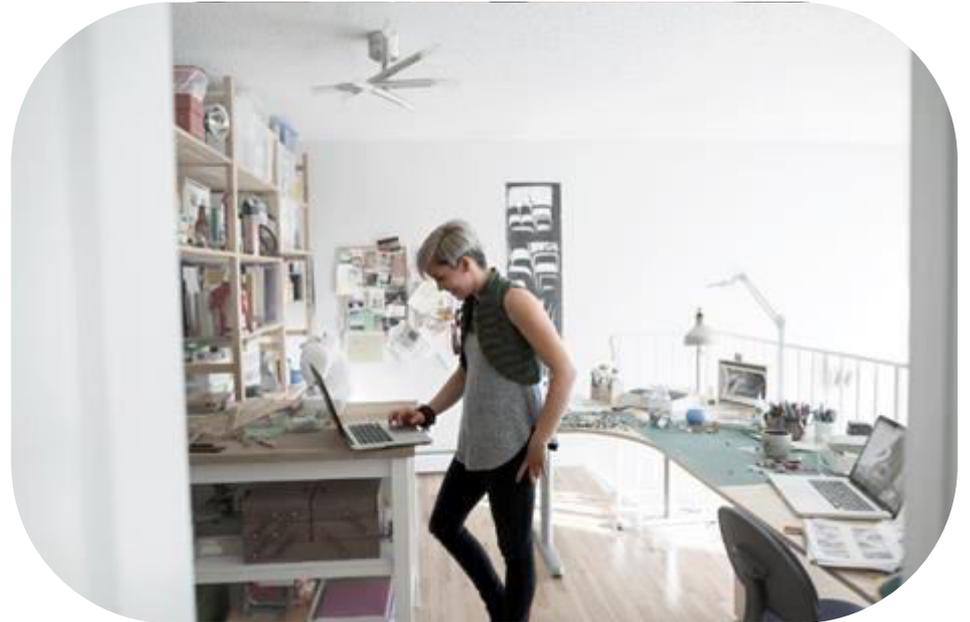
# How does the dispute process work for my personal credit report?

- Obtain a copy of your **personal credit report** directly from Experian
  - One report free every 12 months at [www.annualcreditreport.com](http://www.annualcreditreport.com)
  - Follow instructions from lender if adverse action is taken
  - Subscribe to monitoring service or purchase an individual report at [www.experian.com](http://www.experian.com)
- Credit reporting company verifies with the source of the information (creditor or court)
- Must allow **30 - 45** days for processing
- Source **verifies, corrects or updates**
- **Secure electronic mail** system is used
- Creditors **required to report corrections** to all databases
- You can add a “**statement of dispute**” if you disagree with the results of the dispute

# How long is information kept on my business credit report?

Experian uses standard **industry and government guidelines** for keeping data on file. **Expiration dates** for data ensures that the information presented in a report is current enough to create an **accurate picture of financial health**.

- Trade Data: **3 years**
- Bankruptcies: **10 years**
- Judgments: **7 years**
- Tax liens: **7 years**
- UCC filings: **5 years**
- Collections: **7 years**
- Bank, Government & Leasing: **3 years**



# Resources

Experian Business Credit Reports  
[www.experian.com/businesscreditreport](http://www.experian.com/businesscreditreport)

FACTA Free Credit Report  
[www.annualcreditreport.com](http://www.annualcreditreport.com)

Experian Credit Education  
[www.experian.com/credit-education](http://www.experian.com/credit-education)

Ask Experian  
[www.experian.com/blogs/ask-experian/](http://www.experian.com/blogs/ask-experian/)

BusinessCreditFacts.com  
<http://www.businesscreditfacts.com/>

Experian Business Score Planner  
<http://sbcx.experian.com/scoreplanner>

The Score Planner Tool can be used to develop a strategy to enhance your business credit score and increase your company's access to capital

### Business Credit Score Planner™

ADVANCED INTERACTIVE COMMON SCENARIOS

**68**  **Medium-Low Risk** **VS** **Get your ACTUAL SCORE** 

Your Estimated Score

The values below were used to calculate your estimated business credit score. Edit your values in the fields provided and see how it changes your estimated score. Then, get your actual score by selecting the button above.

**Years in Business**  Original Value: 3 to 5

0 - 1	1 - 2	3 - 5	6 - 10	11 - 15	16 - 20	21 - 25	26 or More
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**Inquiries (business credit checks or applications)**  Original Value: 3

4 or More	3	2	1	0
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**Collections Amount**  Original Value: \$0

5 or more	3 - 5	2 - 3	1 - 2	0
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**Open Lines of Business Credit**  Original Value: 3 or More

0	1	2	3 or More
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**Credit Used**  Original Value: 90% or More

90% or More	70 - 89%	50 - 69%	30 - 49%	10 - 29%	0 - 9%
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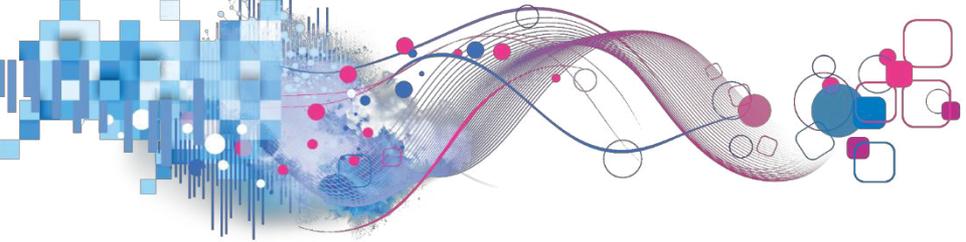
**Reset**



## In conclusion

Grow your business with **good credit practices**

- Maintain a **distinctly separate** business credit profile
- **Stay current** on payments to creditors
- Ensure that your **good payment history** is reported to the credit bureaus
- **Monitor your business credit profile** to detect issues or fraud
- Use business credit reports to **limit your risk** of doing business with others



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